Is recession fuel for the staffing industry?

- Corporate views on staffing in times of recession

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ABSTRACT

At the time of writing, the business world is currently recovering from a recession that struck globally in the late 2008. The financial crisis brought many consequences, not least in the labor market. In meantime, media is reporting of the increasing trends of companies outsourcing their employment needs, by using staffing companies. Could it be that there is a correlation between the recession and the companies’ choices to do so?

By revising literature on the topic we have found that the companies need for flexibility seem to be their main reason for using staffing companies. We have also come to review the first reports on the current increase of staffing company use in the US claimed to be caused by the current recession. Regarding the recession, we have come to find that it does have a structural impact on the labor market according to literature. An impact, that many claims is not temporary, but is here to stay.

We have departed from retroduction with a touch of abduction when investigating our research problem. In practice, we have conducted a study based on surveys where we have asked 37 people in managerial positions at the top 100 largest employers in Sweden about their views on the recession and their attitudes towards the staffing industry. In addition, we have conducted an interview with a manager from a staffing company in Sweden to get another view on the use of staffing companies.

The findings of this study include; even though several references in this paper forecast rapid growth during times of expansion for the staffing companies, this is not reflected within the responses in our sample. The companies perceive the situation of temporary staff as being better than what some theory suggests. There is reason to suggest that large companies that use staffing companies are moving towards a permanent need of temporary labor, and the respondent of such companies generally perceive staffing companies as a good option for mitigating labor-associated risks.

It is difficult to draw definite conclusions based on our findings. We have opted to give the reader some insight as to how the companies perceive the staffing industry, and how a manager of a staffing company perceives its current state. We would like to encourage further research to use the questions and suggestions raised in our paper to conduct tests in the area of temporary staffing from a corporate perspective to nourish the debate in the society with a scientific point of view.
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CHAPTER 1

Introduction

In this chapter, we will give an introduction to our chosen area of research. The chapter will then continue with our research proposition, the purpose of the study and the chosen perspective. Finally we will give some explanations for the demarcations and limitations made.

1.1 CHOICE OF SUBJECT

In the area of management, the past couple of years have been offering a range of managerial issues connected to the financial crisis. As business and management students, we have come to find an interest in studying the matter of economic fluctuations’ impacts on managerial decisions in corporations. The choice of subject has hence been to further investigate the managerial decisions concerning the work force in times of recession, and in particular the views upon services offered by staffing companies.

1.2 BACKGROUND TO RESEARCH PROPOSITION

The financial crisis struck the world in 2008. Based on historical consequences of financial crises (Reinhart & Rogoff, 2009) a period of increased unemployment was to expect. The consequences of the crisis in Sweden are so far contrasting. Some regions have faced increased unemployment whilst others are not as affected. The confederation of Swedish enterprise has published an article in which it is mentioned that many companies have been damped down and that the catastrophe is being avoided. (www.svensktnaringliv.se) The companies have been facing some difficult decisions to handle their situations. The labor market in Sweden is, however, regulated by laws and union agreements to give the employees employment security, which have to be considered by the companies when decreasing their labor force. A rather new word, “flexicurity”, has been developed from a Danish example where the employers demand for flexibility and the employees demand for employment security have been combined. In short, it makes it easier for the companies to hire and fire their employees whilst there are more possibilities for the unemployed to get financial aid. (www.eurofound.europa.eu)

In the meantime, the staffing companies seem to become more successful than ever, offering flexible solutions to the employers. Allan argued back in 1999 that the temporary staffing industry will remain important for a long time to come (Allan, 1999). He claims that downturns in demand will force companies to lower production – and its associated workforce. Permanent employees can be difficult to lay off, both legally, economically and
emotionally. This is why, he claims, many companies keep a ‘buffer’ of temporary staff, which can be reduced without too many complaints.

On the 20th of January 2010, the Swedish television channel SVT was broadcasting a program called *Uppdrag Granskning* (Mission Scrutinize, author’s own translation). For one hour we were served interviews and information concerning the emergent use of staffing companies in Sweden. This was not the first, nor the last time we as authors have been recognizing the subject in media, but it was probably the one time that made us think about the need for more research on the matter.

We perceive two distinct views on these companies from the general public; some believe that these companies provide benefits for the employees as well as increasing the flexibility of their customers (see for instance: “Skyll inte på bemanningsföretagen” [www.tcotidningen.se](http://www.tcotidningen.se)) while others believe that staffing companies are detrimental to the labor laws of Sweden (see for instance “Bemanning hotar din anställningstrygghet” [www.pitea-tidningen.se](http://www.pitea-tidningen.se), “8 av 10 beredda strejka mot inhyrd arbetskraft” [www.dn.se](http://www.dn.se)). We believe that this debate makes the attitudes towards staffing companies worthy of investigation. Indeed, these are just a few examples of the comments that have been published in what can accurately be described as a raging debate.

Houseman (1999) discusses the flexible staffing arrangements debate in an article that we will return to in the theoretical part. She mentions that it, on one hand, is argued that there is a widespread perception that flexible staffing arrangements have become a growing industry which is troubling and unbeneﬁcial for the workers whilst allowing ﬂexibility for the employers. On the other hand, she says, some counter that the staffing company phenomenon is small and proﬁtable for both workers and companies. In another article, Houseman et al (2003) have shown that hospitals and car manufacturers have used temporary labor to a greater extent after the economic crisis of the 1990’s, and that an increase in the employment during economic expansion should be expected. The temporary workers were used both to fill temporary positions and permanent ones.

We believe that the ramifications of the current financial crisis have not been explained satisfactory due to its recency. We can see an increasing amount of research being published lately that addresses the area of recession and the labor market. We do, however, think that there is a gap in the research treating the emergent use of staffing companies due to recessional impacts on the companies in regulated labor markets such as the one in Sweden. With economic crises come drastic changes in labor needs, and these changes may in turn affect employment rates and structures. We do not know how Swedish companies think regarding these matters, and whether the staffing industry can expect a rapid growth during the expansion of the economy.

Could it be that the financial crisis takes part in making employers become more open to alternative solutions regarding their labor force? What are the employers’ attitudes towards staffing companies today? Has the financial crisis an effect on their attitudes? These conditions have made us come up with a purpose and a research question for our study:
1.3 Research Question:
What attitudes may employers hold towards staffing companies? Have the attitudes changed during the current financial crisis?

1.4 Purpose:
The purpose of this study is to investigate the current economic crisis’ effects on the employing organizations’ attitudes towards the usage of staffing companies. We will investigate whether the employers’ experiences regarding the economic crisis have affected their reasoning regarding staffing company solutions. We have opted to investigate this from the employing employers’ perspective. Thus, we will not examine how customers or other stakeholders approach this issue.

1.5 Delimitations and Limitations of Our Study

Creswell (2003, p. 147-148) claims that two parameters are useful when expressing the limits of the focal study. Delimitations show the scope of the study, while limitations show its shortcomings.

The study will focus solely on Sweden’s 100 largest employers. It is entirely possible that different results could be obtained if other countries were to be included in the study; however, we believe that Sweden is a sufficiently large country to hold a great variety of companies in terms of sizes and industries.

To narrow down the study further, we have chosen to focus on the largest employers in Sweden. This is because we believe that the largest employers dominate a large part of the labor market and that their opinions are important for the trends in the society. Despite their small number, they possess a powerful position with consequences depending on their decisions. We also think that this category of employers is likely to have experiences from using staffing companies. No distinction has been made whether they are private or public, as we would not like to investigate a difference between these two groups of enterprises.

1.6 Summary

In this chapter, we have explained why the chosen subject of recession and managerial decisions on using staffing companies lies within our area of studies, as well as in our area of interest. We have been giving a background to the research proposal that explains the debate concerning companies’ emergent use of staffing companies. In short, the media is reporting of pros and cons of the staffing industry. We find that the debate has escalated somewhat recently. We have identified a gap in the research; viewing this emergent use of staffing companies in light of the ongoing recession and the labor market in Sweden. Our research proposal has been presented along with a purpose to investigate employers’ attitudes towards staffing companies and the recession’s effects on them. We have also been explaining the demarcations in theories and limitations of our sample in order to narrow down the area of
research to a specific area that is possible for us to examine. We have chosen to focus on Sweden’s top 100 largest employers.
CHAPTER 2

Research Method

In this chapter, we will describe our preconceptions, our ontological and epistemological approaches and our research method. We will also address our choices concerning perspective, research area, research approach and its impact on the practical method. Information on how we have collected secondary data will be given in the end of the chapter.

2.1 OUR ANTECEDENT KNOWLEDGE OF THE ISSUES

Hartman (2004, p. 191) claims that antecedent knowledge is knowledge that a person carries with her/himself and is used to interpret different entities, situations etc. According to him, it is impossible to completely disassociate oneself from this understanding. We are aware that our preconceived ideas regarding the issues of, for instance, the Swedish job market and staffing companies might pose problems regarding, for instance, which issues we address, how the survey is conducted, and how the results are analyzed. However, by being aware of such potential problems, we may be able to mitigate our individual biases to a greater extent than if they were not taken into account.

Both authors have kept up to date with the developments of the current international financial crisis. We believe that this crisis has had a great impact on several aspects of the corporate climate in the world. We have seen its severe ramifications on the Swedish society as a whole, with rising unemployment rates being one tangible example. We believe that economic instability will positively affect the demand for flexible staffing options. Hence, we believe that a change in the attitudes of companies related to the benefits and drawbacks of using staffing companies can be found. Both of us have completed bachelor’s degrees in business and economics, which has given us plenty of insight into how corporations are, and should be, run. This implies that we are used to an executive perspective on organizations, which is likely to influence how we perceive matters regarding such entities. One of the authors has experience from both staffing companies and the practical side of Human Resource issues, and this provides us with both valuable experience as well as some preconceived notions about these areas.

Both authors have been following debates regarding staffing companies and their impact on labor standards in Sweden. As explained in the introduction chapter, the purpose of this study is to determine the attitudes towards staffing companies. It would be frivolous to discard the impact that our knowledge of these matters may have on how we interpret our findings and pose our questions.
2.2 PARADIGM, ASSUMPTIONS AND APPROACHES

In science and philosophy it is often talked about paradigms. The researcher and author, Lindholm (2001), says that one of the best descriptions of a paradigm he had ever heard was given by Ulla Holmqvist in a radio show called the world of knowledge (authors’ own translation):

“Paradigm, she said, is the common agreement upon reality” (authors’ own translation) 
(Lindholm, 2001, p.14)

Lindholm also gives his own suggestion of a paradigm conception:

“A research paradigm is a collection of conceptions and norms that are within a research communion and that affect what to do research on, and how to do it” (authors’ own translation)  
(Lindholm 2001, p.20)

Lindholm suggests that the paradigm should offer the researchers guidance throughout the process of choosing a research problem, theories, etc. As mentioned in the citation above, the paradigm should not only have a role in the choice of research area, but also suggest the research approach that is to be used. (Lindholm, 2001 p.20) Our current paradigm will be presented in the preceding chapters.

2.2.1 ONTOLOGICAL ASSUMPTIONS

The assumptions about reality are in philosophy referred to as ontological assumptions. (Lindholm, 2001 p.34) We, as authors, believe in an existing reality that can be measured. At the same time, we think that the perception of reality might differ depending on the observer, and that this is certainly the case when examining attitudes of individuals. As human beings, we find that we do rely on our own subjective perceptions of reality. It is hence necessary to find ways of expressing and measuring reality in order to agree upon it. We also find it important to be aware of one’s subjectivity and limits in perception when attempting to explain reality to others.

2.2.2 EPISTEMOLOGICAL ASSUMPTIONS

The assumptions about knowledge are in philosophy referred to as epistemological assumptions. The nature of the research problem, the researchers view on knowledge plays a vital role when choosing method. (Johansson-Lindfors, 2001, p.55) The chosen method in return plays an important role for the result of the study. Starrin & Svensson (1994, p.51) claims that when aiming at obtaining scientific knowledge the chosen method plays an essential role. We would hence like to explain our view on knowledge in the following paragraphs and its impact on our methodological choices throughout this paper. We will first give a brief background to the area of knowledge.

In history, the human beliefs found in the western world today have passed different stages; from the ancient Greek time where no distinction was made between science and philosophy to the promotion of physics as an ideal in science, to more recent qualitative research
approaches. (Gustavsson, 2002, pp. 59-64) The two most common views on knowledge presented in the literature today are positivism and hermeneutics. These two views are not only representing differences in the view of knowledge but do also represent different views upon its very existence. (Andersson, 1979)

In positivism, it is important to find what is real in an objective manner, rather than what is imagined in a subjective manner (Lindholm, 2001, p.54). The aim is often to be able to draw general conclusions from the research which requires that the researcher do not pay attention to the specific endeavors of one particular phenomenon. (Andersson, 1979, p. 39)

In hermeneutics, the aim is to interpret phenomena in order to create understanding. (Lindholm, 2001, p. 72) There are fewer rules in the hermeneutic approach but a common method is to change focus between parts and totality. (Lindholm, 2001, p.77)

Without aiming to place ourselves within one paradigm or another, we would rather like to present our very own view of knowledge and in what regard they correspond to the mentioned paradigms. In one regard we believe that there is an objective truth as mentioned within the positivism, one that can be measured. We think that there might be some gains in hypothesis testing for instance, to backup beliefs with measurable proof. However, we do also believe that knowledge can only be gained in a subjective manner, by each and everyone’s subjective comprehension. To us, objective existence does not exclude subjective comprehension. We do hence believe that measurement as such is a mean for transferring objectively existing phenomena into subjective knowledge by using such a system that we all have agreed upon.

What is important to stress is that we believe that some phenomena are rather more suited for measurement whilst others are more suited for interpretation; positivist approaches are not always satisfactory when dealing with social constructs. We do not want to claim that either of these two are superior but could rather complement each other in the human strive to investigate its environment and existence. For our study, where we would like to take a look at influences and trends, we believe that measurement and objectivity plays central roles in the work of gaining appropriate scientific information; however, we also aim to find a deeper understanding behind the observations we make. Hence, we also use interpretation in our strive to better understand the research phenomenon.

2.3 Perspective

In social science, the perspective is often expected to bring both practical and theoretical benefits. (Johansson Lindfors, 1993, p.13) In this study we have chosen the perspective of the companies, as we believe that the study might benefit those whose decisions have impact on the development of use of staffing companies in the society. We do furthermore think that the study might be of interest for the staffing companies as well, but the perspective will remain that of the companies. We would like the findings to be beneficial to those in HR positions and believe that the report as such will be of more practical use than theoretical. We will consequently try to present our findings in a way that will be easy to comprehend for practical use. We chose to complement this perspective with the view of an employee of a staffing company, to find anecdotal evidence explaining the observations that we make.
2.4 The Area of Research

In our research we would like to investigate large companies’ attitudes towards using staffing companies during the financial crisis. We think that there might be several other unknown factors that also could have an impact on the companies in this matter. Our aim is, however, only to find out whether there is a link between the recession and the company attitudes towards the using of staffing companies. Such a result would indirectly show that the recession has an impact on the staffing industry. We are, however, not interested in studying it from a microeconomic angle but from a business angle, where managerial decisions are of interest. The theories in the next chapter are treating the recession’s impact on the companies, their relation towards staffing companies and the nature of staffing services. Figure 2.1 below is picturing the area of research.

![Figure 2.1: Our own model on the area of study.](image)

2.5 Theoretical Method

In research the two most common theoretical methods are induction and deduction. Induction means that the researchers use their empirical findings to create new theories whilst deduction means the quite contrary, testing existing theories by searching for support for them in the empirics. (Johansson Lindfors, 1993, p.55)

The chosen approach should correspond not only to the aim of the study, but also to the epistemological beliefs of the researchers. The common correlations between those are that hermeneutic researchers more often use induction as method, whilst positivists use deduction. (Johansson Lindfors, 1993, p.55)
As we in regard of epistemological beliefs find ourselves believing that both objectivity/ measurement as well as subjectivity/interpretation plays two different but important roles in science, our choice of theoretical approach is not obvious at face value. We hence have to let the nature of our research problem guide us in the choice of research method. As we would like to investigate influences and trends, we believe that a more deductive approach may suit us where we could use hypothesis testing. This way we might be able to find support for a trend. In literature, another research method called abduction is mentioned. This method resembles deduction in the regard that it is trying to find an explanation to phenomena. However, the findings do not entail the conclusion; they rather come up to that the conclusion is likely. (Pritchard, 2010) We think that abduction in this regard would be more accurate for us, as it might be hard to prove the very cause of a phenomenon without conducting an experiment. However, we find some other limitations in the design of the deductive approach which makes us prefer yet another approach that resembles a mixture of deduction and induction, namely retroduction (Östgren & Müllern, 1996). This means that we have departed from observation of the staffing phenomenon in our search for explanatory theories, which we again will go out in the society to test for verification. The problem development process contains both theoretical and observational elements, which is believed to make the hypothesis reasonable. (Östgren & Müllern, 1996 p.15) Retroduction could, according to Östgren and Müllern (1996, p.19-24) perhaps be better suited for studies within social science than are induction and deduction. To this we would like to add a touch of abduction, meaning that we are searching for likely explanations rather than perfect explanations.

2.6 COLLECTING SECONDARY DATA

According to Backman (2008, p.28), before the empirical scientific work can begin, the scientist must create an understanding of the previous findings within his or her particular research field. The literature review will make the researcher aware what the current research paradigm is, as well as where gaps of knowledge exist. This will, in turn, show the relevance of the particular study.

For the chapters related to scientific methodology in this paper, we have used books without exception. Even though we recognize that the scientific weight of these references is lower than for scientific articles, we believe that the information gathered here can be trusted. The authors of these books (for example Alan Bryman) are well-distinguished within their field, and some of the contents of their publications are recommendations. Thus, these parts of the books cannot really be questioned with regards to factuality. When claims are made about the definitions and the nature of different methodological choices, we need to trust that the authors are knowledgeable in their own field. Their books are, after all, used in methodology classes all around the world. Furthermore, we have attempted to vary the sources from which we base our scientific approach, since we believe that this will strengthen our argumentation.

As for the theoretical chapter, we believe that the most current and reliable information in each field can be found in scientific journals. There is indeed no shortage of information to be discussed, and we have tried to dissect and discuss the different views on topics such as staffing companies, the financial crisis etc. We have merely used well-renowned databases, such as the Business Source Premier (EBSCO) and Emerald Fulltext for this purpose. In a few cases, we have been using internet sources. Many of them are publications that we find
somewhat trustworthy, but we also include newspapers etc. whose information should be treated with a degree of caution.

We have chosen to use a lot of data from the U.S in the theoretical chapter. The reasons for this are twofold. First, we believe that the American Staffing Industry is in a more advanced state than the Swedish one, and this is reflected in the amounts of research focusing on these issues in both countries. Second, in places where we were unable to find Swedish data, U.S statistics were perceived as being better than no data at all.

2.7 IMPLICATIONS FOR THE PRACTICAL METHOD

In line with our assumptions and chosen methods, we will conduct both qualitative and quantitative research, with focus on the latter. This means that the quantitative study will give us some insight into what the companies’ views on workforce agencies are, while the qualitative aspects of our study will mirror these findings from a different perspective. We chose to focus mainly on the quantitative study, and let the interview guide rise from this study. The purpose of putting the weight of the study on the quantitative part of the study was in order to be able to detect patterns and trends within the sample. We will give further details of our development of a survey and an interview in the practical method chapter.

2.8 SUMMARY

In this chapter, we have explained our antecedent knowledge along with our ontological and epistemological assumptions. As we cannot place ourselves within one specific paradigm, we have attempted to describe our own assumptions where an objective reality and subjective comprehension does not exclude one another. Our chosen research approach resembles reproduction with a touch of abduction, as we find it in line with our assumptions and well suited for the social scientific nature of this study. The area of research is explained to be the companies’ attitudes towards staffing companies in times of recession. The perspective will be that of the companies. Our methodological choices have lead to the conduct of both qualitative and quantitative research, which will be further addressed at a later stage.
Our theoretical frame consists of several parts in which we will treat the economic crisis, staffing in general, staffing in times of recession and finally attitudes towards the staffing industry.

3.1 ECONOMIC RECESSION

The table below shows unemployment rates in the US for the last years. The rates have increased since the recession started in 2008. Especially the young aged between 16 and 24 have faced a drastic increase in unemployment. (www.aier.org)

![Unemployment Rates](image)

*Figure 3.1: Unemployment rates in the U.S.*  
*Source: Bureau of Labor Statistics (reference from www.aier.org)*

3.1.1 RECESSION AND ITS IMPACT ON THE LABOR MARKET IN HISTORY

Martínez-García and Koech (2010) have posted a review in the EconomicLetter on the past recessions in history, from 1920 up till today. The numbers presented concern the recession and labor markets in the US, but we find them relevant for Sweden as well, as the recessions and their effects appear to be a global phenomenon.

Apart from the current recession, the US has been through 10 recessions during the post world war II period (since 1948). The average length of the recessions has been 10 month. In
comparison, the augmented unemployment has been lasting for 12 month in average. Some of the recessions have been followed by a so called jobless recovery, where the employment growth is slow compared to the gross domestic product growth. (Martínez-Garcia & Koech, 2010)

This current recession is expected to be one of the longest. In terms of unemployment it is, however, far from the levels measured during the interwar period, especially compared to the Great depression in 1929. (Martínez-Garcia & Koech, 2010)

![Figure 3.1.1: Unemployment rate compared to post world war recessions. (left)](image1)
![Figure 3.1.2: Unemployment rate compared to inter war recessions. (right)](image2)

Source for both figures: EconomicLetter Vol. 5, No. 1 January 2010 (referring to the Bureau of Labor Statistics)

The current recession is to have passed the 10% of unemployment in the US, which is more than it has been for a couple of decades. (Martínez-Garcia & Koech, 2010) We find similar levels of unemployment in Sweden. The estimations tell that the unemployment rate will reach 11,4 % this year. (www.konj.se) Even though these numbers seem dramatic, they are far from those measured during the Great depression, hitting a rate of over 20% of unemployment in 1933 (check figure 3.1.1 and 3.1.2 for comparison). (Martínez-Garcia & Koech, 2010)

In an historical review of recessions made by Knotek and Stephen (2009) it is concluded that the last jobless recoveries partly could be caused by an increasing just-in-time view on labor. (Knotek & Terry, 2009)

Finally, the authors argue that one of the benefits of employing temporary staffing companies is that by hiring new labor, the firms can avoid increasing wages while workers are at a higher demand. Similarly, Speizer (2009) claims that there is reason to believe that companies have changed their stances on contingent labor during the latest recession. His article is citing a report from a law firm called Littler Mendelson, which concludes that in the future, the U.S labor market will resemble the staff at a movie shoot. A staggering 30-50% of the American labor will be employed on a temporary basis, and will disband when the work is finished, states the same report.

### 3.1.2 Downsizing

One can imagine that the effects of the recession can be observed through companies cutting their workforce. However, Pfeffer (2010) argues that it is not necessary for the companies to
do so. The cutting allows the companies to adjust for a decrease in demand and protect the profits rather than being a matter of survival for them. Pfeffer (2010) points at the negative side effects of downsizing saying. He is taking it as far as to say that it literally kills people, by referring to the loss of health insurance is connected to increase in mortality rate. This is, however, not an issue in Sweden, as we have a different health insurance system here.

According to Pfeffer (2010), some Swedish businesses seem to think a lot of the American model, because they consider it to be more competitive. He argues that this is a misinterpretation by providing a range of examples on negative aspects of the layoffs. Amongst others, he claims that the layoffs according to research is causing higher costs for the society, increased taxes, risk of decreased productivity and trust in the management of the companies. Remarkably, Pfeffer also states that increased profits and reliable cost cuts are myths. Companies that have downsized do according to investigations not show upon greater profits. Also, it seems that the people that have to leave due to layoffs often still are needed in the companies, and sometimes get rehired as contractors.

The effects of downsizing can be seen as a negative circle. The negative impact of the cuts on customer service, productivity and innovation gives the companies a hard time to keep ground, which eventually makes them urging for further downsizing. Pfeffer (2010) also talks about another type of negative circle, the one of the economy. As the workers lose confidence in being able to keep their job, they also cut their consumption that in return gives the companies less turnover. Pfeffer writes that the former CEO of Procter and Gamble acknowledged this phenomenon:

“...the best time to gain ground on competitors is when they are retreating.”

(Pfeffer, 2010)

Beside the effects on the companies, Pfeffer (2010) argues that the biggest damage might be seen on the people. Those that are hit by the layoffs are more likely to become angry and depressed. Pfeffer also points at a study from Sweden, saying that the mortality rate rose during the first four years by 44% among those men that had lost their job. Even though this is an important aspect, we will not address this issue in dept, as our study is focusing on the corporate perspective. In total, the mentioned risks of negative effects caused by layoffs on people, companies and society should be rather commonly known by now, according to Pfeffer. He mentions though, that one explanation for its continuation is a discovered phenomenon that companies tend to take after each other in this kind of behavior.

3.2 CONTINGENT LABOR

According to Nollen (1996);

"Temporary employment is a subset of a larger category, contingent labor, which includes other staffing options that give numerical flexibility to employers and work-time and workplace options to workers."

(Nollen, 1996)

He furthermore claims that contingent labor work when the company needs them, and that these employees have a weak emotional connection to their workplace. Contingent workers
can be said to consist of four different subcategories; leased employees, independent workers, some part-time employees and temporary workers. Nollen (1996) claims that independent contractors should not be grouped with, for instance, temporary labor, since they are considered self-employed and often have a different situation than most contingent labor. Leased employees are oftentimes working for staffing companies, but are not necessarily employed on a temporary basis and oftentimes take care of one or several functions within a company as a group. Temporary workers can furthermore be divided into two categories; employees of staffing companies and so called “direct hire employees”. In this study, we have chosen to focus on the employees of the staffing companies – or rather the attitudes towards using staffing companies overall.

According to Lenz (1996), the term “contingent labor” is a demeaning way of describing what he calls “flexible labor”. He claims that most actors in society are in agreement that flexible labor is beneficial for the hiring companies as well as the workers themselves. Furthermore, he claims, temporary workers should be considered supplements to the permanent workers rather than replacements, and temporary employment oftentimes leads to permanent employment.

Through the use of temporary workers, companies have the ability to respond to changes in the external environment quicker. Since immediate needs for labor can be solved through hired labor, businesses do not have to hire permanent staff to react to these needs, and can thereby keep a slimmer workforce. A report by the Conference Board (HR Executive Review, 1995. See Lenz, 1996) has shown that flexibility is the primary benefit of using contingent labor, even though staffing companies may be utilized as an HR function for the client companies. The results of their report are shown below. (Lenz, 1996)

![Figure 3.2: Reasons for using contingent labor. Source: Conference Board, 1995 (through Lenz, 1996).](image-url)
As shown in figure 3.4, even though the flexibility aspect of contingent labor remains the top priority, other reasons for utilizing this form of employment are mentioned. Granted, the study is quite outdated, but it shows clear signs that there are more than one reason for companies to consider using contingent workers.

### 3.2.1 Why Employers Want to Use Staffing Companies

Houseman (1999) has written an article in which she reviews the existing research on flexible staffing arrangements, such as for instance staffing agencies. Besides stating that there is a debate within the subject, she addresses many aspects of the phenomenon more deeply, both from employee and employer views. For our study we have come to pay most attention to the employers’ incitement to use staffing companies. In Houseman’s (1999) review on why employers use flexible staffing arrangements, she depicts the reviews collectively based on the factors found. We will discuss them in the following.

Firstly, fluctuations in the staffing needs play a vital role. Filling up for absences and vacancies have been seen as the traditional reason for using staffing arrangements. The argumentations on this matter propose that the just-in-time phenomenon has spread over to the working force and leaves companies using flexible staffing arrangements a competitive advantage. They can this way make sure that they have the workforce needed from day to day without having unnecessarily many people employed. (Houseman, 1999)

Another reason mentioned is that the employers can cut their labor costs. Here the reports are not showing a homogeneous message. According to reviewed investigations, some employers did mention that cutting labor costs was a part of their reason to use flexible staffing arrangements, whilst others meant that they could cut costs for labor benefits. However, far from everyone had this reasoning and some employers had been facing increased hourly costs when using a staffing agency. Houseman further says that Nollen and Axel (1996) have come to suggest that the very usage of staffing companies even could come to increase overall labor costs for the firms using flexible staffing arrangements. (Houseman, 1999)

Moreover, it is argued that a reason for employers to use staffing agencies could be that they can screen workers for regular positions. Many reasons for this are mentioned, but it seems that those reasons are giving the employers benefits compared to hiring someone on their own. It would for instance not be as costly to terminate someone’s contract when using a staffing company as it else wise would be. Also, by using staffing companies for screening candidates, the companies believe that they can avoid disappointments to a higher extent, as the staffing agencies are used to do such screening, hence due to economies of scale. (Houseman, 1999)

Yet another reason for employers to use flexible staffing arrangements is that it is a way for them to find specialized competences or staff with special skills when using a staffing agency. Houseman (1999) points out though that the empirical support for this argument is mixed. A few employers have in passed research mentioned this reason as important for them in their use of staffing agencies. (Houseman, 1999)

Finally, other reasons that are mentioned to possibly play a role are the headcount connected to downsizing and the training costs. When downsizing, some departments within larger
corporations are restricted by headcount. By using a staffing company the managers can avoid to have another person employed by just buying the service, and that way go around the problem. Regarding training costs, very few employers reported that this was an important issue for them in their choice to use staffing agencies. (Houseman, 1999)

### 3.2.2 Need for Flexibility

In his article, Heejung Chung refers to international governmental bodies’ (such as EU and OECD) acknowledgement of flexibility as playing a key role in the development of countries. He mentions that the ongoing debate seem to talk about flexibility only in regard to companies, whilst taking as given that the employees need security. However, Chung suggests that individuals too can adapt their lives to circumstances and have a need for flexibility themselves. (Chung, 2006)

Reasons for the companies using staffing firms can be both direct and indirect. Chung had conducted a study where both sides of flexibility, the company and employer are investigated. The study was conducted in 21 EU countries and Chung has come to be able to score the countries and plot them according to their flexibility in regard to employers and employees. The regression analysis showed upon four distinct clusters of countries. The northern European countries (Finland, Sweden and Denmark) had high provision for both employers and employees. On the other edge with low flexibility provision for both employers and employees were southern European countries found, such as Greece, Portugal, Spain, Italy and Cyprus. (Chung, 2006)

The correlation of the regression in this study was 0.8, indicating a high correlation between the two types of flexibility. Chung claims that the employees need for flexibility needs to be enlightened more. In our study, however, the perspective is that of the companies. We would hence like to stress some findings in particular in this article. First, it seems Sweden is a country with high provision of flexibility. Second, flexibility as such is said to be acknowledged by governmental bodies as a developing factor for countries. This also gives us an idea that the phenomenon of staffing agencies, regardless of its causes might serve different purposes. (Chung, 2006) According to Vidal and Tigges (2009), the development towards an expansion of the staffing industry has not been driven by the employees. Rather, many studies claim that it was the employers’ need for temporary solutions that made its prevalence.

### 3.2.3 Managerial Perspectives

As we have chosen the employers’ perspective for this study, we find the managerial view on flexibility interesting indeed. Martínez-Sánchez et al. (2007) has conducted a study on “Managerial perceptions of workplace flexibility and firm performance”, in which they investigate this very matter. They use different theories in their construction of hypotheses. As a part of their theoretical frame, they have placed company flexibility into different categories, referring to Grenier et al. (1997):

1. Internal, volume: Using flexitime, overtime, short time etc. for the employees
2. Internal, organizational: Using job rotation, multi-skilling etc. for the employees
3. External, volume: Using e.g. temporary workers and contingent workers
4. External, organizational: Outsourcing, sub-contracting, etc.
The result of the study showed that there were no correlation between the external flexibility (outsourcing or using contingent workers etc.) and firm performance. There was, however, a correlation between internal flexibility (flexible schedules and rotation etc.) and firm performance. External numerical flexibility (contingent workers etc.) showed, however, to be more common in organizations that use it for peripheral activities rather than near-core activities. This study is hence suggesting that workforce flexibility in terms of using contingent workers is not proven to increase firm performance. (Martínez-Sánchez et al., 2007)

3.2.4 DRAWBACKS OF USING TEMPORARY STAFF

Nollen (1996) has investigated the negative effects of temporary employment. According to him, temporary employment is a part of the category “contingent employment”, meaning that the hiring company uses them for increasing flexibility. He continues;

“Contingent workers have little or no attachment to the company at which they work. Whether they work, when they work, and how much they work depends on the company's need for them. They have neither an explicit nor implicit contract for continuing employment.”

(Nollen, 1996)

According to Nollen (1996), there are two sub-groups of temporary employment; workers that are hired by staffing companies, and direct-hire employees. He also acknowledges that freelance consultants and other self-employed workers could be called temporary employers, but he assumes that their circumstances are too different to be relevant in his study.

Ways in Which Workers, Organizations, and Labor Markets Can Be Affected by Temporary Employment

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<thead>
<tr>
<th>Affected Group</th>
<th>Economic Effects</th>
<th>Social Effects</th>
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<td>WORKER</td>
<td>Compensation</td>
<td>Social protection</td>
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<td></td>
<td>Wages</td>
<td>Job satisfaction</td>
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<td></td>
<td>Fringe benefits</td>
<td>Alienation, power, control, self-concept</td>
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<td>Human capital</td>
<td>Occupational health and safety</td>
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<td>Job mobility</td>
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<td>ORGANIZATION</td>
<td>Flexibility</td>
<td>Control of labor</td>
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<td>Labor cost</td>
<td>Internal labor market functioning</td>
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<td>Wages and benefits</td>
<td>Core-contingent worker relationship</td>
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<td></td>
<td>Productivity</td>
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<td>Training, other fixed costs</td>
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<td>Screening</td>
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<td>Human resource management</td>
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Figure 3.2.1: Temporary employment effects.
Source: Nollen 1996

The picture above shows the ways in which temporary labor can affect the company, the markets and the workers themselves. According to Nollen’s (1996) categorization of the economic effects, temporary workers could earn less and get less additional benefits than their
permanent counterparts. Additionally, he suspects that companies are unwilling to spend as much on training for these employees, which may affect their experience and future employment. As for the companies themselves, the author is concerned that the reduction in labor costs and managerial work may be overestimated. This model is useful for describing the factors which may influence the attitudes about temporary staff at the client companies. It depicts both factors which may influence how the temporary worker experiences his/her situation, but also how temporary staffing can affect the organization adversely. If the respondents identify these factors as problem areas, they might be less inclined to use the services of staffing companies.

Levenson and Finegold (2001) have examined the records of a couple of staffing companies, and mentions that the wage difference between temporary workers and permanent ones (when the education, type of job and other factors were controlled for) are not that great. They claim that temporary workers tend to consist of people that are less favored in the job markets, although this appears to be changing. The authors show that temporary workers receive larger wage increases if they work for more days during a year, but at the same time, they found that most temporary placements lasts for one month per year. They do, however, also find that temporary workers that are in pursuit of a permanent job will be twice as likely to get one as workers that are into temporary work for other reasons.

Closely linked to the factors mentioned above is the Social Identity Theory, and its implications on temporary staffing as a phenomenon. Hogg and Terry (2001, pp.109-110) mentions that “affective organizational commitment” is closely related to a number of different behavioral traits, such as attendance and turnover. They argue that workers who feel committed to the organization make an extra effort, and that this commitment stems from a couple of factors. The authors have also shown that members of a less desirable minority group are less likely to feel high levels of social identification (Hogg and Terry, 2001, p.104). This means that temporary staff (if they are given less status than their permanent counterparts) may display lower levels of social identification and commitment. It seems to us that how the temporary staff is handled would, according to the theory, at large determine to what extent they will perform well. It would be interesting to find studies which investigate the social implications of temporary staffing on the workers themselves, and how they relate to their assignments. If they perceive themselves as part of a less desirable minority, it is likely that they would display less commitment to the company which they serve. This would in turn negatively affect their performance.

Peck and Theodore (2007) have mentioned that, during the recession in 2001, the temporary staffing industry in the U.S was reduced by between one third and one half. The authors claim that this indicates that the flexibility of using temporary employees is not extended beyond the hiring companies. They also mention that the temporary staff industry absorbs the shock when recession hits, and that in the ideal economy, the permanent employees could be saved at the expense of the temporary staff. However, on a macro economical level the staffing industry allows the hiring companies to postpone employ new permanent staff when the economy recovers, leading to what they call a ‘jobless recovery’.

Peck and Theodore (2007) also conclude that the temporary staffing industry has changed – from attending to temporary needs of man power to attending to a permanent need of flexibility. This is, however, not the case in Sweden. The temporary staffing companies keep filling temporary needs of labor rather than supporting a long-term flexibility need.
3.3 The Temporary Staffing Industry and the Financial Crisis

Theodore and Peck (2002) claim that the temporary staffing industry is benefitting from economic instability. Furthermore, even though the temporary staffing has shown signs of maturing (the diversification of the staffing companies being a prime example), the authors state that the companies have problems entering more stable industries, where labor needs varies less. The authors also claim that the temporary staffing companies are likely to be among the first to experience the turnaround of the economy after recession. This is where we believe that the Swedish economy is at right now. These factors make the task of determining the effects of the economic crisis on attitudes towards such companies even more compelling.

Theodore and Peck (2002) have also found that the “natural unemployment rate” of the U.S market was lowered by 0.4% during the 90’s, when the temporary staffing industry boomed in the country. This, according to the authors, can be a sign that temporary staffing companies indeed increase the flexibility of the labor market. Furthermore, many of the American companies currently employ a “try before you buy”-strategy, in which the clients are permitted to employ the workers on a permanent basis should the need arise.

According to the CIETT (the International Confederation of Private Employment Agencies, www.ciett.org, 2010), the labor market suffered the negative effects of the financial crisis during 2008, and was amplified during the 2009. These effects are not predicted to start disappearing until 2011. However, they claim that staffing agencies will become increasingly important in this condition through providing effective job-matching and flexibility. The report states that there are 71,000 staffing agencies in the world today.

When describing the reasons for using such staffing alternatives, the CIETT (2010) states that they increase the competitiveness of the firm, and are often used to satisfy temporary increases in workload. Interestingly, they also mention that staffing companies should not be regarded as substitutes for permanent staff.

![Figure 3.3.1: Working hours for work agencies in the EU.](source: CIETT National Federations 2009 (gathered at CIETT, 2010)]
The figure above (on the previous page) illustrates how the financial crisis has affected the hours worked in a selected numbers of European countries since the beginning of 2008. It clearly indicates that the labor markets in these countries are starting to recover following the crisis.

The CIETT (2010) states that the staffing industry has declined heavily during this recession, but it is also expected that temporary staffing will be used quickly as the economy improves. Finally, the confederation states that the industry usually recovers quickly after a decline such as this one. This is illustrated by the figure below, which shows American companies’ intentions regarding what they do during the economic expansion after recessions. The participants of this survey were clients of staffing companies, and all of the companies employ more than a thousand people:

![Figure 3.3.2: Employment intentions when the business recovers.](Source: CIETT 2010 (taken from Staffing Industry Analysts, www.staffingindustry.com, 2009)](https://www.staffingindustry.com)

The figure above shows quite clearly that the sample uses flexible alternatives quite readily when the economic situation changes. It might be worth to note, yet again, that the participants are using staffing companies, and this may constitute a bias.

### 3.4 Attitudes Held Towards the Temporary Staffing Industry

Schaffer (2006) has highlighted a number of myths regarding temporary staffing related to nurses in the US. He claims that, for example, some people in decision-making positions believe that temporary nurses are less educated and competent. They typically also perceive temporary staffing options as more expensive than other alternatives. He claims that the nurses provided by staffing companies have an average of eight years of experience and that the hospital management can save money by using staffing companies, through careful planning. He claims that many attitudes toward the employers of staffing companies are unfounded.

Despite this article, it seems as if society as a whole is divided in terms of how staffing companies are viewed. Lenz (2008) is the senior vice president of the American Staffing
Association, and he claims that temporary staffing provides training, flexibility and a way to find work for the unemployed. He also claims that some temporary workers are paid well, and that many workers choose this form of work because of, for instance, flexibility and independence. Of course, Lenz views on the temporary staffing industry are heavily influenced by his professional position, and should be regarded as an argumentative reference rather than a scientific one. He raises some interesting points, however, and we have not found any studies which explore the worker’s attitudes towards their employment or situations as a whole. Finally, Egan (2001) have shown that the temporary staffing industry, through its expertise in job matching, can help people with disabilities to find work easier.

3.5 Summary

We have in this chapter reviewed theories on recession and contingent labor. First, we have seen American Institute for Economic Research’s report on unemployment from this recession. We have also been looking at historical recessions presented by Martínez-García and Koech (2010) and seen that something called ‘a jobless’ recovery sometimes take place. Speizer (2009) also argues that the stands on staffing companies have changed during last recession. As a possible consequence of recession, we have been reviewing Pfeffer (2010) discussion on the effects of organizational downsizing. Those effects, we’ve seen can be of a more negative nature for the companies.

We then took a look at the notion ‘contingent workers’ described by Nollen (1996) and how employers value flexibility and HR-assistance. On the topic why employers use staffing companies, Houseman (2001) mentions causes such as fluctuations in workforce demand, cost cuts, screening and dealing with headcount issues. We have seen that Chung (2006) encourages a point of view on flexibility that incorporates not only the employers but also the workers. He also stresses that there is a difference in provision of flexibility depending on country.

From a managerial perspective, Martínez-Sánchez et al. (2007) have used a model from Grenier et al. (1997) to test the internal and external flexibility’s correlation with company performance and come to conclude that only internal flexibility has an impact on the performance for a firm.

To mention some drawbacks of contingent labor, Nollen (1996) discusses the risk of contingent workers suffering from lower salaries and less benefits. He also points at possible managerial miscalculations of benefits from using contingent workers. Levenson and Finegold (2001) also address the issue of wages for temporary workers, but claim that the difference is not that great. They also talk about perceptions that the temporary job market consist of people that are less favored in the job market, but that this is changing. Hogg and Terry (2001) discuss that if temporary workers feel that they are part of a minority, they might be less committed to their workplace, which might affect their performance.

Peck and Theodore (2007) are discussing the possibility that permanent workers might be saved at the expense of the temporary workers when recession hits. They also claim that the temporary staffing industry benefits from economic uncertainty, and that the staffing companies are the ones to first notice when the economy is starting to recover. Also the CIETT claims that the staffing industry will be the first to notice recovery, and that the
staffing companies will be increasingly important in the future. We can also see that every second employer prefers to use staffing companies when the economy starts recovering.

Finally, we have reviewed articles from Schaffer (2006), Lenz (2008) and Egan (2001) on the topic negative attitudes towards the staffing industry. We have for instance seen that there are some myths regarding the education and the salaries of temporary workers.

This theoretical framework will be used as a basis for the practical study as well as the foundation of the analysis in chapter 6.
As mentioned in the theoretical method chapter, we have, in line with our assumptions and methodological choices, chosen to conduct both qualitative and quantitative research. We have planned to conduct a survey where we will ask the 100 largest employers in Sweden to answer questions regarding their attitudes towards workforce companies and how it has come to change lately.

4.1 DEVELOPING THE QUESTIONNAIRE

The questionnaire will be created by using relevant methodological literature relating to scientific studies (such as the book by Alan Bryman and John W. Creswell). We paid close attention to the formulation of the questions, since we were concerned about confusing or non-specific wording. The respondents must know what we are asking while at the same time not being influenced by us. To combat these issues, we conducted a preliminary study, using friends and relatives. Furthermore, we made sure that the survey would represent all relevant parts of the literature. Moreover, we attempted to avoid using academic terms and concepts, which may be interpreted differently in the business sphere (or, even worse, not be understood at all). The questionnaire was written in Swedish, since we believe that some of the respondents might have been reluctant to answer some of the questions because of the language barrier if we would have used English. The questionnaire consists of 33 questions. Depending on the answers of the respondents, they answered 25 or 16 of them (depending on whether they hire personnel from staffing companies or not). Please see Appendix 1 for the questions used. We opted to use five alternatives (‘Agreeing completely’, ‘Somewhat agreeing’, ‘Neutral’, ‘Somewhat disagreeing’, and ‘Disagreeing completely’) for the vast majority of questions. In some instances (like in question 8), we only used three alternatives (‘Yes’, ‘No’ and ‘Don’t know’). The questionnaire was created using the website Surveymonkey.com. Dahmström (2000, p.104) claims that every question should have one answer which corresponds with uncertainty or neutrality. It can either be expressed as a “Don’t know” answer or a “it does not
matter which way”-answer. In our study we use both, albeit for different questions. Where statements are met with different degrees of agreement, we chose to include one “neutral” option, which unknowing respondents may use. Where the only two statements (“Yes” or “No”) are possible, we opted to include one “Don’t know” answer. Dahmström (2000, p.105) also claim that the researcher should stay clear of using too many options to each questions. According to her, five up to seven options should be enough. If the questionnaire contains more than that, the respondents might be biased towards the extremes, since it is time-consuming to study each alternative. The typical question in our study contained 5 possible answers. The questionnaire also contained a total of four questions where we asked the respondents to add their own comments. This was in order for them to comment on their use of staffing companies or to comment on the survey.

According to (Dahmström 2000, p.107), it is important that the questionnaire begins with questions that are easier for the respondents to answer. Later in the question form, the questions can become more specific. The purpose of structuring the data gathering this way is to make the respondent view the questionnaire in a positive light. In its initial stage, our questions revolved around the general economic state of the company, and how the financial crisis has affected them. Later on, the questions become more specific, as we opted to put the questions that all respondents should answer before question eight. The eighth question determined which questions that the respondents would continue to answer; if they claimed to use the services of staffing companies, they would proceed. If they, on the other hand, do not hire personnel from these companies, they had to skip to question 26 (which happened automatically through surveymonkey.com). Dahmström (2000, p.107) calls these ‘skip-questions’ (hoppfrågor), and claims that it is important that the respondents must jump forward in the document when encountering these queries, to avoid confusing them. These problems were easily dealt with using the web-based service when creating the survey.

When asking for sensitive information, it is important to stress the anonymity of the respondents and the handling of data. The aforementioned technique of starting out the questionnaire with less sensitive questions might also be appropriate (Dahmström 2000, p.109-110). We are aware that the topic is a sensitive one, especially because of the raging debate regarding staffing companies that is currently occupying much of the Swedish media. We were been very clear in our descriptions (for instance, in the introductory text of the questionnaire) that the information given would be treated and presented anonymously. We were still, however, expecting some unanswered questions when treating the data.

Finally, Dahmström (2000, p.113-114) have mentioned the introductory text of the questionnaire and the contact with the respondents. She claims that the researcher, among other things, must explain the purpose of the study, which types of questions that the questionnaire will cover. Furthermore, the voluntary feature of the survey, the legal aspects of the data handling, the presentation of the findings and how they can be accessed should be covered. We attempted to follow these instructions when writing the introducing text, although we wanted to keep it as short as possible. Instead, we opted to explain some details during telephone conversations and/or the email in which the questionnaire was attached.

One thing that may be important to note, is that we chose to ask about the stance of the company rather than of the individual. The reason for this is to avoid making the respondents feel personally challenged in terms of their attitudes. Also, the company stances are more relevant to our study than the one of a single individual. Before the survey begun, the
respondents learned that all the questions was related to staffing companies (to clarify wordings like “hired personnel” and other ambiguous terms), and that they should state their own opinions where they are unsure of the company stance. We also clarified what we mean by “financial crisis” (see Appendix 1).

4.2 CONDUCTING THE SURVEY AND THE INTERVIEW

As mentioned previously, we used a preliminary study in order to verify that the questionnaire was not misinterpreted or difficult to understand. The respondents were contacted through phone calls in order to ask if they were willing to participate, and also to obtain necessary contact information. The respondents were sent an email which contained a link to the web-based survey. In this way, we could ensure that the respondents were available on time. By asking them to participate in the survey through the web-based survey, they were anonymous to a greater degree than if the data gathering would be conducted through an interview. Furthermore, we ensured the participants that they would be able to remain anonymous throughout the whole process, and would get access to the final paper if requested. The vast majority of respondents have access to internet in their daily work, and this did not pose as an involuntary limitation to our study.

For collecting our data, we could have used a quota sample, in which the population will be divided into different categories from which we will choose a convenience sample (Bryman and Bell 2005, p.128). This would have decreased the bias that a normal convenience sample would provide somewhat, although it would limit the generalizability of the study. According to the Bryman and Bell, a quota sample is very common in commercial surveys, such as opinion polls. However, it is currently not very common within social studies. A perhaps better alternative would have been to use what is called a cluster sample. Hartman (2004, p.248) claims that a cluster sample is used when the population is divided into clusters, and only one of them are used. Creswell states that:

“cluster sampling is ideal when it is impossible or impractical to compile a list of the elements composing the population”

(Creswell, 2003, p.156)

We decided to examine one cluster; the 100 largest employers in Sweden. We could quite easily determine which respondents to contact and since the decisions made by these actors have great impacts on Swedish society, we believe that they are very interesting to investigate. We have been departing from a top 100 largest employers list posted online by a company called Nordic Netproducts AB. (www.largestcompanies.se) A couple of the companies on this list are staffing companies themselves, so we chose to exclude these from the study.

The interview was semi-structured, meaning that we used themes from the survey and were able to hold an open discussion with the respondent around these themes. We, as well as the respondent, were able to ask follow-up questions and let the topics that arise during the discussions guide us through the process. The purpose of using such a structure of the interview was to be able to let the respondent talk about his topics of interest rather than being constrained by our questions. We wanted to learn how the staffing companies themselves
viewed and reacted to the client companies, and we believe that the interview gave us some valuable insight.

4.3 Collecting and Analyzing Primary Data

Our study is executed through two distinct processes. First, we have collected data through surveys, sent out to the 100 largest employers in Sweden. The surveys were distributed through a web-based tool called SurveyMonkey.com. When finding our respondents, we drew information from our list of the largest employers and removed the staffing companies (since we assume that these companies do not use the services of other staffing companies, and that their responses would not be useful for our study. We called the companies and asked for potential respondents (meaning people in HR functions at the central level). We then presented the survey through a brief chat, and received their email-addresses, to which we sent the link to the survey. All respondents were informed that anonymity will be ensured.

The responses were automatically collected by the web-service and downloaded to our computers. When this was finished, SPSS was used to code and analyze the data. We received 37 responses, which is not sufficient to conduct certain operations in SPSS. For instance, when running cross tabulations, the expected count of cells always fell below 5, rendering findings useless. It does, however, represent a large portion (37%) of the cluster which we chose, and even though one might discard the statistical significance of our findings, the data serves well to shed light on the attitudes held about staffing companies in contemporary Swedish society. We also attempted to run linear regression analyses to find linkages between variables, but in most cases such links could not be supported statistically.

The second process was a qualitative one. We opted to complement the information gathered from the client companies with an interview, which was conducted on Wednesday the 12th of May. The interview lasted about half an hour, and portrayed the current state of one staffing company well. The respondent, a staffing company manager (will henceforth be called “Staffing company manager” or SCM for short), was helpful and eager to depict the situation of his employer. The information gathered through this process was recorded, transcribed, translated and summarized in the most objective way possible.

As researchers and authors, we need to create understanding from the gathered information. To do this, we need to decide how we are going to analyze it. Categorization is a method that is often used where the researchers depart from different categories within their research area. Even though this type of analysis seems to be more common within qualitative research methods, we find it most appropriate for our study which also contains both qualitative and quantitative elements. In practice, we have divided the theories into larger categories which serve as the main categories also in our presentation of empirical findings, analysis etc. (Ely, 1993 pp.156-161)

4.4 Truth Criteria

In the following paragraphs, we will discuss the criteria for evaluating the accuracy and dependability of our study. Although authors seem to display differing views regarding which truth criteria that should be included in a scientific paper, we have opted to include a
paragraph covering the generalizability (or, as Bryman, 2008 calls it, external validity) of our study, since we believe that this criteria is worthy of an extra explanation.

**4.4.1 Reliability**

According to Bryman (2002, p. 86), reliability is to what extent the survey measures what it is supposed to measure. Graziano and Raulin (2010, p.78) claims that high reliability in a research setting is analogous to a bathroom scale that measure the same weight of an object over time, provided that the object does not change in weight. For instance, the scientist can test the stability of a result through retesting the same respondents at a later time, and if the answers are very similar, one can assume that the test is stable. We had neither the time nor the resources to conduct several tests on the same respondents. This meant that we had to make sure that the survey was well developed in order to measure the right things. Our pre-tests did not alert us to any potential errors or discrepancies related to its reliability. We have included the survey in Appendix 1 in order to promote further testing.

**4.4.2 Validity**

Validity concerns whether or not the survey examines what it is designed to measure (Bryman, 2002, p.88). For instance, the GNP has been criticized in terms of its validity when discussing the economic standard of a country. It is a mean measurement of the wealth of a country and says little about the standard of the poorest citizens. Graziano and Raulin (2010, p.81) continues with the bathroom scale analogy from the previous paragraph; if a scale is valid it measures weight, and nothing else. The two main factors which we have examined in this paper are relatively straight-forward. We attempted to determine the attitudes towards temporary staffing companies, and this has been done through a small number of questions. We also attempted to determine to what extent the company of the respondents has been affected by the financial crisis, and we believe that this did not constitute sensitive information. However, we had to ensure that the survey is well-constructed and meets our goals for this study.

**4.4.3 Generalizability**

This trait concerns whether or not the results from a study can say something about the population as a whole. For instance, if the sample reflects the general population, it can be assumed to be valid for the population. According to Bryman (2002), one of the most important techniques for achieving generalizability is to use some type of random sampling. Graziano and Raulin (2010, p.163) calls the same feature external validity, and claims that it represents the degree to which one can assume that the results can be generalized to:

“[…]other participants, conditions, times, and places”

(Graziano and Raulin 2010, p.163).

A result can, however, never be generalized beyond the population of the focal study (Bryman and Bell, 2005, p. 129)

In order to ensure generalizability, or external validity, to some degree, we have chosen to contact respondents from all over Sweden. Most of the respondents, however, are situated in larger cities (like Stockholm, Gothenburg and Malmö) since many headquarters are located
there. Furthermore, since we have relative ease in getting access to different companies in Sweden (through IT and telephones) we were never tempted to only select a local sample. However, the number of respondents is not satisfactory to grant external validity to this study. Regrettably, most of the statistics operation requires more respondents than what we were able to achieve. The inference can be made that the results of this study are not possible to generalize to Sweden as a whole. We acknowledge, however, that the participants constitute a large portion of the chosen cluster, meaning that the findings may be possible to generalize to the remaining actors within it. The respondents were voluntary participants, meaning that we may have only seen the views of respondents with a vested interest in a study of this kind. The interview does not bring more to the table in terms of external validity either, but we believe that this study depicts the situation and attitudes of the largest Swedish employers satisfactory.

4.4.4 REPLICABILITY

According to Bryman (2002, p.94), replicability is the possibility of other scientists to be able to repeat the conditions of previous research. In order ensure that this is possible, we will include the survey in its entirety. We will not, however, present the names of the respondents, since they must have the option of staying anonymous. Graziano and Raulin (2010, p.176) claims even though not everybody believes that replication is important, it serves an important purpose to confirm or disconfirm the findings of the original study. The authors, furthermore, distinguishes between three kinds of replications; exact replication, systematic replication and conceptual replication. Exact replication occurs when the original study is copied to the greatest extent possible. Systematic replication, on the other hand, is when an aspect of the initial finding is investigated more closely, or the research design is modified in some way. Finally, conceptual replication occurs when the same problem statement is utilized for testing other hypotheses, which are related to the original concept. We believe that we have provided enough information in order for scientists to conduct an exact replication of our survey. We will, however, keep our respondents anonymous to enhance our access and the trustworthiness of our findings. The interview, on the other hand, was semi-structured (meaning that we used the themes and questions from the survey and held an unstructured interview based on these themes). This makes it difficult, or even impossible, to replicate.

4.4.5 CRITICISM TOWARDS THE QUALITATIVE DATA

The purpose of our interview was to get a broaden picture of the staffing company business. We are aware of that a manager from a staffing company likely is bias in favor of the staffing industry. We still think that this point of view is contributing to create a wider picture of the chosen research phenomenon. We believe that the respondent answered the questions truthfully as he oftentimes was providing examples and explanations to his reasoning. The interview was conducted in the workplace of the manager where he could feel comfortable, which we think further enhanced the quality of the interview. One issue that could have had a negative impact on the results was that the respondent due to time limits might have experienced time pressure. This was, however, nothing we found particularly evident, as the respondent seemed to be fully attentive during the interview.
4.5 SUMMARY

Our choice to do both qualitative and quantitative research, with focus on the latter, has resulted in the creation of a survey and an interview questionnaire. We have in this chapter described how we have developed a questionnaire on attitudes, consisting of 33 questions in total. The respondents could agree or disagree to different degrees to the vast majority of the statements. The questionnaire was intended to be answered by the 100 largest employers in Sweden with an outcome of 37 responses. In addition, we conducted a semi-structured interview with a manager from a staffing company in Sweden. We have taken certain measures in an aim to achieve as truthful information as possible. Certain shortcomings have been identified in regard to the response rate for the quantitative findings and possible bias of the qualitative findings.
CHAPTER 5

Empirical findings

Our empirical findings constitute both quantitative and qualitative data. We will first present the results from a survey on attitudes distributed to employers in Sweden. We will in the second part present an interview with an employee from a staffing company in Sweden.

5.1 QUANTITATIVE DATA

In this section we will describe the survey questions in detail (see Appendix 1), and present the data which we gathered through it.

5.1.1 ECONOMIC RECESSION

Most of the questions in this study were posed as statements, where the respondents chose between five levels of agreement. ’Instämmer fullständigt’ is quite equal to “Completely agreeing”, ’Instämmer i viss mån’ is the Swedish equivalent of ’Agreeing to some extent’. The middle answer indicates being neutral. ’Något avvikande åsikt’ is the Swedish equivalent of ‘Somewhat disagreeing’ while ’Helt avvikande åsikt’ translates into ’Completely disagreeing’.

Figure 5.1 shows the answers to the statement “The financial crisis has had an impact on the profitability of the organization”. It clearly shows the impact that the financial crisis has had on the profitability of companies. The survey focuses on the perceptions of these matters, and thus, this data merely reflects the perception of the respondents. There is, however, no reason to believe that the respondents are unaware of the economic state of their companies. 31 respondents agreed with this statement.
We asked this question in order to learn whether the respondents perceive the financial crisis as affecting their profitability adversely.

The second question (Figure 5.2) concerns how the economic crisis has affected the employees of the company, or rather whether the company has experienced lay-offs because of it. As seen in this chart, 22 respondents answered ‘Ja’ (Yes) to the statement “The company has been forced to lay off permanent workers during the latest financial crisis”. 13 respondents answered ‘Nej’ (No) while no respondents chose the ‘Vet ej’ (Don’t know) alternative. Two respondents did not answer this question. This question was a way to find out how severe the economic ramifications of the financial crisis have been for the companies of the respondents.

The third question (see Figure 5.3) is another statement, “We perceive that the company is currently moving towards an improved economic condition”. Through this question, we wanted to learn whether the respondents perceive that the situation of the company has started to improve or not. We found that 31 respondents agreed with this statement to some degree (8 agreed completely), and only 5 opted to stay neutral or disagree. One respondent did not answer this question.

Since a majority of the respondents seemed to agree that the situation of their companies are heading for better times economically, we tested if the deviation from the mean (being the “neutral” option) could be due to chance or not. We found that the probably of receiving a value equal to the t-statistic is very low, if the difference between the test value (3) and the observed mean is entirely due to chance. We performed the same operation on all the questions with 5 alternatives (where 5 equals ‘Completely agreeing’ and 1 equals ‘Completely disagreeing’), and the results can be found in Appendix 3. All means were tested against the neutral option, in order to see if we could find statistical evidence that the means of the responses differ from the mean of the responses (neutral = 3), and that this difference cannot be due to chance. Consequently, in cases where the means of the responses were close to 3, the probability exceeded 0.05, which makes the differences without statistical significance.
5.1.2 CONTINGENT LABOR

The fourth question, shown in Figure 5.4, reads; "The company experiences noticeable, temporary differences in their need of labor". Only 6 respondents disagree with this statement, while 7 chose to remain neutral. A total of 23 respondents claim that this statement relates to them to some degree. One respondent, yet again, did not answer this question. We also found that these results differ from the neutral value within a 95% confidence interval. The significance value (0.011) indicates that the probability of this difference being caused by chance is very low.

We chose to display the fifth question through Table 5.1. The question translates to; “Oftentimes, we are able to plan for the differences in our labor needs to avoid labor shortages”. The purpose of this question was to determine whether the respondents perceived the organization as being capable of planning for differences in their labor needs. In this question, 3 respondents did not answer. Most of the respondents claim that the changes in staffing needs are planned in time; only 4 respondents disagreed to some extent and 6 chose to remain neutral.

We also wanted to explore how the respondents evaluated the costs of using temporary labor from staffing companies. Thus, Figure 5.5 shows the answers to the statement “The company perceives the total costs of using temporary staffing companies as being lower than hiring personnel itself”. A majority of respondents (18 versus 6) disagrees with this statement, while 12 chose to remain neutral. This indicates that our respondents view staffing companies as a more expensive option than doing independent recruiting. The t-test reveals (See Appendix 3) that the answers indeed differ from the “neutral” option, but in this case the respondents are more inclined to disagree with the statement, providing some evidence that the employers in this study still consider the use of staffing companies as a more expensive option than hiring themselves (Sig= 0.006).
The question “The company is currently using the services of staffing companies” marked the end of the first section of the questionnaire, where all respondents were asked to participate. From here on, the questions differ slightly between the respondents which claim that they use the services of the staffing companies and those that do not (or claim not to know). The reason for this is that we wanted to learn the reasons behind the decisions about whether to use staffing companies or not. As shown in Figure 5.6, 28 respondents claim that their company uses the services of staffing companies while 8 claim not to. One individual did not respond to this question, and no respondents answered “Don’t know”. The two following questions are divided according to whether they use temporary labor from staffing companies (Figure 5.8) or not (Figure 5.7). The question translates; “The company currently uses temporary staff through other channels than staffing companies”. The purpose of this question was to control for the use of other channels through which companies could find solutions to their staffing needs. In Figure 5.7, one can see that a vast majority of respondents that claim not to use the services of staffing companies still employ temporary labor through other channels. One respondent claimed that they do not. No respondents that answered “No” in question 8 (Figure 5.6) declined to answer this question. Figure 5.8 illustrates the responses to the same question given by the companies that currently use the services of staffing companies. 3 respondents out of the 28 that answered “Yes” in question 8 declined to answer. The responses to this question seem to indicate that the use of other channels for temporary staff is a less popular option. This may be due to a perceived benefit from using the services of staffing companies, making other options redundant. The number of
responses to these questions is, regrettably, too small for us to show any statistically significant differences either way.

The final question of this section was posed to the respondents that answered (in question 8, see Figure 5.6) that they use the services of staffing companies. The purpose of this question was to determine whether staffing companies were used to mitigate the differences in labor needs experienced. The question translates: “Hired personnel from staffing companies are used when temporary increases in the labor needs occurs”. Figure 5.9 illustrates the responses to this question; 1 respondent chose to remain neutral while 17 agreed to some extent and 7 agreed completely. This strongly suggests that temporary changes in labor needs are indeed an important factor behind the use of temporary labor. Again, 3 respondents that answered question 8 opted not to participate through this section. The t-test (See Appendix 3) indicates that the mean (4.24) is different from the neutral option (which would constitute a mean=3) and that this difference cannot be due to chance, given a 95% significance level.

Figure 5.10 illustrates the results of a question put to the respondents that claim to use the services of staffing companies. It reads; “The company perceives the use of staffing companies as a good option for mitigating risks associated with labor needs”. The purpose of this question is to examine whether the respondents agree, on a general level, that staffing companies are beneficial in this aspect. This could imply that staffing companies would be a popular option during such circumstances. The results show a slight inclination towards agreement, as a total of 10 respondents agree to some degree, while only 6 respondents disagree at all. Meanwhile, 8 respondents chose to remain neutral.

Next, we wanted to determine whether the company perceived themselves as in need of a constant supply of temporary labor. This question was posed to determine whether the need of the services of staffing companies was temporary or of a more permanent nature. The question translates: “The company experiences a need for a constant supply of hired labor” and “The company does not experience a need for a constant supply of hired labor”. The first of these statements was answered by the respondents who claims that their company uses
staffing companies, where the second was directed towards those that do not. As shown in Figure 5.11, a considerable amount of the respondents which claim use of staffing companies agree with this statement (17) while only 7 disagree to some extent and one respondent remained neutral. The t-test reveals that the mean (3.56) differs significantly (0.016) from the neutral option, meaning that the difference cannot reasonably be assumed to be created by chance. As expected, out of the respondents who did not claim use of staffing companies a great majority did agree with the negative statement (shown in Figure 5.12). 7 respondents agreed to this statement while 1 respondent disagreed to some extent. The t-test indeed show that the mean of the responses (4.25) differs significantly from the neutral option.

The following questions are constructed in a similar fashion, where the respondents that claim to use staffing companies answers a positive statement whereas the respondents that claim not to use staffing companies answer a negative one. The questions were phrased as follows; “It

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5.11.png}
\caption{The company experiences a need for a constant supply of hired labor (respondents that do use the services of staffing companies)}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5.12.png}
\caption{The company does not experience a need for a constant supply of hired labor (respondents that do not use the services of staffing companies)}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5.13.png}
\caption{It is worthwhile to use a hired portion of the workforce, even if it would bring an extra cost (respondents that do use the services of staffing companies)}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure5.14.png}
\caption{To use a hired portion of the workforce is not worth an extra cost (respondents that do not use the services of staffing companies)}
\end{figure}
is worthwhile to use a hired portion of the workforce, even if it would bring an extra cost” and “To use a hired portion of the workforce is not worth an extra cost”. The answers to these statements are presented in Figure 5.13 and 5.14. Starting with Figure 5.13; 16 respondents of the ones currently using staffing companies agree to the first statement to some extent, representing a vast majority. 2 respondents agreed completely, 2 disagreed completely and another 2 disagreed to some extent. 3 respondents chose to remain neutral while 3 individuals did not respond.

Among the respondents that claim not to use the services of staffing companies (Figure 5.14), one completely agree that having a hired portion of the staff is not worth an extra cost. 2 respondents agree to some extent, while 4 respondents disagree to some extent. One respondent chose to remain neutral. No respondents disagree completely or did not answer the question.

Within the respondents that claim to use the services of staffing companies, we wanted to learn whether these were used as an HR function or not. Thus, we asked the respondents to answer this statement: “The hired labor of the company oftentimes gets permanent positions if they are suitable for us”. 14 of the respondents agreed to some extent with that statement, while 2 agreed completely and another 2 chose to remain neutral. 5 respondents disagreed to some extent, and one disagreed completely. 4 respondents did not answer this question. The results are illustrated in Figure 5.15.

5.1.3 THE CRISIS AND STAFFING

In this section, we examined how the respondents perceive the use of staffing companies, and whether they believe that the financial crisis has affected these perceptions. Figure 5.16 illustrates the answers to the question: “The financial crisis has made the company view staffing companies as a better option than before”. This question was a part of the first section and thus answered by all respondents but 2, who declined to answer it. In this question, we see a large spread in opinion. One respondent agrees completely, while 8 disagree.
completely. 9 respondents disagree to some extent while 8 agree to some extent, and 9 chose to remain neutral. We also ran a regression analysis of this question in an attempt to determine whether this attitude was influenced by the effect that the recession in terms of lay-offs. SPSS found a link between these variables which is statistically significant. However, the results show that the amount of layoffs perceived by the respondents only account for a 9% difference in the attitudes towards the use of staffing companies. Furthermore, the number of respondents is hardly satisfactory to constitute grounds for any generalization beyond the cluster. This link is an interesting one, and should be investigated further. It does not, however, constitute grounds for further analysis in this paper, since the explanatory power of this regression is so weak.

Table 5.2 R² Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.345*</td>
<td>0.119</td>
<td>0.061</td>
<td>1.128</td>
</tr>
</tbody>
</table>

a: Predictors: (Constant) The company has been forced to lay off permanent workers during the latest financial crisis

Table 5.3 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>5,509</td>
<td>1</td>
<td>5,509</td>
<td>4,323</td>
<td>0.046*</td>
</tr>
<tr>
<td>Residual</td>
<td>40,733</td>
<td>32</td>
<td>1,273</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>46,235</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a: Predictors: (Constant) The company has been forced to lay off permanent workers during the latest financial crisis
b: Dependant variable: The financial crisis has made the company view staffing companies as a better option than before

Table 5.4 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant) The company has been forced to lay off permanent workers during the latest financial crisis</td>
<td>3.733</td>
<td>0.583</td>
<td>6.398</td>
</tr>
<tr>
<td></td>
<td>-0.828</td>
<td>0.398</td>
<td>-2.079</td>
</tr>
</tbody>
</table>

a: Dependant variable: The financial crisis has made the company view staffing companies as a better option than before

The question in Figure 5.17 translates: “When the economic situation changes, the company will use hired labor to a greater extent than before the recession”. The purpose of this question was to determine whether the respondents themselves perceive staffing companies as a better alternative than before. The question also gives some indication as to whether the recession is having an impact on the use of temporary labor at this time. We found that 6 respondent agreed to some extent, 6 disagreed completely. 7 chose to remain neutral while 5 disagreed to some extent. 4 respondents did not answer this question. It was answered by

Figure 5.17. When the economic situation changes, the company will use hired labor to a greater extent than before the recession (respondents that do use staffing companies)
the respondents that currently claim to use staffing companies.

The question in Figure 5.18 is similar to Figure 5.17, but phrased as a negative statement and aimed towards the respondents that claim not to use the services of staffing companies. It translates into: “The company does not believe that its need for temporary labor will change noticeably when the economic situation changes”. One respondent disagreed completely (meaning that his/her company will use hired labor to a greater extent when the economic situation improves) while 2 respondents remained neutral. The final 5 respondents agreed to this statement, which could indicate that the recession is not their main reason for avoiding the use of temporary labor. All relevant respondents answered the question.

The question illustrated by Figure 5.19 translates; “The financial crisis brings an uncertainty regarding the labor needs of the company”. It was posed to the respondents that claim to use the services of staffing companies, to determine whether the labor need fluctuations were important reasons for using these services. We found that 13 respondents agree to this statement, 5 remained neutral and 7 disagreed. 3 respondents opted not to answer this question.

Figure 5.20 shows the answers to the question: “The company uses staffing companies where headcount creates a lack of labor”. This question was created to examine whether headcount or similar matters could be a reason for using staffing companies. It was posed to the respondents that currently use the services of staffing companies, and 3 respondents did not answer. We feared that this question would be perceived as a controversial one, but found that 10 respondents agreed with this statement to some extent. 12 respondents, on the other hand, disagreed and 3 remained neutral. The question described in Figure 5.21 reads “Due to the financial crisis, the company currently does not need temporary labor”, and it was directed towards respondents claiming not to use hired employees. The purpose of this question was to determine whether the recession was the reason not to use temporary labor. Only one respondent agreed with this statement, whereas 5 employees disagreed and 2 chose to remain neutral. All relevant respondents answered it.
5.1.4 ATTITUDES TOWARDS THE TEMPORARY STAFFING INDUSTRY

Through a number of questions, we wanted to examine how the respondents view the temporary staffing industry and its workers.

The question illustrated in Figure 5.22 reads: “Through the use of hired staff, the company can acquire competences that may otherwise be hard to come by”. The purpose of this question was to examine whether the competence factor of temporary staff worked as a catalyst of the use of temporary staffing companies. The question was directed towards the respondents that claim to use temporary staff, and 14 respondents agreed with the statement. A total of 6 respondents disagreed, while 5 chose to remain neutral, and 3 respondents did not participate.

Figure 5.20. The company uses staffing companies where headcount creates a lack of labor (respondents that do use staffing companies)

Figure 5.21. Due to the financial crisis, the company currently does not need temporary labor (respondents that do not use staffing companies)

Figure 5.22. Through the use of hired staff, the company can acquire competences that may otherwise be hard to come by (respondents that use staffing companies)

Figure 5.23. Hired labor from staffing companies are less competent than permanent staff with the same tasks (respondents that do not use staffing companies)
On the same note, we asked respondents that claimed not to use staffing companies “Hired labor from staffing companies are less competent than permanent staff with the same tasks”. 3 respondents disagreed completely with this statement, while 3 remained neutral and 2 agreed to some extent. All relevant respondents answered this question (See Figure 5.23).

We also wanted to examine how the temporary labor is perceived to fit into the organization, and how the respondents perceive their general situation. The question illustrated in Figure 5.24 translates: “The resources for training (and other benefits) are solely focused on the permanent staff”. We wanted to learn whether or not the respondents would agree that their company focuses all their efforts on permanent staff. A total of 12 respondents agreed with that statement, and 5 remained neutral. A total of 8 respondents disagreed, and 3 did not answer. Next, we wanted to learn whether the respondents perceived temporary labor as earning less than their permanent counterparts. The statement reads: “We suspect that hired personnel in this company earn less despite performing the same tasks”. The results are illustrated by Figure 5.25, and only one respondent agreed with this statement. 11 chose to remain neutral, perhaps indicating that they do not know, while 12 respondents disagreed. 4 respondents did not answer this question.

Figure 5.24. The resource for training (and other benefits) are solely focused on the permanent staff (respondents that use staffing companies)

Figure 5.25. We suspect that hired personnel in this company earn less despite performing the same tasks (respondents that use staffing companies)

Figure 5.26. The company perceives the hired personnel as getting along well with the permanent staff (respondents that use staffing companies)
The answers to the next statement are illustrated by Figure 5.26. The statement reads: “The company perceives the hired personnel as getting along well with the permanent staff”. It was directed towards the respondents that claim to use staffing companies, to determine whether they could see any social ramifications for the individuals with temporary contracts. No respondents disagreed with this statement, while one chose to remain neutral. A total of 24 respondents agreed with this statement, of which 15 agreed completely. 3 respondents did not answer this question.

In order to further learn about the respondents’ perceptions of the situation of the temporary employees, we asked one more question. The answers to this statement are, again, illustrated by a bar chart (Figure 5.27). The statement translates into: “The company perceives its hired personnel as enjoying their employment as much as the permanent staff”. It was also directed towards the respondents that claim to use staffing companies, and 15 respondents agreed with the statement. 8 chose to remain neutral, while 2 respondents disagreed to some extent. 3 respondents did not answer this question. Finally, we wanted to learn whether the same respondents believed that restructuring the way that the permanent staff works could be more beneficial than using staffing companies. The statement reads: “The company thinks that flexible working hours increase the performance of the company more than the use of staffing companies”. The answers are presented in Figure 5.28. A total of 8 respondents agreed to this statement, while 10 chose to remain neutral. 6 respondents disagreed with this statement, and 4 respondents chose not to respond.

5.2 Qualitative Data

In this section, we will present the information gathered through the interview with the staffing company manager (SCM). The questions are presented in Appendix 2.

We have reproduced some important parts of the content from a qualitative interview with an employee at a Swedish staffing company below. The empirical findings are presented in categories in order to facilitate for the reader to follow.
5.2.1 ECONOMIC RECESSION

The respondent believed that some of their customers had been affected by the recession in the way that they had been forced to reduce their labor force. This is, however, something that they do not talk too much about according to him.

5.2.2 CONTINGENT LABOR

The respondent was not asked to give any further explanations of the contingent labor market as such, as we believe that the notion is adequately explained in the theory chapter.

5.2.3 WHY COMPANIES USE STAFFING COMPANIES

On the topic why companies are using staffing companies, our respondent mentioned several benefits for the companies from using staffing companies. He argued that if a company needs someone for a short period of time, then it is beneficial not to have to run the process of screening, interviewing etc. by themselves. The solution is also to be cost effective as the customers will not be paying for anything more than the actual time they use the consultant. Furthermore, it is a fast solution. If a company would call on a Friday, a consultant could be present already on the following Monday. Another benefit is the access to candidates and the knowledge about available competences that the staffing company has. Finally, he argued that it an important part is to create added value for the customers. Not only to find what the customer asks for, but to take it one step further and deliver the right competences for that very company to help them grow and prosper.

Concerning the very pricing and costs of using a staffing company, the respondent said:

“If you have a company, for instance, and are going to employ someone, it’s hard to put a price tag on your time... How much does it cost you to make an ad and publish it, and go through the applications, do interviews...measured in time? It can be a lot of money. It can also be little money - that is hard for me to tell. That is entirely something that you as an employer need to decide on... but you do get pretty much for free. You get the full process; you get a competence delivered to your door.”

SCM

The respondent also added that the price tag that they offer should differ marginally compared the companies costs for solving it themselves, considering that the customer needn’t worry about sick pay etc.

Whether it is cheaper or more expensive to use staffing companies the respondent said that it is largely depending on the time frame. For a short period of time he believed that the use of a staffing company would be cheaper, but for contracts that extend over a longer period of time, a year or so, he thought that it might be more expensive to use a staffing company.

Concerning the supply of competences, the respondent mentioned that they have a significant staff turnover in the staffing company itself due to the fact that many customers after a time decide to offer the consultant employment.
The benefit of a fast process was also discussed. The respondent said that a very fast delivery could be necessary occasionally, but at most times, a mixture of planned inquiries and urgent ones could be seen;

“The longer contracts are often planned for, as for instance maternity leave and so on; when you know that you need someone for a set period of time. Sick leave and such on the other hand cannot be planned for. It happens when it happens.”

SCM

Whether the employers reserve their resources for staff benefits to their own employees, the respondent was of another opinion:

“I do not think that they make a difference. I think that the most of our customers, that I have been working with and so on, they are eager to make our staff become part of their own. They too want to be a good employer and create a good relation.”

SCM

He also adds that regarding regulated benefits, such benefits are provided by the staffing company instead of the customer. The consultant will hence not miss out on benefits, but can get fitness contributions etc they too. It is in the staffing company’s interest to keep up with equivalent benefits as the rest of the labor market, he argues.

The recent growth of the staffing industry could be due to different factors according to the respondent. It could be that companies more and more are using the staffing companies as some sort of HR function. It could also be due to the attractive prices nowadays. But maybe above all, it is due to the time gains. All together, these factors come together and give the companies a sense of insurance. This conception has increasingly become in demand, the respondent explains.

Concerning the typical customer, the respondent found it hard to describe such a thing as a typical customer. Growing staffing areas are the IT, industry and logistics, the officials such as administrators (locally) etc.

5.2.4 THE CRISIS AND STAFFING

The staffing company is dependent on their customers; the companies. Our respondent could see a clear effect of the recession on the staffing business.

“Fewer companies call us and ask for help. It is harder to get a deal. Harder to charge, not to mention. Harder to get customer visits.”

SCM

The respondent is rather uncertain about the connection between the recession and the recent increase in using staffing companies. He thinks that there is a connection, even though it is quite implicit.

“No, I don’t think that it is something that is talked so loudly about... but it is rather implicit, that it is what regulates it”

SCM

He thinks though that the hard times are passed them and that an increase in staffing demands begun to show already in January this year.
"And now it is even so, compared to one year ago, that companies call us now and actually ask for help or give suggestions on what we could do and so forth, and it wasn’t like that one year ago. Back then it was more like ‘hunt, hunt, hunt’.

5.2.5 Attitudes Held Towards the Staffing Industry

The respondent believes that the recent negative debate partly is due to ignorance of what the staffing companies actually do. He describes it as if the media is shooting the messenger. Allegations such as the one that the staffing companies erode the employment security regulations he thinks are unfair. He claims that the staffing companies simply are trying to solve a problem for their customers by offering competences and resources. It is important to keep good relations with both customers and employees according to the respondent.

"...and we care pretty much today about getting people into positions that are in line with what they want to do, what competences they have and so on... so that we get three parties that are pleased in cooperation."

"...there is no human being that would take employment here if there were bad employment conditions. So, it’s pretty important for us to offer a merchantable salary... that we arrange times that work out and all that... what is a good employer?"

The reasoning is based on some fundamental ideas:

"... competence is after all our currency that we work with, and if we cannot get it because we are a bad employer, we could rather close down this business"

One negative aspect of being employed by a staffing company could, according to the respondent, be the distance to the employer.

"... you are employed by us, and you are out on missions so to speak at our customer’s, and then you might be sitting there for some months and on way to become part of that business... but the employer is somewhere else. You meet us... we come and pay visits and you could always call us, or come to us... We are available at all times, but you might not see us which causes that you might not get such a good contact with us."

The difficulty for the consultant to become part of the customer’s work force is a problem that the respondent finds possible. However, his experiences are that many customers are good at integrating the consultants.

What he perceives as existing prejudices have been recognized by the respondent. He himself believes that the staffing industry has changed a lot over the past 10-15 years and thinks that some prejudices might derive from the past. He doesn’t find the prejudices among customers difficult to handle though, as he believes that it is fairly easy to start a conversation about it with them.

The respondent ends the interview by sharing his thoughts about the future of the staffing industry. He thinks that there will be a shortage of competences in the future. This challenge
will according to him stress the benefits of the staffing companies even more. After all, he argues, they do meet an incredible amount of people through interviews and customer visits. He hence predicts a bright future for the staffing industry.
We are now able to analyze the empirical findings in the light of the theories presented. Our aim is to examine the presumptions concerning the relationship between recession and use of staffing companies. We will analyze the material in categories.

6.1 THE RECESSION

Our empirical findings show that a majority of the companies agreed that the financial crisis has had a negative impact on the profitability of their company. This alone we take as a natural state for many companies during recession. This finding also shows that a majority of our respondents have been affected by the recession, and have hence answered the following questions in the light of such experiences. However, being affected does not predict behavior or attitudes. Neither does it mean that they have been forced to downsize, however a majority of the respondents claims that this has been the case. According to Pfeffer (2010), many companies do not need to downsize during recession, but they do so in order to increase profitability. According to him, this would mean that first, our respondents have not been downsizing, as their profitability is decreased. Second, it could mean that they have been downsizing and still feel affected by the recession in terms of profitability. The second option seems to be the case. Interestingly, Pfeffer argues that even though the purpose of downsizing is to increase profitability, it is far from certain that this will succeed.

If we take a look at the figure 5.2, we find that scarcely two thirds or the respondents reported having to cut their labor force during the recession. The financial crisis has hence had an impact on many larger companies in a way that has lead to their decision of downsizing. The staffing company manager (SCM) also reported that downsizing was an unspoken but apparent phenomenon among their customers. According to Pfeffer (2010), the downsizings create negative circles for the companies with lost market share as a possible consequence.

Despite this, a vast majority of the respondents experience that their company is on its way towards an improved economic situation. The SCM could also report that the use of their staffing services had increased drastically since January. According to him, the companies are now calling them and asking for their services, and this was not the case one year ago. This indicates that there might be a connection between the recovery from recession and the use of staffing companies. We will investigate this further at a later stage. A remark can be made that no one of the respondent strongly disagreed to this statement, which we take as a sign of positive thinking in the Swedish business world.

Based on the statistics, we can see that our respondents at large are affected by the recession but look positively on their coming economic development. As a consequence of the
economic cycle, many of them have been cutting their labor force. We find that these results are in line with our expectations.

We cannot evaluate if the companies have been facing negative consequences that can be caused by their choice to downsize as Pfeffer (2010) suggests. We will not be commenting on the effects caused to the society or to the unemployed by the downsizing, as it falls outside the purpose of this study. Pfeffer (2010) argued that it is possible that the companies do take after each other in this kind of behavior. We have not investigated this matter, but leave it as a possible explanation.

6.2 Why Employers Want to Use Staffing Companies

Houseman (1999) argues that the main reason for using temporary workers has been sudden and unexpected fluctuations in their labor force demand, such as sudden vacancies etc. Our respondents do not give a homogenous answer to the question if they experience such sudden fluctuations. A majority of respondents agreed to be experiencing such problems (23 respondents agreed, while 6 disagreed). The SCM also gave a divided answer, saying that sudden enquires are most common, but that planned inquiries are relatively common too, such as maturity leaves etc. Houseman (1999) mentions a just-in-time phenomenon that is believed to give a competitive advantage. We think that this could be another reason for using staffing companies that is not necessarily connected to recession and hence is not treated sufficiently within this paper. However, we encourage further research on the matter.

We think that the time aspect is of importance to the companies. We would like to know though if they are able to plan for such temporary fluctuations in time. Over two thirds of the respondents were agreeing to some extend or completely to the statement that they are able to plan for sudden fluctuations in time and are hence able to avoid a shortage of labor force. This is somewhat contrary to the theories suggesting that sudden vacancies would be one of the main reasons for using staffing companies. If the companies find that the fluctuations can be planned for in time and hence avoid the problem of standing short of staff, there should be other reasons for their interest in staffing company products. The SCM believes that sick leaves simply can’t be planned for, something that stands to reason. However, it might be that the companies are not experiencing a lot of these sudden sick leaves, which does not seem very likely either. A third option is that the permanent staff picks up the slack when one employee is absent. The picture we have got from the SCM differs somewhat from the one given by the companies. The SCM thought that a fast delivery was required rather often. Maybe the companies simply want it to go fast, without having a need for the speed so to speak.

Concerning the costs, our respondents here too were of different opinions with a small predominance (mean 2,47) for thinking that it is actually more expensive to use staffing companies than to employ themselves. As the SCM told us, the direct costs might be higher, but it is difficult to put a price tag on someone’s time. Also, the added value differs from case to case. All together, we find it hard to conclude how the price or the costs of these services affect the attitude towards using them, as we do not know whether the employers believe that they get value for their money or not. A simple assumption is that the employers that use staffing companies should have such beliefs. As we cannot see whether the costs are reduced for the companies, we will continue to search for explanations for their attitudes towards
staffing companies. In theories, Houseman (1999) refers to findings that some employers do experience increased hourly costs or, as she says Nollen and Axel (1996) suggests; possible increased overall labor costs. Schaffer (2006) claims that hospitals could actually save money from using staffing companies. Nollen (1996), on the other hand, is of the belief that cost reductions could be overestimated. We can hence see that even in existing theories, there are different opinions on this matter which makes the subject more interesting. The respondents seem to agree with the notion of increased costs associated with the use of temporary staffing companies, though.

At this stage, we chose to divide the respondents into groups, depending on whether they are using staffing companies themselves or not. The amount of respondents that said that they are using staffing companies is of same size as those that had to cut their labor force during recession, two thirds. Considering that we are talking about the largest employers in Sweden, we take this as a sign that using staffing services is a common phenomenon that needs to be discussed more. We think that the debate has forgotten to acknowledge the underlying needs of the companies, and instead created a discussion that seeks to blame someone, which in return threads a shadow over the debate. These incitements, we believe, makes it even more taboo to talk about. Denmark has recently got attention for its “flexicurity” system, giving employers more flexibility and employees more security, by deregulating labor laws and enforce more social security in the society. There seem to be different opinions regarding whether such a system could be applicable or not in other countries. We think that the question as such needs more attention in Sweden, in order for legislators to find out how to design a system that allows the flexibility and security to best satisfy both employers and employees.

Among both groups of respondents, staffing company users and non-users, other types of temporary workers were quite common. As mentioned in the empirical findings, those that claimed to use staffing companies were less inclined to use other sources for employing temporary staff compared to those that did not use staffing companies. We interpret this as them, by using staffing companies, having less of a need to arrange for temporary staff through other channels.

According to Houseman (1999), one of the primary reasons for using staffing companies is fluctuations in the staffing need. A report by the Conference Board (see Lenz, 1996) also mentions that the foremost reason for using staffing companies is the flexibility. Next to all our respondents that are using staffing companies are agreeing to some extent or completely with this statement. This indicates that the need for flexibility in terms of sudden fluctuations of labor needs is an important reason for the employers to use staffing companies. This is further supported by the SCM that mentioned that it is beneficial to use staffing companies for shorter placements as the company will not have to spend a lot of time on the hiring process. We believe that the staffing companies are indeed solving a real problem for the companies that discover that they need no fill a position in short time, but might not have the resources in terms of time to conduct a hiring process themselves. This, to us, is an advantage for the staffing companies that conduct these processes as their living and hence gets valuable experience and refined methods.

We also asked our respondents that are using staffing companies, whether they find the staffing companies helpful in reducing risks connected to labor needs. The results showed a slight inclination towards agreement. This is not statistically significant in any way, but we
interpret the result as this might be a reason for using staffing companies. The risks, in turn, we thought might be connected to the economic fluctuations. We can unfortunately not show upon any such relationships from the received answers.

A majority of the respondents that are using staffing companies agreed to the statement of needing a constant access to staffing services, and contrary, a majority of those not using staffing companies were agreeing not to have such a need. Once again, the responses are not of a number that can be used to prove such tendencies. We find the respondents answers to be in line with expectations though. We wanted to see the nature of the need for staffing services to better understand whether it is temporary or of more permanent nature. Even though not statistically proved, it seems that the respondents that are using staffing companies have a constant need for the possibility to do so. On the contrary, those who are not claiming to use staffing companies seem to not have such a constant need, interpreted from the rather scarce information that eight respondents constitute. Peck and Theodore (2007) is discussing a change in temporary staffing industry that is moving a more permanent need for flexibility. We find this notion possible and interesting indeed, especially if there are competitive advantages to be had from using flexible staffing arrangements.

We also wanted to know if the use of staffing companies was worth an extra cost. Among those not using staffing companies, the answers were quite balanced with some agreeing and some disagreeing. Among those using staffing companies on the other hand, the majority was agreeing to some extent. This shows that, even if not statistically significant, those using staffing companies also believe that it is worth the eventual extra cost of doing so to a larger extend than those not using staffing companies. It is worth mentioning though, that approximately half of those not using staffing companies still were of the belief that using staffing companies could be worth an eventual extra cost. We have mentioned the theories on this matter earlier in this chapter, but will shortly mention it again. Houseman (1999) finds that employers are of different opinions regarding costs. She refers to Nollen and Axel, (1996) claiming that using staffing companies could actually increase the overall labor costs. Nollen (1996) further argues that cutting costs might be overestimated by the companies. Lenz (2008) is of another opinion, meaning that for instance hospitals that take in nurses as temporary workers through staffing companies could save money on it. As we concluded earlier, we cannot draw any reliable conclusions from our findings in connection to the theories.

To better understand the issue of costs and value for money, we asked the SCM to tell us more about it. It comes clear that this is not a static question with one simple answer. First of all, different staffing companies can of course set their own prices and whether it becomes more or less expensive than to hire directly depends on the particular customer and their costs, wages etc. It is hence relative. However, based on the SCM’s explanations, we are able to see some fundamental economic reasoning behind the matter of costs. Firstly, it seems more beneficial to use staffing companies for shorter placements. It appears that the employer is only paying an hourly price for the temporary worker, and that way can avoid the relatively high staring costs and time consumption for employing someone. However, in the long run, the hourly prices should include a margin to cover such start costs for the staffing company. This is further supported by the SCM that gives an example of a breaking point, in time, where it starts becoming more expensive to use staffing compared to hiring on your own. Secondly, as the SCM mentions, it is hard to put a price tag on the extras, such as someone’s time. Hence, it may be of different value to different employers not to have to spend the time
filling a suddenly vacant position. Also, there are other benefits in the process, such as getting the right competence for the company’s needs, which also can be difficult to put a price on. Hence, it all comes down to each and every company what they value, and if the price is worth the package of benefits received.

According to Houseman (1999) and Theodore and Peck (2002), companies are sometimes using staffing companies to test the employee out prior to direct or permanent employment. We asked our respondents that use staffing companies to take a stand on the statement that the workers that they get through staffing companies oftentimes get direct employment in their company. The answers were diverse in nature with majority for the answer ‘agree to some extent’. Once again, the answer is not statistically sufficient to state whether it is true of not. However, if we let ourselves interpret the answers given, it seems that the companies have different approaches to this matter. For some, using a staffing company might be a good way to find the employees that they want to keep. For others, temporary workers are more filling the need for just that; temporary staff. Whether this applies to a company or not does also play a role for that particular company’s perceived benefits from using staffing companies. The SCM confirm that some companies use the possibility of hiring the consultant directly, as the staffing company he represents have lost many of their consultants to their customers. He finds this another advantage for their customers and hence sees it in a rather positive way.

6.3 THE CRISIS AND STAFFING

Theodore and Peck (2002) claim that the temporary staffing industry benefits from economic recession and that the industry will benefit greatly from its recovery. In these times one could expect that companies rather hire temporary labor than permanent ones, to avoid the effects of temporary downturns during the recovering stages. According to the authors, unstable industries are the bread and butter of these companies. Has staffing companies become more attractive options during the recession?

When faced with the statement “The financial crisis has made the company view staffing companies as a better option than before”, 17 respondents disagreed compared to 9 in agreement. This is hardly surprising, given that most people have a difficult time identifying factors behind attitude changes. Also, 9 respondents remained neutral, which may indicate that the positions of the companies regarding these matters have not changed. We found a significant F-value when using the perceived layoffs of the company as predicting changes in attitudes towards staffing companies due to the recession. However, this model explains only a small variation in the dependent variable (9% of the total variation according to the adjusted Beta value), and too much emphasis should therefore not be put on this correlation. We can conclude that it constitutes an interesting finding, worthy of further investigation, but no more than that. The SCM claimed that the staffing company that he represented was affected severely by the financial crisis. The staffing company was previously more or less forced to hunt for clients, compared to the current situation, where companies call them;

“And now it is even so, compared to one year ago, that companies call us now and actually ask for help or give suggestions on what we could do and so forth, and it wasn’t like that one year ago. Back then it was more like ‘hunt, hunt, hunt’. “

SCM
This is supported by the findings of CIETT (2010) which show that the staffing industry will decline heavily during recession, but also recover quickly. They also claimed, however, that the trend will not change until 2011, and it appears as though the staffing industry has recovered faster than expected. The SCM respondent claims, however, that the recession is almost never publicly given as a reason not to employ their services, rather, its effect on the client companies are known to all people involved.

There is a possibility that the companies has viewed temporary labor as a good option for satisfying their labor needs, but has been forced to postpone their use of temporary labor due to their current economic states. To examine this possibility, we questioned all respondents about their future actions. Of all the respondents, only 7 believe that they will use temporary staff to a greater extent than before, while 16 do not believe this to be true (see Figures 17 and 18). The statements “When the economic situation changes, the company will use hired labor to a greater extent than before the recession” and “The company does not believe that its need for temporary labor will change noticeably when the economic situation changes” were both created to find out whether the respondents view staffing companies as a more attractive option than before. As expected, the results from these statements mirror the answers of the previous statement. A total of 16 individuals (summing up the results from the two statements) expect not to use hired labor from staffing companies to a greater extent than before. A total of 9 respondents were neutral, and 7 respondents expect increased usage. These findings are interesting, though, in that they contradict the stats from CIETT (2010), which show that recovering businesses oftentimes use temporary labor to a large extent in the initial expansion.

We were interested to know whether the respondents perceived the labor needs of their companies as being fluctuating because of the financial crisis, which would constitute grounds for considering the use of staffing companies. CIETT (the International Confederation of Private Employment Agencies, www.ciett.org, 2010) claims that staffing companies will have an increasingly important role to play during recessions due to the flexibility needs of the companies during such conditions. We faced the respondents that claim to use the service of staffing companies with this statement: “The financial crisis brings an uncertainty regarding the labor needs of the company” to see if this was the case. Indeed, 13 respondents agreed with this statement, while 7 disagreed. This finding is not revolutionary by any means, but it provides some insight as to why the staffing industry may be more successful during economic recovery than other industries. As Houseman (1999) states, fluctuations in the labor needs of the companies are crucial components for viewing staffing companies as attractive alternatives.

In recession, one can expect that several companies implement headcount procedures, where management is prohibited from hiring any personnel. This may cause some departments to circumvent these problems by using staffing companies, according to Houseman (1999). We indeed found some evidence that some companies use staffing companies because of this reason, as 10 respondents claimed that this was a reason for hiring personnel. This is hardly surprising, given the intense debate that has been raging about the temporary staffing industry and the labor laws in Sweden. 12 respondents disagreed with this statement, however. It is interesting to note, though, that headcount seems to be a common reason for the use of staffing companies. This result is interesting to compare with the answers to the statement “Due to the financial crisis, the company currently does not need temporary labor” (shown in Figure 21). This statement was put to the respondents that claim not to use temporary
staffing companies, but only one stated that the financial crisis was the reason not to employ their services. As a contrast, 5 respondents disagreed with this statement.

6.4 Attitudes Towards the Temporary Staffing Industry

We wanted to find out more about the respondents' attitudes. On the question if they could find competences that otherwise are difficult to acquire by using staffing companies, a majority of the respondents agreed to some extent that this is the case. It seems that the acquisition of competence plays a vital role in the use of staffing companies for those that do so. However, due to the low number of respondents, we cannot conclude that this is the case for the Swedish corporate sector as a whole. Our respondents seemed to agree, which we find in line with expectations.

To those respondents that claimed not to use staffing companies, we posed a question about negative attitudes, that the staff from staffing companies would be less competent. This is, according to Lenz (2008) a common misunderstanding, at least among nurses. Our respondents were of different opinion with some respondents agreeing, some neutral and some disagreeing. We can from these answers not conclude whether such prejudices exists or not (or indeed if they really are prejudices). According to the SCM, there are some prejudices out there. He believes that these derive from some 10-15 years ago when the staffing industry was different. Also Levenson and Finegold (2001) discuss temporary workers that are less favored in the job markets with the remark that this seems to be changing.

The respondents did not think suspect that their hired consultants were earning less than their own employees for doing the same tasks, but instead seemed to be of a contrary opinion. Nollen (1996) is suggesting that this could be a risk, but we cannot draw any such conclusions from our findings. Levenson and Finegold (2001) on the other hand mean that there are no great differences in wages between temporary workers and permanent staff.

Concerning the benefits given to the staff, the respondents' answers were spread, showing that they were of different opinions. This is also in line with the theories (Houseman, 1999) that says that some employers try to cut costs by reducing benefits for the consultants, but far from all employers are doing it.

We asked our respondents about their opinion on whether their hired consultants were getting along with the permanent staff, and whether they seemed to enjoy their employment. The answers showed that the respondents are of the opinion that the consultants are getting along very well with the permanent staff. We find this as a sign that the companies have managed to integrate the consultants well in their business. The respondents were also of the opinion that the consultants seemed to enjoy their work quite equally compared to permanent staff. The SCM confirms the findings of successful integration. He says that their customers are very good at integrating their consultants. According to Hogg and Terry (2001), it is of great importance that the temporary staff does not feel as a less desirable minority group, as this might harm their commitment to the workplace. In this case, we do not find any signs of this being a widespread problem though, as our respondents are indicating that this is not an issue.

Martínez-Sánchez et al. (2007) claim that only internal flexibility has an impact on firm performance, whilst external does not. The majority of the respondents were agreeing to such
a statement. The respondents seem hence to be aware of the benefits from different kinds of flexibility.

When gathering the survey responses, we asked the respondents to name possible other factors which contribute to the use, or lack of use, of staffing companies. When asking the respondents to name other reasons for using staffing companies, the response rate was (rather expected) weak. 7 respondents that claim to use the services of staffing companies named other reasons for doing so. The reasons include “a rapid availability of labor”, to decrease the age of the workforce, regulations of the industry in which the company operates, to mitigate the labor need fluctuations, and to find competences within certain areas.

All in all, these answers (except for the regulatory reason) reflect the themes of the theory regarding the usefulness of temporary labor. When we asked the respondents that claim not to use staffing companies why they refrain from doing so, 6 out of the 8 respondents answered the question. Their reasons varied as well, but one theme occurred three times; that the company has a policy of employing a long term focus on the labor issues, which includes prioritizing permanent recruitment. Other reasons include the nature of the business (that only the supporting functions of the daily operations could be run by temporary staff), and using laid-off personnel as temporary labor instead of hiring them through an external actor.

6.5 **SUMMARY**

In this chapter, we have analyzed the empirical findings along with relevant theories by using an analysis method called categorization. We have hence used the categories used in the theoretical chapter and empirical findings chapter to put the existing theory to an empirical test. In addition, we have stated our own reasoning on the matters. The attempt has been to create a foundation for our conclusions presented in the proceeding chapter.
Based on our analysis, in this chapter we will our conclusions. We are aiming towards presenting an answer for our research question and some other conclusions that are closely related to the issue. We will also present suggestions for further research within the selected research area.

7.1 ANSWER TO THE RESEARCH QUESTION

Based on the theories within the research areas of recession, temporary staffing and related attitudes we have come to create our research question:

What attitudes do employers hold towards staffing companies? Have the attitudes changed during the current financial crisis?

We have found a low (statistically insufficient) level of support for some of the assumptions about recession and attitudes towards temporary staffing. As we unfortunately due to a low response rate are unable to prove such support statistically, we have used the information in a more interpretive way along with qualitative data to serve as guidance in the aim to investigate the research area further. Such findings of a more qualitative nature we propose to be used in creating a better understanding for the research phenomenon: temporary staffing in times of recession.

To answer the first question, the responses show that:

- The direct costs of using staffing companies are perceived as being slightly higher than to hire by themselves, but the benefits are perceived as being worth an extra cost by the companies currently employing staffing companies.
- The use of staffing companies is believed to help reducing risks connected to the labor force, and it is generally considered to be a good option when facing fluctuations in labor needs.
- There is a need for a constant staffing supply for those using staffing companies. The staffing companies can furthermore be used as a HR function to find and try out staff that these companies want to keep.
- Staffing companies can be used to find competences that are otherwise hard to find.
- The temporary labor is, according to the respondents, well integrated in their workplace, enjoys their work just as other staff, are as competent as other staff and receives similar or higher wages.
We would like to stress once again that the above mentioned attitudes are based on a small number of respondents and are hence not suitable to generalize to a larger population beyond the cluster.

To answer the second question, we find that a majority of the respondents do not perceive the staffing companies as a better alternative than before the recession. Whether this indicates an attitude change or keeping status quo is difficult to determine (see figure 16, 17 and 18 in the Empirical findings chapter). Several of the studies referenced in this paper claims that staffing companies will experience a rapid growth during times of expansion. However, this trend does not seem to be reflected within our sample.

As mentioned above, the information gathered from our respondents has in large served the purpose of investigating the attitudes towards the temporary staffing industry in times of recession in a slightly alternative manner. As a majority of the measurements made are not reaching statistically significance to constitute statistical support, the empirical findings have been used in a more qualitative manner. The outcome is hence giving increased understanding for the phenomenon rather than direct answers to our assumptions.

The recession has taken its toll on many companies of the large companies in Sweden which we have surveyed. The profitability of the companies of the respondents have seen decreases in terms of their profitability, and have been forced to make cuts in their labor force as a possible consequence. We have found that many of the companies that are using staffing companies today also see more benefits in doing so, compared to those that are not using staffing companies. It is important to stress that the perceived benefits from using staffing companies differ depending on the particular company and its needs. Finally, we find that there are still some negatively attitudes held towards staffing companies, possibly complicating the picture of the staffing industry as a tool for depleting labor laws which only benefits the companies.

7.2 SUGGESTIONS FOR FURTHER RESEARCH

We believe that the research conducted within the area of temporary staffing in Sweden, from a corporate perspective, is insufficient. We have presented reasons to believe that the Swedish private sector is moving towards a constant need of temporary labor, which is described by Theodore and Peck as being the case in the U.S. Although the findings presented in this study are far from conclusive, we believe that it contributes to the understanding of how managers perceive the staffing industry. Furthermore, it can be used as a basis from which other research can depart. We believe that it is reasonable to assume that the experiences of the managers and the actual effects of using staffing companies are important drivers to determine attitudes towards the staffing industry within the Swedish private sector. This is why studies of this kind probably serve as a good indicator of the future prevalence of the staffing industry. Moreover, based on the literature it seems that the staffing industry as a concept is under intense scrutiny, accompanied by misconceptions and preconceived ideas. Because of this, we would encourage any attempts to map out the benefits and drawbacks of temporary staffing in Sweden today, at different levels of analysis.

We have shown that our respondents believe that the temporary labor is integrated well into their companies, and that their situation is generally not as bad as, for instance, Nollen claims.
There seem to be, though, aspects of the staffing industry which only benefits the companies utilizing temporary staffing. The notion of flexibility, for instance, only applies to the client companies, according to Nollen. It would therefore be interesting to study the attitudes of workers in this type of arrangement to determine how they perceive their situation. We would also encourage research focused on whether the use of staffing companies provides the clients with a competitive advantage or not.
**Sources:**

**Scientific Articles**


**BOOKS**


Bryman, A. (2002) ”Samhällsvetenskapliga metoder” Liber AB.


**Research Report**


**Internet Pages**


TCO-Tidningen. ”Skyll inte på bemanningsföretagen” http://www.tcotidningen.se/skyll-inte-pa-bemanningsforetagen-1 Published 2010-02-01. [Accessed 2010-04-05]

Hej!
Vi är två studenter vid Umeå School of Business and Economics som skriver en Magisteruppsats inom Management.
Vi har valt ut Sveriges 100 största arbetsgivare för deltagande i studien, och ert företag uppfyller det kriteriet.

Dina svar och ditt deltagande kommer att hanteras anonymt. Om du är intresserad av att ta del av den färdiga uppsatsen; ange din mailadress i "Övriga kommentarer" så behåller vi din adress till dess att uppsatsen är färdig. Om du är osäker på hur företaget förhåller sig till vissa frågor – utgå från din egen åsikt vid svaret!

Vi definierar "finanskrisen", i enlighet med Konjunkturinstitutet, som tiden mellan den senare delen av 2008 och dagsläget (våren 2010). Alla referenser till inhyrd personal avser personal från bemanningsföretag.

Din medverkan är otroligt viktigt för vår studie, och vi tackar för din tid!

1. Finanskrisen har drabbat lönsamheten i företaget

2. Företaget har tvingats att säga upp fast anställda i företaget under den senaste finanskrisen

3. Vi upplever att företaget nu går mot bättre ekonomiska tider (t ex genom ökad orderingång)

4. Företaget upplever märkbara, tillfälliga skillnader behovet av arbetskraft

5. Skillnaderna i företagets behov av arbetskraft hinner vi oftast planera för så att arbetskraftsbrist kan undvikas

6. Företaget upplever att de totala kostnaderna för att hyra in arbetskraft är lägre än att anställa egen personal

7. Finanskrisen har gjort att företaget idag ser bemanningsföretag som en bättre lösning än tidigare
8. Företaget använder sig av inhyrd arbetskraft från bemanningsföretag idag

Om du har svarat ”Nej” eller ”Vet ej” på föregående fråga, hoppa till fråga 26!

Om du har svarat ”Ja” på föregående fråga, fortsätt nedan;

9. Inhyrd personal från bemanningsföretag används vid tillfällig ökningar i arbetskraftsbehovet

10. Företaget använder bemanningsföretag där anställningsstopp skapar en brist på arbetskraft

11. Finanskrisen innebär en osäkerhet i företagets arbetskraftsbehov

12. När konjunkturen vänder kommer företaget att använda inhyrd arbetskraft i större utsträckning än innan finanskrisen

13. Det är värdefullt att ha en inhyrd del av personalstyrkan, även om det skulle innebära en extra kostnad för företaget

14. Den inhyrda personal som företaget har får ofta en fast anställning om de passar hos oss

15. Genom att använda inhyrd personal får företaget in kompetens som annars är svår att få tag på

16. Företaget upplever att vi har ett behov av en konstant tillgång till inhyrd arbetskraft
17. Företaget upplever att användning av inhyrd arbetskraft är bra för att avhjälpa ekonomiska risker förenade med arbetskraftsbehov

18. Vi misstänker att inhyrd personal i företaget har lägre lön än fast anställda trots att de utför samma arbetsuppgifter

19. Företagets resurser för fortbildning (och andra personalförbättringar) går uteslutande till våra fast anställda

20. Företaget upplever att inhyrd personal fungerar bra tillsammans med den övriga personalen

21. Företaget upplever att inhyrd personal trivs lika bra med sin anställning som fast personal

22. Företaget upplever att flexibla arbetstider ökar företagets prestation mer än vad anlitandet av bemanningsföretag kan göra

23. Andra faktorer som gör att mitt företag använder inhyrd arbetskraft från bemanningsföretag

24. Företaget använder sig av temporär arbetskraft genom andra kanaler än bemanningsföretag idag

25. Övriga kommentarer

Tack för din medverkan!

Hälsningar/

Katarina och Erik
Om nej på fråga 8;

26. Inhyrd personal från bemanningsföretag har lägre kompetens än fast anställda

27. Att ha en inhyrd del av personalstyrkan är inte värt en extra kostnad

28. Företaget upplever inte att det har behov av en konstant tillgång till inhyrd arbetskraft

29. Finanskrisen har gjort att företaget i dagsläget saknar ett behov av inhyrd arbetskraft

30. Företaget tror inte att dess behov av inhyrd arbetskraft kommer att förändras märkbart när konjunkturen vänder

31. Andra anledningar till att mitt företag inte använder inhyrd arbetskraft från bemanningsföretag (skriv in ditt svar här):

32. Företaget använder sig av temporär arbetskraft från andra kanaler än bemanningsföretag idag (klicka på ”MITT SVAR” för att svara)

33. Övriga kommentarer (skriv in ditt svar här):

Tack för din medverkan!

Hälsningar/

Katarina och Erik
APPENDIX 2 - THE QUESTION FORM – QUALITATIVE DATA

The presented questions were used as a guide when we conducted the interview. The questions asked at the actual interview might hence differ slightly from those presented. There might also have been follow up questions that are not presented here. The questions were asked in Swedish and the questions are translated from Swedish.

Background questions: Name and position? Anonymous?

How have you, as a staffing company, got affected by the financial crisis? Is the financial crisis affecting the extent to which your services are used? Is the crisis the cause of the effects?

Are you of the opinion that your customers have had to cut their labor force due to the financial crisis?

Are you of the opinion that your customers are currently moving towards an improved economic condition? Have you been prepared for changes?

How are your typical customers?

Do your customers plan their labor needs in advance?

What attracts companies to use staffing companies? Are there economic advantages? Social advantages? What advantages are there? How to create added value?

Do you think that it generally is more expensive for the companies to use staffing companies instead of recruit themselves?

How many and how long are your assignments in general? Cycles?

Are the customers using you as a HR support?

What are the disadvantages? Are there economic cons? Social cons? What are the cons?

From a corporate perspective: Do you think that there are any negative effects from the fact that the consultant is not employed by them, but by a staffing company?

What is behind the development for the past 10-15 years?

From the consultants’ perspective: Do you think that there are any negative effects from the fact that they are not employed directly by the customer, but by a staffing company? Issues of not belonging?

Benefits: Do you think that the customers make a difference between their own employees and those that they have acquired from a staffing company?
Why have the staffing companies become successful? Why is there an evolving debate concerning the use of staffing companies today? Why do you think the use of staffing companies is increasing in Sweden today?

How do you get customers? What arguments are you using when selling your services?

How do you perceive the attitudes towards staffing companies today? Do you know of any negative attitudes towards the staffing companies among the customers/organizations? If so, what are they?

Do the staffing companies, as a union, try to affect opinions?

How do you think that the future of the staffing industry will turn out?
### APPENDIX 3 – ONE SAMPLE T-TESTS

(questions with 5 alternatives, 5 = ’Completely agreeing’)  

<table>
<thead>
<tr>
<th>One-Sample Statistics</th>
<th>One-Sample Test</th>
<th>95% Confidence Interval of diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Mean</td>
<td>Std. Dev</td>
</tr>
<tr>
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<tr>
<td>Finanskrisen har drabbat lönsamheten i företaget</td>
<td>37</td>
<td>4,08</td>
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<tr>
<td>Vi upplever att företaget nu går mot bättre ekonomiska tider</td>
<td>36</td>
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<tr>
<td>Företaget upplever märkbara, tillfälliga skillnader i behovet av arbetskraft</td>
<td>36</td>
<td>3,53</td>
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<tr>
<td>Skillnaderna i företagets behov av arbetskraft hinner vi oftast planera för så att arbetskraftsbrist kan undvikas</td>
<td>34</td>
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<tr>
<td>Företaget upplever att de totala kostnaderna för att hyra in arbetskraft är lägre än att anställa egen personal</td>
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<tr>
<td>Finanskrisen har gjort att företaget idag ser bemanningsföretag som en bättre lösning än tidigare</td>
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<tr>
<td>Inhyrd personal från bemanningsföretag används vid tillfälliga ökningar i arbetskraftsbehov</td>
<td>25</td>
<td>4,24</td>
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<tr>
<td>Finanskrisen innebär en osäkerhet i företagets arbetskraftsbehov</td>
<td>25</td>
<td>3,24</td>
</tr>
<tr>
<td>När konjunkturen vänder kommer företaget att använda inhyrd arbetskraft i större utsträckning än innan finanskrisen</td>
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<td>2,54</td>
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<td>Företaget använder bemanningsföretag där anställningsstop skapar en brist på arbetskraft</td>
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<td>Det är värdefullt att ha en inhyrd del av personalstyrkan, även om det skulle innebära en extra kostnad för företaget</td>
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<td>3,56</td>
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<td>Den inhyrd personal som företaget har får ofta gast anställning om de passar hos oss</td>
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<td>3,46</td>
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<td>Genom att använda inhyrd personal får företaget inkompetens som annars är svår att få tag på</td>
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<td>Företaget upplever att vi har ett behov konstant tillgängligt tillinhyrd arbetskraft</td>
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<td>3,56</td>
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<td>Företaget upplever att användning av inhyrd arbetskraft är bra för att avhjälpa ekonomiska risker förenade med arbetskraftsbehov</td>
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<td>Företagets resurser för fortbildning (och andra personalförmåner) går uteslutande och väga fast anställda</td>
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<td>3,24</td>
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<td>Vi misstänker att inhyrd personal i företaget har lägre lön än fast anställda trots att de utför samma arbetskraftsgift</td>
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<tr>
<td>Att ha en inhyrd del av personalstyrkan är inte värst en extra kostnad</td>
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<td>Företaget upplever inte att det har behov av en konstant tillgång till inhyrd arbetskraft</td>
<td>8</td>
<td>4,25</td>
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<td>Finanskrisen har gjort att företaget i dagsläget saknar ett behov av inhyrd arbetskraft</td>
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<td>2,25</td>
</tr>
<tr>
<td>Företaget tror inte att deiss behov av inhyrd arbetskraft kommer att föreändras märkbart när konjunkturen vänder</td>
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<td>3,63</td>
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