# POLITICAL ECONOMY OF AGENCY EMPLOYMENT

# Flexibility or Exploitation?

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Abstract: The proliferation of agency employment in Pakistan is a serious labour problem and a public policy concern because of the potentially negative implications for agency workers' basic statutory rights. Agency workers are normally given a vastly different, often negligible, package of benefits from their permanent counterparts. They are especially vulnerable to instant dismissal and are generally excluded from collective bargaining arrangements. Unions regard the use of agency employment as exploitative, and a threat to their jurisdiction and membership. This article reports on an in-depth study of "payrolling" agencies. Pay-rolling agencies are a particular form of employment intermediaries through which employers attempt to bypass statutory obligations concerning workers' benefit entitlements and trade union rights, simply by paying workers through an agency. A total of 97 interviews, undertaken in six case studies across three industrial sectors with employees, employers, agency and union officials, and industry specialists revealed sufficient evidence on the use of pay-rolling agencies. The results confirmed the anecdotal evidence that some employment agencies are not truly genuine. The evidence suggested that there is a growing trend for agencies to be simply a sham arrangement, refuting the notion that temporary agency work has only been a natural and inevitable response to changes in the economy.

Key words: pay-rolling agencies; statutory rights; exploitative employment practices

# Introduction

Politico-economic viewpoints grounded in sociological literature suggest that firms are often economically and politically stronger than workers and thus are in a better

position to impose their terms and conditions on workers (Streeck and Crouch 1997). Firms are often rationally acting entities guided by the economic opportunism to maximise their profits by any feasible means, especially in situations where workers do not have much freedom in the determination of their conditions of work (Streeck 1992; Weber 1978). Given the normally more pressing economic needs of the workers, the uneven balance of power between employers and workers can result in social injustice (Burawoy and Wright 2002; Fox 1974). This imbalance of power can result in exploitation where the material interests of exploiters causally depend on the material deprivations of the exploited (Wright 1989).

Traditionally, agency employment is a "three-way" or "triangular" relationship involving a worker, a company acting as a temporary work agency and the client organisation, whereby the agency employs the worker and places him or her at the disposition of the user company. The term "client organisations" will be used to denote these employing establishments (user companies) who hire workers through employment agencies. The role played by employment agencies is both complex and dynamic (Cetinkaya and Danisman 2011; Druker and Stanworth 2006; Sankaran 2007; Wynn 2009). This three-party employment relationship often generates ambiguity regarding the employment relationship and raises questions as to who bears the responsibility of an "employer" in terms of providing employment rights and responsibilities (Autor 2003; Connell and Burgess 2002; Davidov and Langille 2006). This question arises in part due to the blurring of organisational boundaries and the lack of clarity surrounding the position of these workers in labour laws (Dickens 2004; Fudge 2006).

Theories and arguments in the political economy literature are mostly rooted implicitly or explicitly on the case of the full-time worker with a permanent employment contract. The emergent evidence, however, suggests that secure employment is declining across the board and that employment contracts have, in various ways, become a comparatively negative source of regulation and discipline (Barker and Kathleen 1998). The breakdown of expectations of security has been precipitated by numerous factors, including economic restructuring, downsizing, the demolition of internal labour markets and employers' beliefs that permanency, stability, and lifelong employment are liabilities to business competitiveness and flexibility (Okafor 2012; Osterman 1996; Wilkin 2013). Hence, this ideal-typical work arrangement has dramatically weakened. The burgeoning forms of workers' exploitation derived from emergent forms of intermediated work arrangements (such as the temporary agency employment phenomena of the past two decades) has rarely been discussed and analysed in explaining the political economy of this increasingly growing and vulnerable workers' class hired on non-standard work contracts (Kalleberg, Hudson, and Reskin 1997) of which agency employment is a variant. In order to describe the influence of power structure at contemporary workplaces, an additional dimension must be specified: the employment contract as a mechanism that guides employment relations.

Nested within this theoretical agenda, this study sought to explain a perhaps novel tactical nudge by opportunistic employers characterised with lopsided financial and political powers to exploit weak and vulnerable agency workers of Pakistan, and thus increasing class disorganisation. Against this backdrop, this study endeavoured to explain and interpret the conditions of agency labour in the selected case study organisations in Pakistan. Pakistan has been chosen for this study primarily because of indications of, attention grabbing, dubious forms of agency employment practices prompted by the preliminary, anecdotal, evidence (Samad and Ali 2000; Sayeed et al. 1997; Shafi 2005). Given labour market poverty in Pakistan and the existence of regulatory gaps and the asymmetric distribution of power and wealth between employers (in most cases industrialists representing minority elite) and workers (mostly representing impoverished and unprivileged majority), agency work perhaps evolve as an evasion. Hence, the aims of this study was to see to what extent agency employment in Pakistan is guided by the insights drawn from the sociological underpinnings rooted in power imbalance and exploitation as opposed to genuine flexible staffing strategies grounded in pure economic and business concerns (Smith 1998). Employers' use of temporary agency workers rather than seeking to meet particular flexibility needs may be based on the fact that cost and other advantages accrue from such workers being excluded from higher levels of legal protection (Erickson et al. 2003). This can be exacerbated by the notion that often weak political and economic position of workers in the society potentially makes them vulnerable to opportunism and abuse by employers (Fox 1974; Streeck 1992).

It is also important to note that the use of workers on temporary agency contracts by employers is widespread, and evidence suggests that such employment is growing in many regions of the world (Cetinkaya and Danisman 2011; Erickson et al. 2003; Forde 2001; Koene, Paauwe, and Groenewegen 2004; Okafor 2012; Sayeed et al. 1997; Sheikh, Naveed, and Iqbal 2011; Storrie 2002; Wong 2001). Nevertheless, the explanations and nature of agency employment are not universal. The explanations of agency employment are mainly discussed in the Western academic literature (see, for example, Biggs et al. 2006; Purcell, Purcell, and Tailby 2004; Rubery, Earnshaw, and Marchington 2005; Wilkin 2013), where agencies mostly operate in their traditional role by supplying workers who perform short-term temporary work for a client, and then move on to do the same for another client. In the present dynamic business environment, however, and in the absence of comprehensive research on agency employment relationships, may be questionable (Budhwar and Debrah 2001). Given the fact that different economic, competitive and regulatory contexts have considerable influence on the way firms make use of agency employment (Erickson et al. 2003; Matiaske and Nienhuser 2006; Okafor 2012; Uzzi and Barsness 1998), it is important to examine the reasons why firms adopt different practices in regard to agency employment in different national legal contexts. One such context is Pakistan, which is the empirical setting of this study.

Pakistan is a developing country with the world's sixth largest population and an economic growth rate that has been consistently positive since a 1951 recession. Driven by an agenda sponsored by the International Monetary Fund (IMF), World Bank and neo-liberal economic policies, the Pakistani economy has rapidly integrated into the global economy (Samad and Ali 2000). This has resulted in the privatisation of key state industries and the opening up of export processing zones to attract foreign capital (Dror 1984). The formation of the Special Industrial Zones and Export Processing Zones waived the application of labour laws in enterprises operating in these zones in order to attract investors. This has changed labour relations and has potentially contributed towards a culture of subcontracting labour through third-party supplier establishments (agency employment) (Sayeed et al. 1997).

#### Agency Employment in Pakistan

Considerable growth in agency employment has been reported in Pakistan over the last two decades (Sayeed et al. 1997; Sheikh, Naveed, and Iqbal 2011; Zaman 2004). It is however difficult to provide factual data regarding the extent or growth of agency employment in Pakistan, largely because of the sketchy state of labourrelated data in the country. Cursory evidence, however, indicates that agency employment in Pakistan increases the likelihood of worker exploitation (Sayeed et al. 1997; Sheikh, Naveed, and Iqbal 2011). Pakistan adopts an unregulated approach to agencies and agency work. For example, agencies can start up without any public quality control and registration with the Labour Department or other concerned government institutions. Unlike the European Union, there is no social directive or national policy in Pakistan that attempts to clearly set out the rights associated with agency employment, and to date, there has been very little legislative action. It is also believed that union activities have declined in Pakistan over the last two decades Qadir (2006), and this is to some degree a consequence of the growth in agency employment (Samad and Ali 2000; Sayeed et al. 1997). In some cases, employers are potentially motivated to use agency employment to capitalise on loopholes in legislation concerning the statutory rights of agency workers, and to erode union bargaining power (Qadir 2006). These workers are normally given a vastly different, often negligible, package of rights and benefits from their permanent counterparts. They are especially vulnerable to instant dismissal and are generally excluded from collective bargaining arrangements (Shafi 2005).

In regard to the nature of agency employment, preliminary (cursory) evidence suggests that agency employment in Pakistan is not a unitary concept and takes two distinct forms (Sayeed and Ali 1999; Sayeed et al. 1997).<sup>1</sup> The first may be termed pay-rolling agencies. These agencies are often ghost entities, having been created or arranged in order to lessen the number of employees on an establishment's payroll, so that employers' obligations in regard to statutory benefits are confined to fewer workers; as such, many such agencies exist on paper only (Sayeed et al. 1997). Those that exist are employer-arranged small enterprises, often run by one person with the aim of performing only a payroll function (the term "pay-rolling agency" will henceforth be used to denote these forms of agencies). These are mostly formed on a temporary makeshift basis and are very difficult for the labour ministry to trace and regulate. Workers hired through these agencies receive wages from the agencies, and thus these agencies are often used as an intermediary only for payroll purposes. This then exempts client organisations from any legal obligation to offer statutorily required benefits to these workers, since Pakistani law considers the employing establishment and the agency as two independent entities (Industrial Relations Ordinance [IRO] 2002). Whether these agencies are ghost (just existing on paper), or are misleadingly created as "employer-arranged" small enterprises, the objective is to show that employer-employee relationship between the client organisation (employer) and the "agency workers" is not established. This can be achieved with the help of a "confident employee" of the client organisation whose job is to act as an "agency" by facilitating wage distribution among workers from a different payroll book. In addition, this objective of illustrating indirectness of employment can also be achieved by outsourcing the payroll function through independent, but fraudulent companies. These companies earn their living by facilitating a payroll function for their clients against a set premium. The underlined goal in all these forms is to show indirectness of employment, by subtly misclassifying a group of employees as "agency workers" by illustrating that these workers get their wages from agencies, instead of getting paid directly from the employers.

The second form constitutes agencies which are genuine in nature and perform a traditional agency role, where agencies supply workers who perform short-term temporary work for a client and receive their statutory benefits from the agencies. In this case, the nature of work provided by the agency is mainly genuinely temporary, and the relationship of the worker with the agency is more than just a legal fiction. Even in this traditional form, however, agency employment can be used as an effective union deterrent. This is because by using agency workers employers can carve out a union-free section of workforce from among the entire workforce—avoiding payment of all the gains normally achieved by the union. Furthermore, an eminent shortcoming of analysis on labour markets in Pakistan is the internal limitations of the data produced on labour force and employment (Nomaan et al. 2002). There is acute dearth of existing knowledge about employment practices and the most basic labour market statistics. In particular, the Pakistan Labour Force Survey (NLFS), the only employment-related survey instrument of the Government of Pakistan, did not contain any data on the extent and breakdown of different non-standard employment contracts, let alone agency employment.

An increase in agency employment may be seen to result not only from a depressed labour market but also from the blurring organisational boundaries and regulatory gaps in the employment legislation. According to the existing regulatory framework, the employment status of agency workers in Pakistan appears to be rather fluid. Concerning agency workers' legal employment status in relation to statutory benefit entitlements and their right to voice their concerns and needs collectively, there exist a few ambiguities in the existing employment legislation of Pakistan.

The main statutes governing employment in Pakistan are the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968, and the Industrial Relations Ordinance, 2002 (IRO 2002).

- i. The West Pakistan Industrial and Commercial (Standing Orders) Ordinance 1968: This deals with the conditions of employment and working conditions in the medium- and large-scale industrial and commercial sectors.
- ii. **The Industrial Relations Ordinance 2002**: This pertains to the right to organise and bargain collectively, the right to strike, modes of conflict resolution and protection against victimisation, etc.

## **Employment Status in Relation to Benefits**

A serious ambiguity exists in the form of a lacuna in the Pakistani law in relation to the employment status of agency workers. A person on the books of an agency, in some cases, may not be regarded as an employee of the agency because he or she does not work under the control of the agency. The client organisation is usually not regarded as the employer because no contractual relationship exists between them; the only contract being between the agency and the client. Nevertheless, in some cases, courts are inclined to consider client organisations as the employer in relation to statutory benefit entitlements, once it is established that agency workers are working under direct supervision of the client organisations, and the nature of their job is not temporary. However, because of the manipulative tactics used by some employers, such as the use of pay-rolling agencies as mentioned earlier, it becomes difficult to establish such a relationship between agency workers and client organisation (Sayeed et al. 1997; Shafi 2005). Workers hired through agencies often work for client organisations for long or indefinite periods of time, as there is no legal restriction on the length of assignment through agencies in Pakistan (Shafi 2005). Although these workers are exclusively managed by the client organisations, they still do not have the legally defined status of "employee" in regard to benefit obligations, because of the lack of clarity surrounding the position of these workers in the law (IRO 1969). As per the legislations, the following four key benefits should be provided to agency workers, under any circumstance.

#### **Social Security**

This requires a mandatory employers' contribution of 7% of each workers' salary to the Social Security institution, which provides medical and maternity care to the workers.

#### **Group Insurance**

This requires a mandatory employers' contribution to the insurance company for workers' life insurance. The minimum coverage required is equivalent to 200,000 rupees per worker.

#### **Gratuity/Provident Fund**

This requires mandatory employers' contribution, either in the form of Gratuity, calculated on the basis of last salary or Provident Fund, requiring employers' contribution of maximum 10% of each worker's basic salary.

#### **Employee Old-Age Benefit (EOB)**

This scheme is financed through the contributions made by the employers to the Employee Old-Age Institution (EOBI) at the rate of five percent of an employee's wage. This scheme covers benefits such as a pension plan (after 60 years of service).

Further to the issue of employment status in relation to benefit entitlements, the legal status of agency workers to exercise their right to collective representation and bargaining is unclear and is a matter of particular concern for agency workers' trade union rights. Pakistan has ratified the International Labour Organisation (ILO) conventions 87<sup>2</sup> and 98<sup>3</sup> which provide the rights of workers to form trade unions and the right to organise and collective bargaining. Unlike that of many Western developed economies, Pakistani law is ambiguous with regard to granting agency workers a legal right to collective representation and bargaining. Workers hired through agencies are not entitled to join a bargaining unit composed of permanent workers. This is because these workers may be considered employees of the agency, not of

the client organisation. Although provision exists in the law for these workers to form a separate union (IRO 2002) which allows workers to legally bargain with the agency as their employer, this provision rarely materialises, largely because client organisations do not want union activity of any kind at their establishments. Furthermore, this is not viable as an approach, as client organisations can simply avoid this situation by terminating their relationship with the agency and can immediately switch to or create another agency (Rahebi 2000). Consequently, the vast majority of agency workers are excluded from collective representation and bargaining. Unions, therefore, regard agency employment as a threat to their jurisdiction and membership and a deliberate practice to circumvent and manipulate employment legislation (*Dawn* 2002; International Union Federation 2004).

The above discussed labour market structure, regulatory problems and vulnerability of agency workers in Pakistan along with the preliminary evidence suggesting dubious forms of agency employment practices call for rigorous investigation to explore the motives and nature of agency employment use.

#### **Research Questions**

To encapsulate these conjectures, the research questions are summarised as following:

- What are the implications of agency employment use on agency workers' statutory benefits and their collective representation and bargaining rights? i.e.:
- Do employers hire workers through pay-rolling agencies to avoid regulations concerning employee benefits?
- Do employers see hiring workers through agencies as a method by which they can avoid or weaken trade unions?
- Do employers see agency employment as a tool to avoid employment protection associated with permanent employment?
- Do firms relinquish their responsibilities as employers by creating pay-rolling agencies?
- Whether or not proliferation of temporary agency employment is arising organically out of pure economic reasons rooted in flexible staffing practices or is it negated or, in some instances, supplemented by politico-economic factors often considered important in the sociological literature rooted in class disorganisation and workplace exploitation?

## Methodology

To examine the research objectives set out in this study, an empirical study was conducted by drawing data from six case study organisations operating in industrial sectors characterised with higher than average incidence of agency employment. This involved face-to-face semi-structured interviews with a cross section of respondents including managers at the workplace (with day-to-day responsibility for industrial relations, employee relations or personnel matters), senior union and agency officials and agency workers.

Rather than just looking at one context, this study was aimed at exploring agency employment use in case study organisations operating in three different industrial sectors of the economy—hotel, dairy and Polyester. Case study organisations included two five-star hotels, two large dairy processing companies with the largest and second largest market shares in Pakistan and two large polyester fibre plants. The use of agency employment varied among the case study organisations, but they were all characterised with high use of agency employment. Workforce strength and its breakdown among different contract types in the case study organisations are summarised in Table 1.

## **Research Design: Sampling Plan and Selection Typology**

It is wise to expect that research involving assessment of any deviant activity, such as the use of pay-rolling agencies, will have a susceptible character. Given the potentially sensitive nature of research questions in respect of employment legislations, case study protocol in this research avoided becoming dependent on a single type of informant, such as managers, and sought data from other sources to verify its authenticity and to achieve a holistic approach. For this reason, this study was aimed at collecting interview data from a cross section of internal stakeholders including managers at the workplace (with day-to-day responsibility for industrial relations, employee relations or personnel matters), senior union and agency officials and agency workers. Despite these triangulation efforts, it was difficult to obtain precise information regarding the breakdown of workforce in regard to contract types, education, gender mix and salary—primarily due to the susceptible

Case study organisations	Total workers	Permanent workers	Agency workers	No. of agencies
Hotel A	1,700	800	900	1
Hotel B	650	300	350	1
Dairy A	1,500	100	1,400	2
Dairy B	1,340	600	740	2
Polyester A	800	200	600	25ª
Polyester B	1,350	1,150	200	1

Table 1 Case Study Organisations

<sup>a</sup>This is the estimate from different interview respondents.

and highly sensitive nature of the research. Managers, in particular, appeared hesitant to reveal a clear account of these details amid fears of implicating their organisations to unfair labour practices.

To maximise on the utility of information from a small number of organisations, case study workplaces were selected on the basis of their relevance to the phenomenon under study-that is to understand the motives of dubious forms of employment agencies. Therefore, an effort was made to choose cases following the "purposive sampling" model by selecting organisations (workplaces) from industrial sectors characterised with higher than average incidence of agency employment. The issue of selecting industrial sectors for choosing case study organisations has posed a particular challenge because very little is known of the extent and nature of agency employment in Pakistan, in addition to any knowledge of agency employment use in different industrial sectors. Having discussed with a number of potentially informed people, such as labour lawyers, academics, union and agency officials and a few employers' representatives (as part of a preliminary investigation), the author noticed that a few industrial sectors repeatedly came up in discussions when the issue of agency employment was raised. These sectors were hotel, dairy and polyester. This indicated that these sectors are perhaps characterised with relatively higher incidences of agency employment within the Pakistani economy. Because of the issue of accessibility and the difficulty associated with identification of an entire spectrum of workplaces likely to be using pay-rolling type agency arrangements within one industrial sector, the author decided to select six case study organisations from the hotel, dairy and polyester manufacturing sectors. All of these sectors are believed to be central to the economy of Pakistan. It was also relatively convenient to arrange access to workplaces within these sectors, as opposed to other sectors, partly owing to the personal contacts and availability of industry specialists within these sectors. Further indications resulting from discussions with these informants during preliminary investigation, within each industrial sector, led to the selection of two organisations within each sector.

Rather than statistical representativeness, this study was concerned with revealing processes which have previously been obscured. Therefore, cases were selected to fit analytic criteria rather than any statistical notion of representativeness by following purposive and convenience sampling models. It was delineated this way with the expectation that the purposive selection of case study organisations would potentially allow certain insights into the pay-rolling agency system that other organisations would not be able to provide.

It was tentatively planned that at least 15 to 16 interviews would be undertaken within each case study organisation, involving at least two to three managers (employers' representatives), one or two senior union official, senior agency officials and 8 to 12 randomly chosen agency workers. Because of the susceptible nature of the research questions, the option of focus group interviews with agency workers was not a viable option and was not expected to reveal reliable information. An approach, therefore, was embraced to interview 8 to 10 workers individually in each case study organisation. The total number of interviews and the composition of interviewees varied from case study to case study primarily due to access arrangements within each case study. In addition, a variation in the interview numbers and composition of interviewees was also contingent on differences in time availability of informants (such as union officials) to accompany the author in locating agency workers.

The selection of agency workers for interviews in each case study organisation was a potentially challenging task. Moreover, due to availability constraint and difficulty associated with obtaining management's consent, workers had to be randomly chosen based on their availability and willingness. In addition, whether agency workers were handpicked by management or union officials, it had the potential to make the validity of data arguably questionable as it was likely that workers would be inclined to say what management or union wanted them to say. Hence, selection of workers for interviews was planned to be truly random and opportunistic; however, union officials, in most instances, were asked to provide initial tips regarding whereabouts of agency workers, as most workers were interviewed at their residences.

All of the six case studies discussed below are single workplaces in individual locations. Keeping in view the data protection considerations, the brief introduction, below, about the case study organisations is deliberately kept succinct to avoid revealing, even indirectly, the identity of these organisations.

#### Hotel A

Hotel A is a five-star luxury hotel and is part of the largest hotel chain in Pakistan. Hotel A mostly caters for business travellers and also a good portion of business comes from conferences, wedding events and other social functions. At the time of research, Hotel A employed around 1,700 staff. This included around 900 permanent and approximately 750 agency workers provided by one agency. The agency's head office was based in Islamabad, but it also had a permanent office located inside the premises of Hotel A. It is also important to note that although Hotel A is a unionised organisation (given almost all permanent workers are union members), union–management relationship had rarely been based on a partnership approach.

#### Hotel B

Hotel B is another luxury hotel property, centrally located in the heart of Lahore, and is part of a chain of hotels owned by a Pakistani businessman. At the time of

research, Hotel B had a workforce of around 700 workers. This included around 300 permanent (full-time) workers and approximately 350 agency workers. The rest of the workers were mostly managers and supervisors. This hotel used one agency to supply workers and the agency's office was located inside the hotel premises.

## Dairy A

Dairy A is part of the largest domestically owned dairy company in Pakistan. Dairy A enjoys market leadership in several product categories. Dairy A is also serving several export markets and has the second largest market share in Pakistan in the ultra-high-temperature (UHT) milk sector. Though different interviewee groups provided varied accounts on the total number of workers and breakdown based on contract types, it appeared that dairy factory A employed approximately 1,500 workers at the time of research. Out of 1,500 workers, a large majority, approximately 1,400 workers, were on agency contracts.

## Dairy B

Dairy B is part of a large multinational company having a number of production facilities located across Pakistan. It is a food and beverage company essentially but has water and nutrition businesses as well. Dairy B is located in a major industrial area and employed around 1,400 workers. About 600 were permanent employees and the rest were hired through two different employment agencies.

## Polyester A

Polyester A is part of a large multinational corporation involved in several businesses across Pakistan. Polyester A is a major polyester production unit in Pakistan. At the time of the research, Polyester A employed approximately 800 workers out of which roughly 600 were agency workers.

## Polyester B

Polyester B is part of a large domestic textile group. Polyester B is a Public Limited Company and is listed in all stock exchanges of Pakistan. Since its inception, this company has been growing steadily through expansion and diversified operations. It employed around 1,400 workers out of which approximately 1,150 were permanent employees and around 250 were hired through one employment agency.

# **Data Collection**

A total of 97 interviews were undertaken, with all interviews carried out in person (see Table 2). Nearly all interviews were recorded and transcribed. This included

62 survey type structured interviews with the agency workers and 27 semi-structured in-depth interviews with managers and union and agency officials. A few of the workers' interviews also turned to be in-depth in nature revealing rich and interesting data. Table 2, below, provides details about the number of interview participants. More detailed information about the interview participants across all case studies is provided in the Appendix.

There has eventually been an unevenness both in terms of the total number of interviews and the composition of interviewees among the case study organisations. Nevertheless, it is felt that there is a sufficient spread of interviews to get a reasonable assessment of the situation.

A structured schedule of questions was developed for each type of interview to ensure that a series of core set of questions were asked to each respondent in each case study. Given the fact that the pay-rolling agency phenomenon is an underresearched area within the agency employment literature, the chief source of interview questions were the research questions identified in this study. A vast majority of interviews were voice-recorded and transcribed.

#### **Results: Summary of the Research Findings**

This study revealed important factors affecting the use of temporary agency labour in the case study organisations. The analysis indicates that temporary agency work has a number of distinctive features in Pakistan. First, it is mostly a one client one agency relationship, in addition to the notion that a worker's assignment to each client is mostly the only assignment they have for the agency through which they are currently employed. Secondly, the duration of assignments is very long and often appeared to be ongoing, indefinite, continuous

Organisation	Management	Union officials	Agency officials	Agency workers	Total
Hotel A	2	2	1	7	12
Hotel B	1	2	0	8	11
Dairy A	2	2	2	12	18
Dairy B	5	0	2	12	19
Polyester A	1	1	1	15	18
Polyester B	2	0	1	8	11
Total	13	7	7	62	89
Labour officials					2
Industry specialists					6
Grand Total					97
Of which recorded					90

Table 2 Characteristics of Participants in Interview Study

assignments, similar to permanent jobs. Thirdly, cost aspects represent another strategic reason that the surveyed companies opted for agency working. The opportunity to save labour costs through pay differentials and lower benefit claims positively influenced the use of agency workers. The reduction of labour costs resulting from lower benefit expenses appeared to be the central reasons for the use of agency labour. Table 3 summarises key findings regarding statutory benefit entitlements, emanating from workers' interviews.

About 34% of the total 62 workers interviewed claimed that they do not receive any sort of benefit from the agency or the clients. About 48% claimed that they receive partial (of total statutorily required) benefits from the agency (see Table 3). In cases where benefits were offered, they were reportedly partial in nature and did not fulfil the minimum threshold of statutorily required provisions according to the law. These benefits appear to be given or shown to be coming from the agency; however, workers, in most cases, did not have a clear picture in terms of who actually is providing these benefits.

A senior union official in Hotel A captured this issue by saying, "They do not provide the same benefits to agency workers which they give to the permanent workers so it gives them (Hotel A) a lot of savings." Human Resource Manager at Hotel B made following remarks, when prompted to express his viewpoint on the issue of benefit availability for agency workers: "But there is a difference. There is a 101% difference between benefits of permanent workers and agency workers. If there is no difference then what is the point (of hiring agency workers)."

Another key question posed to workers was about the way they were initially hired. In particular, who recruited them, whether agencies or the client organisations. Table 4 summarises key findings in relation to the recruitment of agency workers.

About 39% of the 62 agency workers interviewed claimed that they were recruited directly by the client organisations (case studies) and not the agencies (see Table 3). This involved client organisations' personnel staff interviewing these workers without any involvement of agencies—workers did not contact any agency; they simply approached organisations directly and often completed the application forms of the client organisations. This is a strong indication that workers categorised as "agency workers" were effectively "regular" employees of the case study organisations and were deliberately misclassified as "agency workers" as part of a sham arrangement to evade employees' legal obligations.

One worker in Hotel A captures this point in the following words:

There was no interview done, but hotel's HR department made us fill out hotel's application form and appointed us. If they decide to interview somebody it is done by the hotel's HR people and we are supervised by the hotel people as well. We

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Table 3 Ben	efit Availability at	Table 3 Benefit Availability at Case Study Organisations					
Case study	No. of benefits given	Partial benefits given by (Almost) all statutory agency (less than statutory benefits given by requirements) agency	(Almost) all statutory benefits given by agency	Case study No. of benefits Partial benefits given by (Almost) all statutory Benefits given by client (less Benefits given by Not sure Total given given agency (less than statutory benefits given by than statutory requirements) client (almost all) requirements) agency agency	Benefits given by client (almost all)	Not sure	Total
Hotel A	7	5	0	0	0	0	7
Hotel B	1	2	4	0	0	1	8
Dairy A	2	8	0	1	1	0	12
Dairy B	4	8	0	0	0	0	12
Polyester A	5	9	4	0	0	0	15
Polyester B	7	1	0	0	0	0	8
Total	21	30	8	1	1	1	62
Percent of	33.87%	48.38%	12.90%	1.61%	1.61%	1.61%	100

Case study	Hired by client	Hired by agency	Don't know/didn't answer	Total
Hotel A	5	2	0	7
Hotel B	4	0	4	8
Dairy A	5	5	2	12
Dairy B	3	9	0	12
Polyester A	3	9	3	15
Polyester B	4	3	1	8
Total	24	28	10	62
Percent of Total	38.70	45.16	16.12	100

Table 4 Recruitment of Workers

only get salary from the agency. Agency has an office inside the premises of the hotel. Previous agency did not even have any office. They just used to come once a month to distribute the wages. If we have to discuss something we go to the hotel people but if we go to hotel's HR for instance to ask for a reference or experience certificate, then they say no you are not our employee. (Author's field notes)

Furthermore, the average length of continued assignment of the 62 agency workers interviewed was about 45 months or close to four years (see Table 5). Most of these workers claimed to be working side by side their permanent counterparts doing similar tasks and wearing the same clothes. This long-term association with one client, which is effectively an ongoing assignment for indefinite period of time, is yet another indication that workers misclassified as "agency workers" are effectively permanent employees of the case studies investigated.

A more serious finding was that approximately 73% of the 62 agency workers interviewed were not issued any sort of letter of employment, a core legal requirement. This is because this could have potentially made these workers eligible for all the benefit entitlements and would have possibly allowed them to join unions. Findings surrounding issuance of letters of employment are summarised in Table 6.

The provision of letters of employment, ostensibly, was the responsibility of the agencies as per the regulatory setup of Pakistan. Agency owners/officials were, therefore, probed on this issue during the interview conversations. When prompted whether his agency provides letters of employment to workers placed through him to Polyester B, the agency owner replied, "We have letters prepared in our names (on the letterheads) but we don't give it to workers—we keep them with us"

Another agency owner, who provides workers to Polyester A, was questioned on the issue of letters of employment. This is what he said: "No we don't issue that—we should, but we don't."

Case study	Average length of assignment (months)	Average length of assignment (years)
Hotel A	34.14	2.84
Hotel B	49	4.88
Dairy A	24	2
Dairy B	52.5	4.37
Polyester A	51.14	4.26
Polyester B	62	5.16
Total Average	45.5	3.78

Table 5 Average Length of Assignment of Agency Workers

Table 6 Letter of Employment (LOE)

Case study	LOE issued by client	LOE issued by agency	Did not get LOE	Not sure/not clear	Total
Hotel A	0	0	7	0	7
Hotel B	0	5	1	2	8
Dairy A	0	1	7	4	12
Dairy B	0	0	12	0	12
Polyester A	0	2	11	2	15
Polyester B	0	1	7	0	8
Total	0	9	45	8	62
Percent of Total	0	14.51%	72.58%	12.90%	100

This agency owner, interestingly, admitted that he does not provide a letter of employment to the workers. When prompted why letters are not provided, he said,

There are certain labour issues here whereby labour (workers) goes to the labour courts (implying once the letter is given then a legal employment relationship gets established)—and create problems and tend to create unionism—unions are good but they (workers and unions) don't do it for positive things (then it becomes problematic and hence we do not issue letters of employment). (Author's field notes)

Data such as the above suggest that the agency employment setup appeared to be a hoax technique used by client organisations to establish a "legal" relationship between workers and the "fictitious" agencies. None of the 62 agency workers interviewed in all the six case studies ever worked for any other client through the same agency. Around 67% of the 62 workers claimed to have worked under different contract types during the course of their affiliation with the respective case study organisations. About 24% claimed to have worked under different agencies for the same client—they were not contacted when their "legal" employers (agencies) were transformed from one to another. Workers were simply informed by the management that at a particular time their agencies had been changed. This change did not require workers to fill a different form or go through a different set of recruitment procedures—rather they were simply informed that they will see a different agency name on their salary slip in future and everything else would stay the same. These findings are summarised in Table 7.

During the course of these agency conversions, workers interviewed were not consulted when the agencies were being changed from one to another. They were simply notified by the management for this change which did not require workers to complete a different form or go through a distinct set of recruitment procedures.

A number of workers interviewed in Dairy B mentioned that they worked under multiple agencies during the course of their employment with Dairy B and were notified by the management that their agencies had been changed on paper without having given their prior consent for this change to take place. According to the workers, Dairy B's management kept informing workers once the agency transformation took place—as one worker said during an interview conversation: "About 4–5 years ago I worked without an agency—then there was an agency called ABC before XYZ, then XYZ came and now it is EFG."

Another worker said, "Only once the agency was changed, they simply informed us now we need to contact the new agency."

This phenomenon was also reported in Polyester A, where one worker said during an interview conversation: "The agency has been changed—in fact it got changed 2–3 times in between."

When prompted "so how were you told that your agency has changed?" one worker replied by saying, "You can find out—when a new agency come over you hear about it."

Another worker responded by saying, "Agencies were changed over time but Polyester A has good system, even if they change the agency they don't necessarily change the workers during these transitions—It is a very good system."

When prompted "So you have been working for agency ABC for four and a half years?" one worker in Hotel A replied, "No, earlier it was XYZ, so it was just the change of name."

This worker mentioned that at some stage the hotel's management informed him that the agency is currently ABC instead of XYZ (previous agency). This clearly implies a sham-hotel arranged agency setup. The finding also pointed to indications that a few agencies initially commenced their operations with the client they were interviewed for and some even continued to only supply workers to the same client up to the present date. In a few cases, it was found that the agencies' offices were located inside the premises of the client organisation operational facility. In one case (Hotel B), when the author approached the agency to seek

Table 7 Workin	Table 7 Working Under Varied Agencies/Contract Types	tract Types				
Case study	Worked for this client only on agency contract and through one (current) agency	Worked for this client only Worked for this client on agency contract and currently on agency through more than one contract after getting agency permanent contract	Worked for this client currently on agency contract after getting switched from a previous permanent contract	Worked for this client on agency contract after getting switched from a previous non-permanent & non-agency contract	Not sure/ Total not clear	Total
Hotel A	3	2	0	2	0	7
Hotel B	7	0	0	0	1	8
Dairy A	10	2	0	0	0	12
Dairy B	5	7	0	0	0	12
Polyester A	10	4	1	0	0	15
Polyester B	7	0	0	1	0	8
Total	42	15	1	3	1	62
Percent of Total	67.74%	24.19%	1.61%	4.83%	1.61%	100

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interview access, agency officials advised the author to acquire permission from the human resource department—ostensibly suggesting a misleading setup.

In a number of situations, though, as suggested by the data presented above, client organisations were directly involved in the curtailment of workers' basic employment rights. Against this backdrop, one of the industry specialists explained a typical scenario in the evolution of the agency system:

Let me tell you how this sort of agency system got developed—let's say, some time what happens is that if an employer kicks out an active union secretary because he was a headache. Now that employer has to normalise thing. Then they would offer that union person who was kicked out to take over the agency business and this happens mostly for unskilled labour class—if you ask the back ground of the agency person you can find out. (Author's field notes)

Agency workers and union officials interviewed often explicitly revealed that the agencies, under discussion, were bogus and people working in agencies' offices were in reality employees of the client organisations, receiving monthly salaries from them to play the agency's role. A sample of quotations from the transcribed interview data is presented below.

One manager in a five-star hotel expressed her organisations' anti-union views in the following words:

Basically, we have a strong union. We have union for almost 300 employees; Hotel does not want workers to join union. This is the main reason for hiring agency workers because we do not want union to get more strength. (Author's field notes)

One union official shared his views in the following words:

Employer can simply change the agency if they get any suspicion that union movement is going on—what employers do is simply change the person and name to show a change of agency—even sometime labour courts are bribed and take employers' side. (Author's field notes)

These findings clearly suggest that the agencies investigated were not truly genuine and the agency employment mechanism was, for the most part, a sham arrangement across all the case studies with a little variation from case to case in terms of its particular features and characteristics. Evidence suggested that the violations of some of the labour and employment laws are systematic and widespread in the case study organisations and such violations are not limited to one particular industry or an industrial sector (such as manufacturing or services). In some cases, the structure of employment relations overrides firm and sector effects on workers' exposure to good or bad jobs. Most agency workers in all the case study firms preferred standard, full-time employment. Hence, given the small sample representing each industrial sector, there appeared to be no prominent sector effect in relation to the use of agency employment in the case study organisations. As the lack of existing labour market data leads to author's inability to access a more levelled sample size across cases, it was difficult to ascertain a more in-depth comparison across cases. Given that the workers' sample was entirely made up of male and was racially homogeneous, there was, apparently, no clear link between findings and individual attributes of workers such as gender and race.

## Discussion

As discussed above, a number of interesting themes emerged from the data: benefit cost savings, termination ease and union avoidance. In addition, evidence from structured interviews with workers revealed significantly insightful details on the nature of agency employment and issues surrounding violation of workers' legal employment rights. In explaining employers' attempts of avoiding benefits and other non-wage costs associated with regular employment by using employment agencies as labour intermediaries, firms can transfer part of their employment cost to the workers. These findings also refute the notion, often rooted in conventional belief, that temporary work has only been a natural and inevitable response to changes in the economy. The evidence rather suggests that the essential characteristic of agency employment in the case study organisations was not the short duration of employment assignments, but rather the creation of a "triangle relationship" between a business, the agency and an employee. This triangle relationship allowed firms, to which the workers were assigned, to avoid various forms of regulatory and legal compliance (such as the avoidance of statutory benefit entitlements and right to join trade unions)-since the employment agencies were classified as the worker's employer. This gave organisations the ability to move workers from stable, highly paid jobs in the "primary" labour market to a low-wage, inferior jobs in the "secondary" labour market. Agency work, therefore, splintered internal labour markets, exposing workers to the harshest features of the external market. It thus appeared from the evidence that the use of temporary agency workers is, in many instances, a labour relations strategy rather than a matter of economic efficiency. In essence, actually, this agency system does not even actually supply labour-it simply re-routes it, or legally reconstitutes it, on paper. Evidence in this study, thus, empirically supported a new conception identified as the pay-rolling agency mechanism, which provides an important counterweight to the notion that temporary employment evolved organically out of the need of businesses for workforce flexibility, as it is predominantly understood in the academic literature.

Moreover, desperate and often uneducated workers are not only willing to work under this arrangement and for very little reward, but they are unlikely to sue (whether because they do not know their rights, or because they fear unemployment). The result is an environment in which employers can easily take advantage of workers, and they have an "incentive" to do so, in order to save cost on the back of the weakest workers. This amounts to exploitation whereby the material welfare of the exploiter depends on the deprivation of the exploited (Wright 1989). Exploitation here does not merely define a set of classes or the status of organisational actors, but a pattern of ongoing interactions structured by a set of a precarious employment relationship which mutually binds the exploiter and exploited together. Here, segmentation arises not from market forces themselves but rather from the underlying uses of labour power (C. Edwards 1979; Piore 1971). Here, the duality in the labour market is rooted in the exploitation of underprivileged workers (Edwards et al. 1975), as opposed to any strategic staffing intent on the part of employers-this distinguishes the polarisation of within-firm labour market in the case studies investigated from most other forms of labour market dualities often researched in the Western developed economies. Since the profits of capitalists are closely tied to the exploitation of workers, the material interests of workers and capitalists are inherently antagonistic. Anything that strengthens the capacity of workers to struggle for and realise their interests, therefore, negatively affects the interests of capitalists. It therefore follows that the work setups outside the regular permanent employment contracts, such as temporary agency work should also be studied and understood in the light of sociological model of work rooted in power and class inequality.

## **Policy Implications**

The use of temporary agency workers is becoming less cyclical and more built into business as usual. Economically speaking, the use of some temporary arrangements seems sensible; it increases the ease, and reduces the cost, of responding to changes in demand, making the economy more adaptable and flexible. But where temporary agency work is being used as a shortcut to avoid the human resource investments that would guarantee flexibility and adaptability in the long run, they are clearly detrimental. For many agency workers, however, any gains in flexibility come at a high price, and for the society they are likely to exacerbate socioeconomic inequality if qualified workers who seek regular full-time jobs must settle for less desirable alternatives.

A number of serious policy concerns are raised in this study. The growth of temporary employment seemed a deliberate, systematic, effort to relinquish employers' obligations. It, therefore, becomes a matter of policy concern in relation to the economic well-being of impoverished and vulnerable temporary agency workers, because a rapidly growing size of the temporary employment sector in Pakistan would suggest that its non-regulation or its ability to operate outside of a regulatory framework potentially results in grave implications for workers. Evidence points to deceitful agency employment practices in many countries around the world, such as Australia (Burgess, Rasmussen, and Connell 2004), Philippines (Erickson et al. 2003), Hong Kong (Wong 2001) and the British Caribbean Territories (Cowell and Singh 2002). Dickens (2004) argues that improving the conditions of agency workers on temporary contracts through legal intervention improves employment rights and makes it more likely that workers will accept such contracts constructed to meet business needs. In the Netherlands, recent changes in law have resulted in agency workers receiving comparable employment rights, such as social security and dismissal protection (Kok 2004). Kok (2004) has associated this change in law with a decline in the level of involuntary agency employment. Moreover, in the UK context, evidence suggests that protective employment legislation has resulted in a decline in the use of temporary employment contracts (Biggs et al. 2006).

#### **Research Limitations and Future Research**

This research has implications for how temporary agency workers are studied and managed in the future. While this study does make a number of contributions, some limitations should also be acknowledged. For example, one might argue that there was no statistical sampling used in this study so findings may not be replicable across the firms or industries. Although purposive sampling was warranted, because of the nature of research and statistics, it was not possible to have a statistically representative sample of case study organisations, so the non-representativeness may still be considered a weakness of this study. Given that this research was carried out in six case studies, a generalised view for the entire country of Pakistan or even one particular industry cannot be claimed. It should be acknowledged, at the same time, that all case studies under investigation provided findings which were in line with the research predictions and so the results of the research should not be approached with undue caution.

While this study has furthered our understanding of the motives and nature of agency employment, there are additional avenues that still invite exploration. For example, the limitation of inquiring the issue in just a few cases and sectors in this study may pave the way for future researchers to replicate similar inquiries to other important sectors of the economy. Future research should use larger samples to ascertain a more generalised view of the situation across the economy which is likely to reveal a more representative view of agency employment practices, subsequently necessitating a substantially robust public policy review.

# Conclusion

This research has studied the motives and characteristics of agency employment in a non-Western context, such as Pakistan. A number of distinctive features of temporary agency work in Pakistan analysed in this study are not widely discussed in the academic literature. First, the existing literature has mainly discussed agency employment in its traditional legitimate role, such as independent genuine employment agencies providing temporary workers to the client organisations. The issue of "pay-rolling agencies" is, therefore, an under-researched area within the academic literature. Based on evidence from the qualitative interview data, this study is believed to have identified illegitimate agency employment practices. Rigorously documented interview data convincingly explained that the growth of agency employment among the case study organisations was enabled by a deliberate attempt to bypass employment obligations, which then resulted in serious implications for workers' employment benefits, security and ability to exercise collective bargaining rights. This study, therefore, furthered our understanding of the motives and characteristics of agency employment, beyond the conventional model of genuine agency work.

The changing contours of employment require adaptation in the modes of regulation, which currently no longer fit with reality. The shifting varieties of work raise questions on the applicability of laws promoting equality to workers falling outside the traditional definition of employee (Benjamin 2006). The challenge for those who shape the law is to bring public policy in line with workplace reality. For example, the law must be unambiguous as to who is considered the "employer" of workers hired through agencies with regard to statutory benefits. If agencies are legally considered the "employer," then they may be asked to provide the workers with statutory employment rights, such as statutory benefit entitlements and statutory right to collective representation. Hence, the use of agencies may be regulated to minimise the incentive for abuse of agency workers. This can be achieved by putting measures in place to ensure that agencies are used only in their traditional role and not to evade employers' responsibilities. Consequently, the pay-rolling agency system—an attempt by employers to bypass statutory obligations, simply by paying workers through an agency, may potentially be curtailed. Moreover, a viable legal right for agency workers to collective representation and to belong to a trade union is needed, regardless of the legal status of the employment.

# Appendix

Hotel A	Hotel B	Dairy A	Dairy B	Polyester A	Polyester B
Training	Human	Human	Head of Human	Industrial	Personnel
Manager	Resources	Resources	Resources	Relations	Manager
	Manager	Manager (Corporate)	(Corporate)	Manager	
Director Human	Union	Employee	Chief Financial	Union	Assistant
Resources	General	Relations	Officer	Finance	Manager
	Secretary	Manager (Corporate)	(Corporate)	Secretary	Personnel
Senior Union	Union	Union President	HR Manager	Agency	Agency
Spokesman	Propaganda Secretary		(Plant)	Owner	Owner
Union General	Agency	Union	HR Executive	Agency	Three
Secretary	Workers (Eight)	Spokesman	(Plant)	Workers (Fifteen)	Agency Workers
Agency Owner	(Eight)	Agency (A)	HR Officer	(Pinteen)	Agency
rigency o wher		Owner	(Plant)		Worker (Eight)
Agency Workers		Agency (B)	Agency (A)		
(Seven)		Representative	Owner		
		Agency	Agency (B)		
		Workers (Twelve)	Owner		
			Agency		
			Workers		
			(Twelve)		

#### **Characteristics of Interviewees**

## Notes

- 1. See also Case 2000, PLC 89 H. C (Khi): HinoPak Motors Limited vs. Chairman, Sindh Labour Appellate Tribunal, Pakistan.
- See ILO Convention No. 87 Freedom of Association and Protection of the Right to Organise Convention 1948, ratified by Pakistan on February 14, 1951.
- See ILO Convention No. 98 Right to Organise and Collective Bargaining Convention 1949, ratified by Pakistan on May 26, 1952.

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