



# Paying attention

A Report on Agency  
Work and Wages

Adecco

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# Main Findings and Recommendations



- 1** In the vast majority of countries that have regulated agency work, agency workers' wages are at least at equal level to wages of workers in the user companies.
- 2** Agency workers at Adecco earn significantly more than the statutory minimum wages in the countries assessed. In many situations these workers wages are higher than the national average.
- 3** Although some countries have taken temporary measures to adjust wages to cushion increased inflation and cost-of-living, no trend to structurally change the way minimum wages are regulated is visible so far.

We address the following recommendations to policymakers and social partners.

- In (political) conversations in which issues on wages and agency work meet, there needs to be greater understanding around the fact that equal pay regulations (where agency workers earn wages that align with the wages of comparable workers at the user firm) already exist and more emphasis needs to be placed on the effective and proportional implementation of those regulations.
- In the contemporary context where labour flexibility is increasingly deployed through questionable forms of contracting, agency work should be considered as a key solution, providing a well-regulated and decent form of labour market flexibility.
- In raising statutory minimum wages and/or other wage floors, careful assessments must be made of the impact on labour demand and the effect on the sustainability of businesses. **Wherever feasible, labour costs should be lowered through a decrease of the tax wedge.** Such a measure leads to stable or decreased labour costs while at the same time leading to higher net pay.
- In mitigating (potentially rising) layoffs, major efficiency gains are found in enhancing collaboration between public and private employment services. This can be done through formalising the exchange of labour market knowledge, expertise and network; or through outsourcing the provision of active labour market policies to private experts that are qualified and recognized as providers of meaningful career guidance, training and other labour market support solutions. In addition, those efficiency gains can contribute to lowering tax wedges.



# 1. Introduction

One of the most important reasons why people work is for pay, and although other factors such as wellbeing, flexibility and purpose also determine job satisfaction, pay often still tops the list. Pay is an important driver for all workers and is a key criterion for workers to opt for their current job. 46% of all workers surveyed by Adecco's Global Workforce of the Future Survey 2022 chose their current job over another for the salary and the benefits offered. 53% of non-desk and 62% of desk workers surveyed are satisfied with their salary<sup>1</sup>. Furthermore, a recent Ius Laboris survey of HR leaders also identifies wages as the main driver for recruitment and retention<sup>2</sup>.

At Adecco, we often witness how agency work faces a series of misconceptions around working conditions and wages. In a time where less secure forms of flexible work such as 'bogus' self-employment are increasingly associated with labour market flexibility, this Paper seeks to address some of these misconceptions about agency work and shine a light on existing regulatory frameworks established over the years. Indeed, agency workers' fundamental rights, wages, benefits and working conditions are enshrined in broad, mature and balanced regulatory frameworks across the world. As such, agency work serves as the model for the flexibility workers and businesses look for in this digital age of rapid economic change, providing the possibility for agency workers to make a decent living.

This Paper begins with an introduction to wages and the regulatory frameworks that surround them. Next, it sheds light on agency work as a triangular model of employment and labour market flexibility. As part of this, the report highlights how wage floors apply to agency workers. As part of this regulatory overview, we collaborated with Ius Laboris, a global alliance of law firms that specialise in employment, labour, immigration and pensions law, which leveraged its global community of labour lawyers to provide information about the regulatory framework in a range of countries. The paper also presents exclusive data of the Adecco agency work population from 17 countries and analyses how these wages compare to minimum and average standards in these labour markets<sup>3</sup>. Finally, we consider what's on the horizon in terms of regulation on wages to arrive at a set of conclusions and policy recommendations.

<sup>1</sup> The Adecco Group, *Global Workforce of the Future Report*, 2022

<sup>2</sup> Ius Laboris, *The Word 2022: Proliferation of Change*, 2022

<sup>3</sup> Research for this paper is exclusive Adecco workforce data from 2022 from 17 countries. The focus is largely on markets with equal pay regulation.

## 2. The Concept of Wage

Wages are the key element of compensation for the provision of labour in a subordinate employment relationship. Additional elements can also be agreed in an employment contract, such as overtime and bonuses, and these can be determined per hour of work or on other bases. They can be complemented by other benefits, such as pension schemes and other types of insurance.

The rate and conditions for pay and benefits are determined both by market forces (supply and demand) and regulatory intervention. The best-known interventions are the setting of statutory minimum wages and company or sectoral level collective bargaining outcomes on wages. Instruments such as withholding taxation, mandatory social security premiums and other social charges (for both employers and workers alike) play an important role too. On average in OECD countries, this so-called 'tax wedge' makes up 34.6% of the labour costs for employers<sup>4</sup> and thus impacts on the actual net 'take-home' pay for workers.

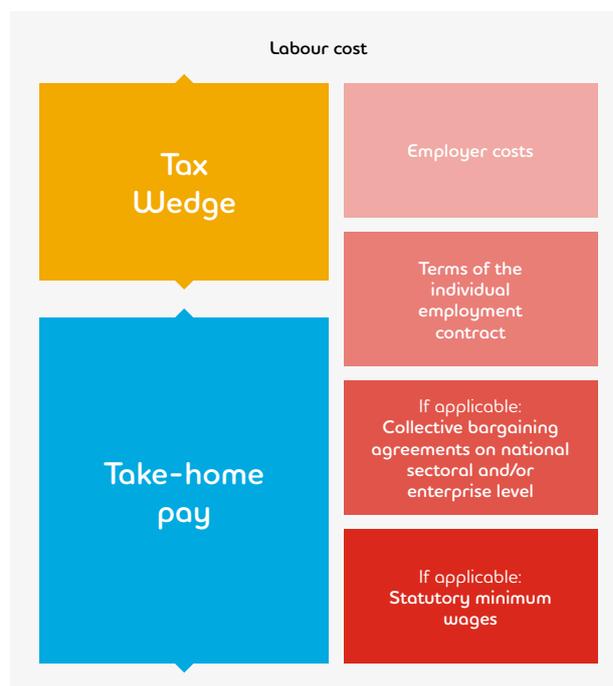


Figure 1 - How are labour costs built up?

### How are Minimum Wages Regulated?

The **minimum wage** is the most notable form of regulation of pay. Minimum wages have been defined by the International Labour Organization as “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract”. Although minimum wage systems differ widely across the world, as many approaches are possible, some form of minimum wage is in place in 90% of countries throughout the world<sup>5</sup>.

Many countries set minimum wages levels that are differentiated based on age, occupation, sector, skill-level, region and/or disadvantaged target groups within the labour market. The role of social partners in determining the minimum wage also differs significantly: ranging from a non-existent to insignificant consultation role, to a role that binds a government to implement what they agree. Further, the methodologies used to calculate/determine the rate of a minimum wage and to lock in periodic increases (e.g. based on inflation

or general wage growth) also vary greatly, as do the frameworks put in place for enforcement. All these factors combined sometimes lead to countries having over 50 statutory different minimum wages.

Crucially, as agency work is based on an employment relationship (see below), minimum wages apply equally for agency workers as they do for any other employee.

Yet, despite the implementation of minimum wages systems in almost every country around the world, the ILO estimates that globally 327 million earners are paid below the applicable hourly minimum wage - representing 19% of all earners (see figure 2). Of these, 266 million wage earners earn less because they aren't legally covered<sup>6</sup>. For example, 18% of countries with statutory minimum wages exclude agricultural workers, domestic workers, or both from their regulations. On average, minimum wages are set at around 55% of the median wage in developed countries and at around 67% in emerging countries.

<sup>4</sup> OECD (2022). *Tax wedge (indicator)*. doi: 10.1787/cea9eba3-en (Accessed on 18 October 2022)

<sup>5</sup> Source: ILO *Global Wage Report 2020-21*

<sup>6</sup> Source: ILO *Global Wage Report 2020-21*

Figure 2: Number of wage earners below or at the hourly minimum wage, globally and by region, 2019

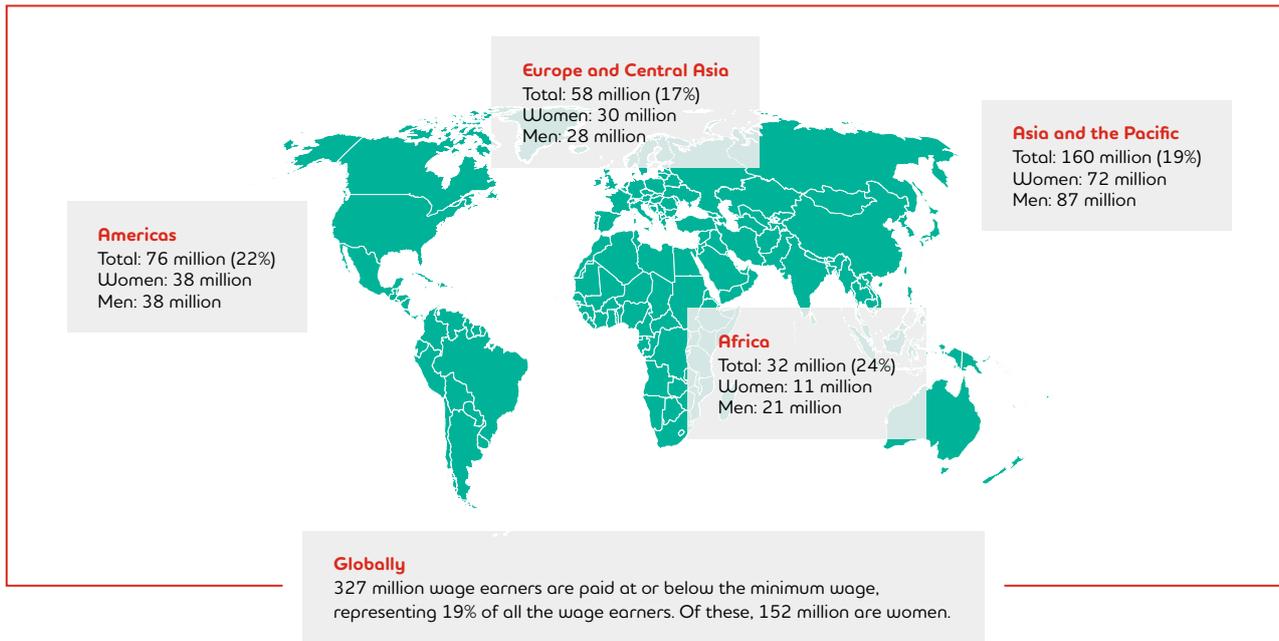
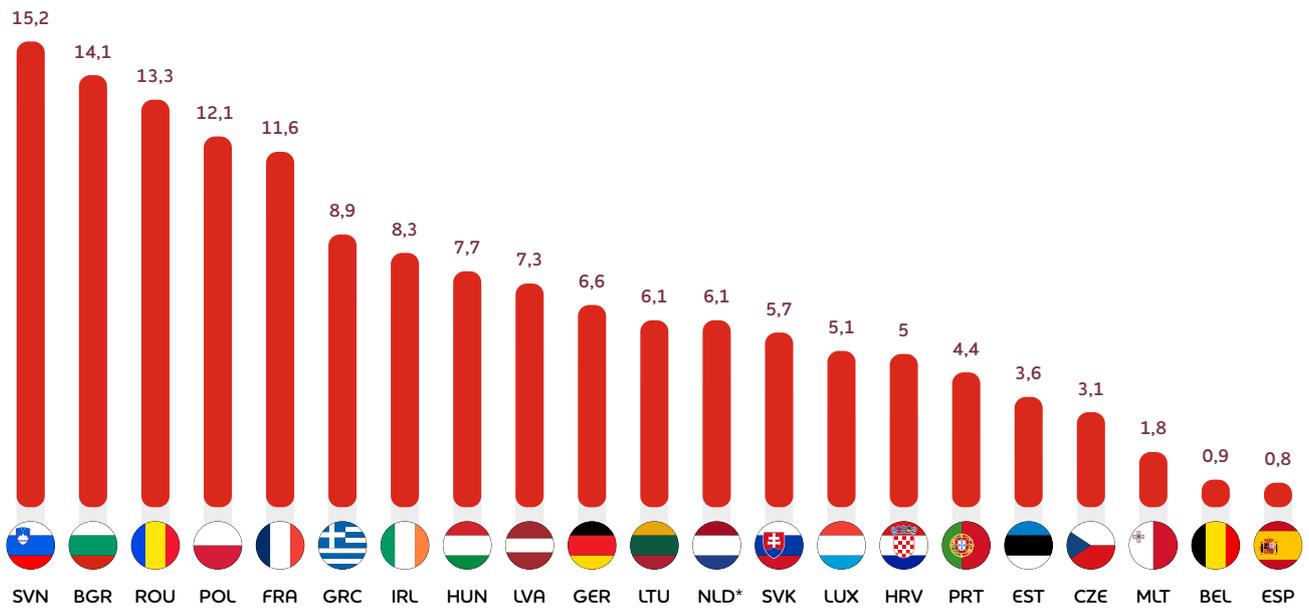


Figure 3: Proportion of employees earning less than 105 % of the minimum wage (%)



Proportion of employees earning less than 105 % of the minimum wage (%). Source: Eurostat, Structure of Earnings Survey 2018 and Minimum wages; special calculation made for the purpose of this publication; data are not available in Eurostat's online database

\* In October 2018 the national minimum wage applies to employees aged 22 years or older.

At the other end of the spectrum, employers and individual workers can bilaterally agree wages that surpass the minimum – and they often do. A 2018

analysis from 21 EU countries shows that on average in these geographies 93% of people earn 105% or more of their national minimum wage<sup>7</sup>.

<sup>7</sup> Eurostat, *Minimum Wage Statistics*, July 2022 (accessed 18 October 2022). The 105% threshold is used by Eurostat in order to account for potential differences in actual hours worked per month as compared to a standard number of hours worked.

## Raising Wage Floors: Collective bargaining and the Role of Social Partners

As addressed above, social partners can play a role in setting minimum wages, but also in topping up the minimum on an enterprise and/or sectoral level. To do this, worker representatives negotiate on behalf of a large number of workers with one or a representative of several employers to set labour conditions that would apply for the represented workers and employers involved<sup>8</sup>. Through collective bargaining the minimum floor of wages

and benefits (and other working conditions) can be raised for the workers and employers covered by a collective agreement. This can raise the starting point for individual wage negotiations; and potentially also cap them. This can be done for specific groups, for example those with a distance to the labour market, such as the long-term unemployed, workers with a minority background or workers with a disability.

## 2022: Is Inflation Changing How Minimum Wages are Set?

Together with *Ius Laboris*, we questioned legal experts in nine countries to identify the extent to which current very high inflation rates are impacting minimum wage-setting. High inflation diminishes real wages and reduces the buying power of wages. A rise of minimum wages can be part of the solution to protecting living standards. In the questioning, we differentiated between incidental

(‘one-time’) measures to cushion burdens, and structural changes that would change the way minimum wages are governed, scoped, calculated, increased, etc. beyond an incidental income support. Through this we would be able to identify whether the current crisis is set to impact minimum wages in a more structured way for the future.

Country	Upcoming structural changes in minimum wage setting	Upcoming changes in taxation to increase take-home pay	Upcoming one-time wage related purchasing power measures
 Colombia	✗	✗	✗
 France	✗	✗ but various emergency measures are in place	✓ for example, lower tax on value-sharing bonus
 Germany	✗	✓	✓ energy price allowance
 India	✓	✗	✗
 Italy	✗	✗	✓
 Japan	✗	✗	✗
 Spain	✓	✓ at regional level	✗
 Switzerland	✗	✗	✗
 UK	✗	✗	✗

The insights from the countries in scope showcases that currently the structure of minimum wage regulation will not see any adaptations. Spain and India show upcoming changes to the overall structure of minimum wage regulations, yet the decision on these changes precedes the inflation hikes that occurred in 2022. Germany and

Spain identify tax measures to reduce the ‘tax-wedge’. Italy, France and Germany provide incidental measures to cushion against inflation. As such, our early indicators do not show that the fabric of minimum wage setting is changing in response to the current crisis.

<sup>8</sup> Intricate varieties of methodologies for determining collective bargaining competence and coverage exist. See the 2019 OECD ‘*Negotiating Our Way Up*’ report for more information.

# 3. Agency workers' Wages & Equal Pay

## What is Agency Work?

Agency work is a specific form of employment, recognised and regulated at national level. An agency worker has an employment contract with an employment agency. The agency worker is then deployed to a user firm and works under the guidance and supervision of the user company. Temporary agency work is **organised through a triangular relationship between the temporary agency worker, the temporary agency and the user company.** This 'triangular employment relationship' improves

allocation within the labour market. It allows workers to gain easy access to work and different work experiences as well as to combine work with other aspects of their life and responsibilities. By using agency work, businesses can swiftly find new workers and easily scale up and down human resource capabilities as needed. This contributes to the overall growth and sustainability of businesses with regards to the broad employment opportunities they provide.

### Legislative Lens: The International Regulation of Agency Work

Agency work and its triangular employment model is a broadly recognized form of work. In most developed countries, agency work is regulated so as to include minimum conditions for agency workers and ensure their rights are protected. These rights have further been anchored in international law. Two main cross-border regulations set out how workers' rights and the broad labour market need for agility can be balanced.

#### International Labour Organisation (ILO): Private Employment Agencies Convention, 1997 (No.181)

This ILO Convention recognizes the important labour market allocation role played by employment agencies and ensures agency workers have access to key protections, including the fundamental rights of association and non-discrimination. It bans workers from paying fees for their recruitment and/or placement. Finally, it puts social partners front and centre to shaping agency work regulation on the national level.

#### European Union (EU): Directive on Temporary Agency Work (2008/104/EC)

This EU directive recognizes agency work across EU Member States and guarantees rights of equal pay and equal treatment for agency workers. The Directive underlines the importance of social dialogue and collective bargaining, not least with and within the agency work-sector itself.





## 4. How are Adecco Associates paid?

In terms of the wages of Adecco agency workers (referred to as 'Adecco Associates'), we have analysed remuneration data from Adecco Associates from 17 countries and compared them to the statutory minimum wages as well as the average national hourly wages in

those countries. Through this we showcase that Adecco Associates are paid significantly above the respective minimum wage. The full information on these wage levels is compiled in an Annex to this Paper which is available upon request.

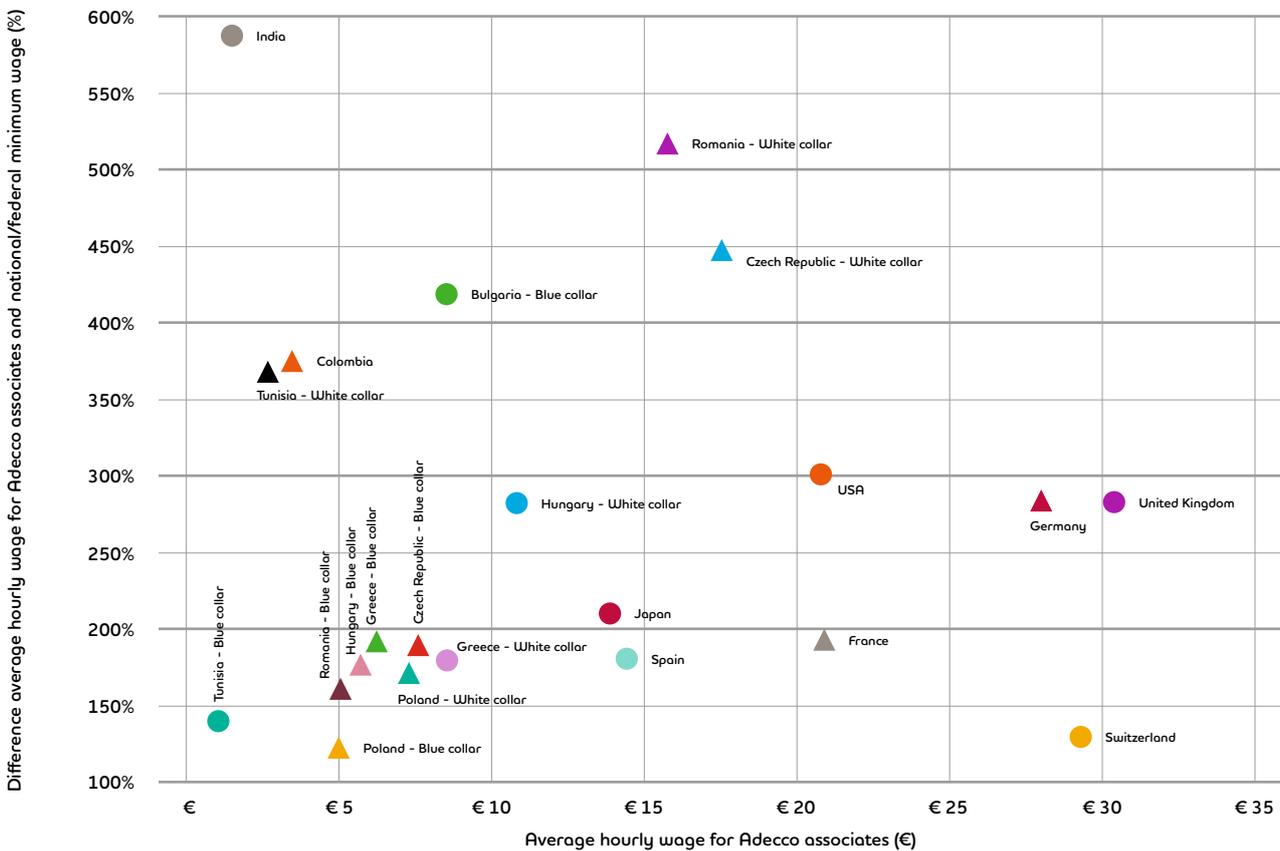


Figure 5: Average Adecco Associates' hourly wage and the (%) difference to the national minimum wage. See Annex for full dataset.

Overall, across the 17 countries, Adecco Associates get paid over 2,5 times the respective national minimum wage (See figure 5). Where data is available on the difference between white collar and blue-collar associates, the Adecco blue collar wages are significantly higher than the wages of blue-collar workers per se. Looking at all of the countries, it appears that the higher wages tend to correspond to lower differences with the national minimum wage. This may be due to the fact that in low-income countries (i.e. India, Tunisia and Colombia) the rates of informal employment in low wage sectors and occupations tend to be higher<sup>9</sup>. As such, lower paid occupations fall outside of a meaningful business case for compliant HR service providers such as Adecco. And yet, the UK, US and Germany show that also in developed

economies Adecco Associates' wages are high in relation to the minimum wage.

Moreover, comparing the average Adecco Associates wages from these 17 countries to the average pay of workers we see that these slightly surpass the OECD average wages. In OECD countries wages average 2.3 times their respective national minimum wage. This is further supported by the average hourly wage data provided by Adecco (see Annex). For example, in Germany, the average Adecco Associate earns €27,85 an hour while the national hourly average is €21,16. Figure 6 shows how the national average wages and national minimum wages compare to the average pay of Adecco Associates in the countries addressed.

<sup>9</sup> The ILO, in its general discussion at the 2022 International Labour Conference, concludes that "Although there is no universally accurate or accepted description or definition (...) [t]he term "informal economy" refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. <https://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25res.pdf>

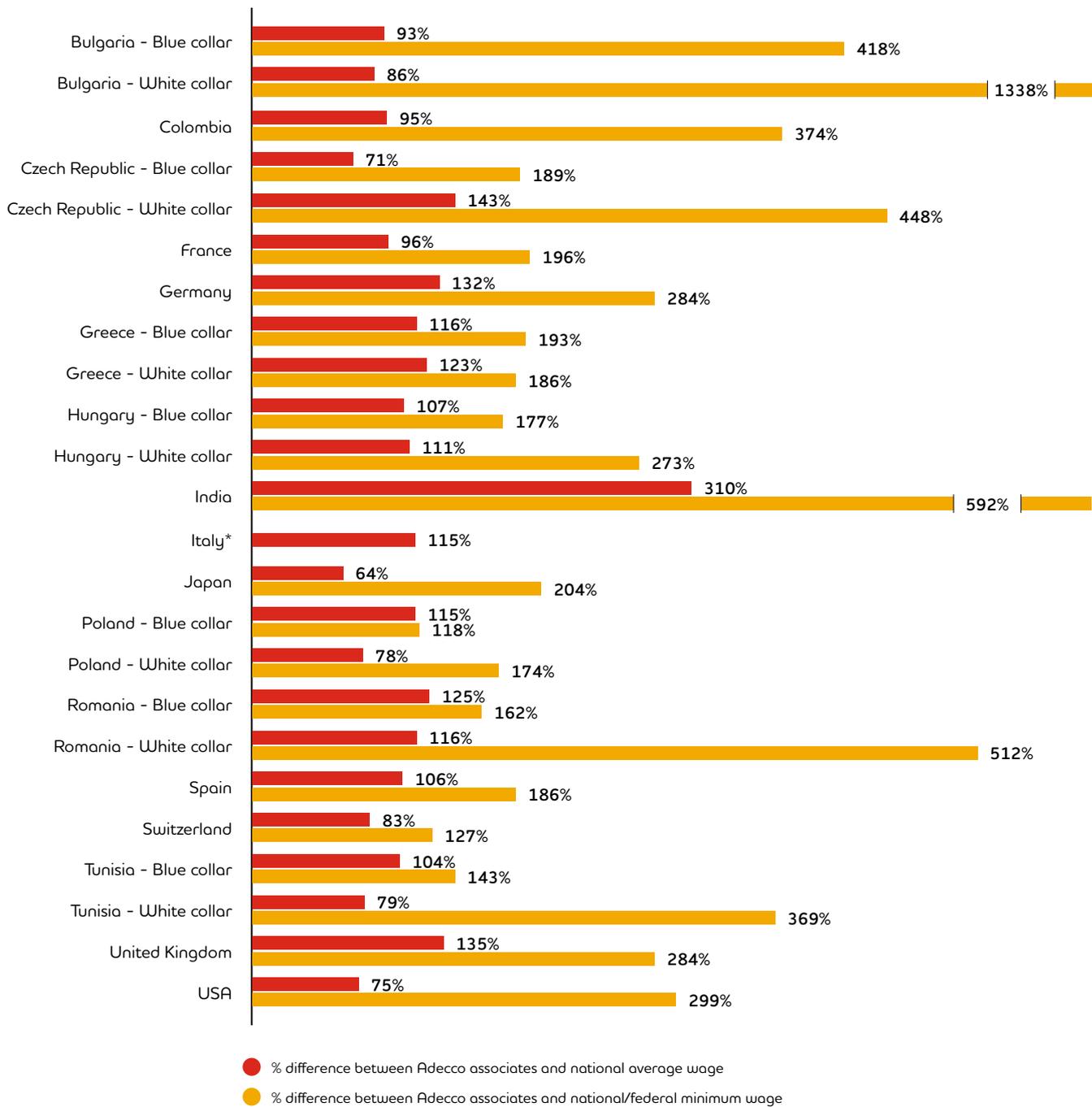


Figure 6: Comparing Adecco associates' average wages to the national minimum and national average wages. See Annex for full information.  
 \* Italy has no national minimum wage. See Annex for full information.

Figure 6 shows a mixed picture. In Germany, the UK, the US, Romania, Hungary, Greece and India, Adecco Associates' wages are higher than the national average. Also, white collar Adecco associates in the Czech Republic earn more than the national average for white collar workers. In Tunisia, Bulgaria and Poland only blue-collar workers earn more than the national average. The differences between national averages can be explained by looking at the Adecco footprint across the various economic (low, middle and high income) sectors. Generally,

given equal pay regulations, a positive difference in Adecco Associates' wages compared to national average wages indicates more Associates are present in higher paying jobs, while deviation downward showcases a predominant presence in occupations that pay less than the national average. Indeed, in countries with high rates of informality, these lower paying sections of the economy are in de facto 'competition' with economic activity in the informal sector, where no wage regulation applies, thus putting downward pressure also on wages in the formal economy.

## Rewards beyond financial benefits

Pay is not the only factor that counts for employees – other benefits also need to be considered. These vary from one country to another – and even from one company or industry to another. In principle, agency workers are treated equally with user company workers with respect to access to mandatory social security benefits such as

unemployment insurance, maternity benefits and labour related sickness or disability. Adecco Associates on the respective national level gain additional benefits based on their engagement with Adecco. Figure 7 showcases the additional benefits received by Adecco Associates.

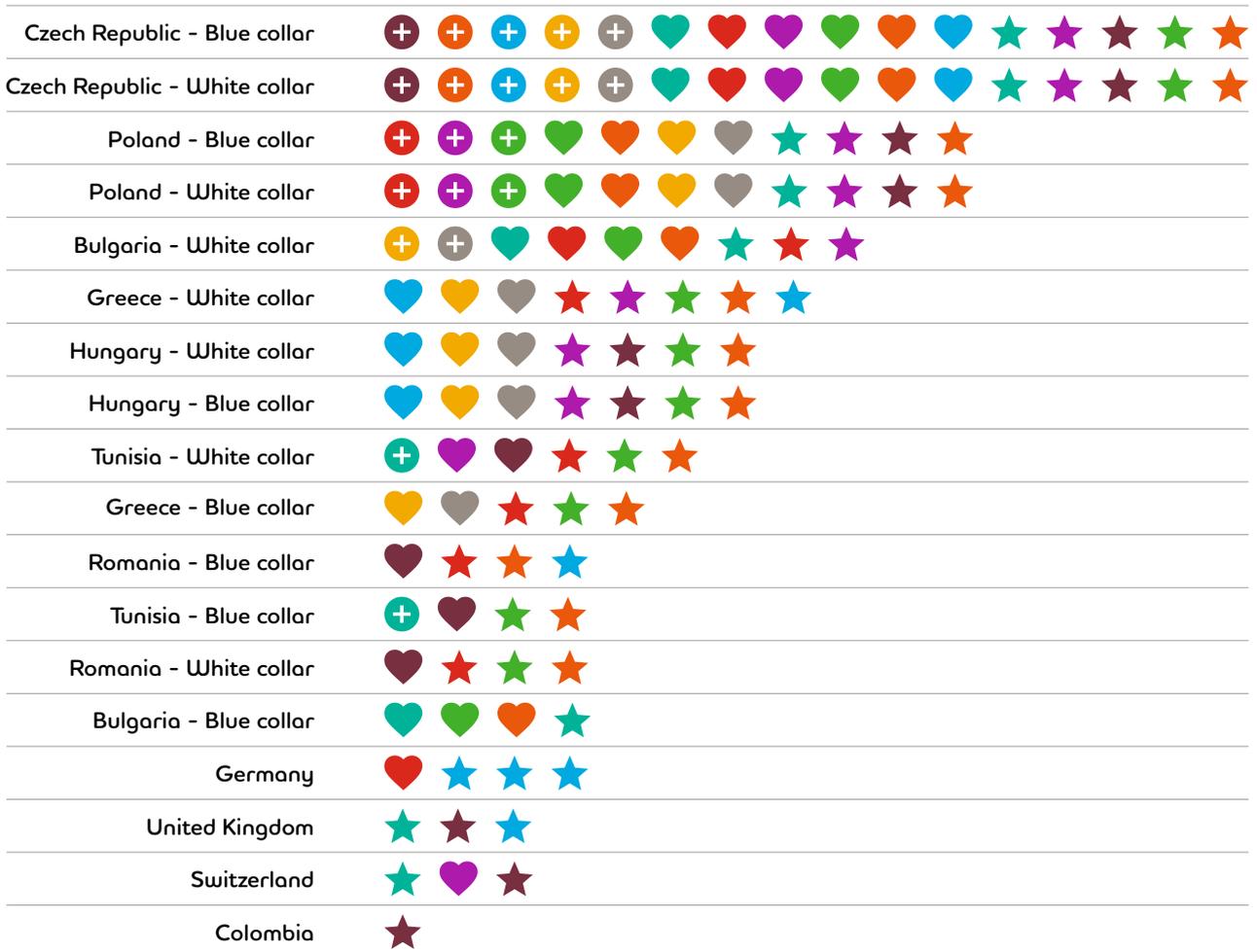
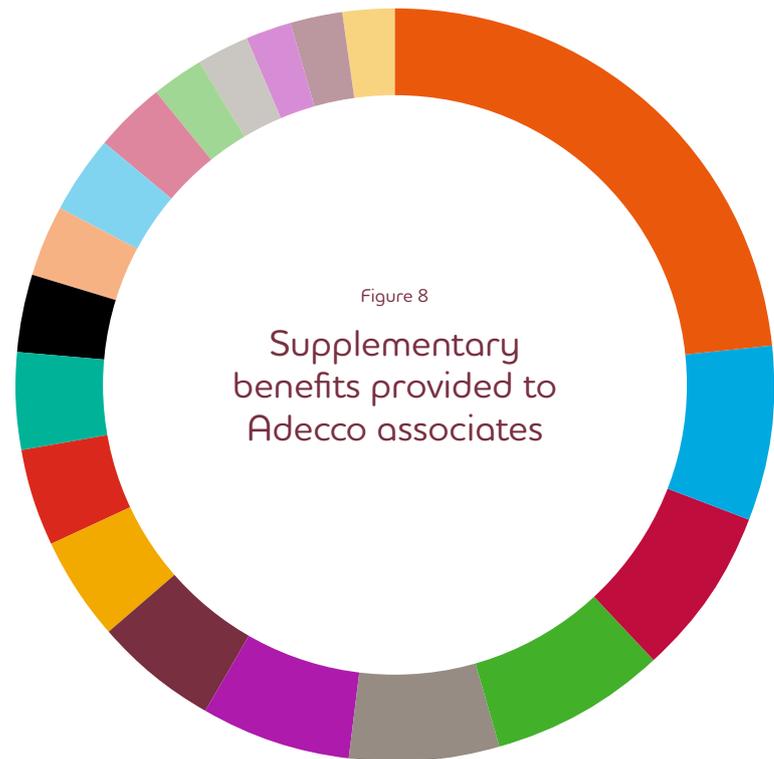


Figure 7 - Additional benefits provided to Adecco associates.

Figure 8 indicates that the (additional) health care insurance, training, and food vouchers are provided the most frequently. Also specific discounts are available, including notably for sport club subscriptions, as well as compensations for mobility such as petrol or public transport. The "other" category is vast and wide and includes all kinds of specific aids as well as insurance including for pets and legal costs.



- 22% Other
- 7% (Additional) health care insurance
- 7% Training / Skills
- 7% Food vouchers
- 6% Bargains / Discounts
- 6% Mobility
- 5% Sport benefits
- 4% Christmas gifts
- 4% Bonuses
- 4% Company cars
- 3% Corporate events
- 3% Cafeteria
- 3% Connectivity costs (mobile phone & plan etc.)
- 3% Extra holiday
- 2% Supplementary pension savings
- 2% Free drinks at work
- 2% Remote work
- 2% Social aids
- 2% Flexible working hours

### The Adecco Group's Commitment on Remuneration and Working Conditions

The Adecco Group relies on great experience in providing quality employment via agency work. Agency work is the best-regulated form of flexible work, with a clear set of conditions on a global level. We are deeply attached to the principles set out by ILO C 181 and we advocate for its application in national and cross-border recruitment. We are also an active member of the World Employment Confederation (WEC) and a committed signatory of the WEC Code of Conduct, which reflect the same principles. Both The Adecco Group and WEC stand up for workers' rights and equal treatment for agency workers. The Adecco Group leads the workforce solutions industry in defending labour rights, and we are committed to improve the lives of our colleagues, candidates, and associates by ensuring decent working conditions and fair wages.

More information on the Adecco Group's commitment to quality work see:

- [Report: The Adecco Group stands up for Workers' Rights Paper](#)
- [The Adecco Group Code of Conduct](#)

# 5. Policy & Regulatory Trends in Wage-setting

Beyond the current cost-of-living crisis, the question arises on whether there are other developments in politics and regulation that can impact the pay of agency workers – and more broadly all salaried employees? As noted above, no clear structural measures appear to be developing at this moment in time. Much will depend on the ability of policymakers to curtail inflation and, where appropriate, of social partners to balance wages with productivity growth.

The demand for higher wages will be amplified by the overall finding that, currently, the raises in overall wages (including the minimum threshold) do not fully compensate for inflation: real wages are falling, and people face decreased living standards. This fall is especially apparent in low-income occupations and sectors, such as hospitality, agriculture and logistics<sup>10</sup>. These developments push workers to ask for higher wages or transition into higher paying jobs, in some countries also leading to trade union activism and the surge of strikes, with workers calling for better pay.

The current answer by both the OECD and the EU (within the EU Minimum Wage Directive) is to underline the instrument of collective bargaining as the tool for

aligning wage levels to inflation levels. Only it is important to note in that regard that there is always a time-lag linked to wage increases implemented through collective bargaining agreements and statutory minimum wages.

A key development in recent months is the agreement of a European Directive on Minimum Wages which was approved in early October 2022 and is to be implemented by EU Members States by October 2024. Although this does not introduce an EU-wide minimum wage for all workers in the EU, it does require all EU countries to have one (or several) minimum wages, or at least a system in place that determines a minimum wage. Such systems should address the role of social partners in setting the minimum as well as considering how it should be calculated in relation to national wages overall. EU minimum wages could very well start rising once the Directive is transposed in 2024. So far, the push for a raise is well below the threshold determined in the Directive, e.g., EU member states will be asked to meet a certain threshold and raise the minimum. Finally, it encourages EU countries to consider the coverage of collective bargaining if this coverage drops below 80%.



## Bypassing Wages: Universal Basic Income

One element of the discussion on guaranteeing sufficient income is to detach it from work all together and provide a single benefit to all citizens rather than just those that need it. This is referred to as a Universal Basic Income (UBI). Minor local pilots with UBI since the 2010s have yielded mixed results, with concerns raised about the diminishing priority of other labour market support measures provided for those people in specific need. Also, if existing social spending of OECD countries were spread across the full population (as opposed to a targeted and conditional redistribution), the UBI amount would leave beneficiaries “earning” well below the respective poverty lines. As such, for a UBI to be meaningful, major concerns would arise about the ability of governments to sustainably finance a UBI system.



## A new calculation: a ‘living wage’

There is a growing belief that statutory ‘minimum’ wages are not sufficient to cover minimum living standards. A ‘political aim’ much more than a legislative or statistical term, the proponents of a ‘living wage’ advocate for new ways to calculate statutory minima in an effort to better incorporate the national cost of living. Key element of the living wage discussion is that it is related to the cost of living, which is not uniform between all workers. Some calculation methods would raise the statutory minimum wage sixfold. Critics caution that such an increase would have a negative impact on the demand for labour. Moreover, critics argue, it would undermine the role of social dialogue in balancing the (financial) interests of workers and business and they identify the outcomes of social dialogue as appropriate to deliver adequate living standards.

## 6. Conclusions / Recommendations



- 1** In the vast majority of countries that have regulated agency work, agency workers' wages are at least at equal level to wages of workers in the user companies. Political debates about agency work often involve remarks on the underpayment of agency workers. This paper outlines the legislative framework for how (minimum, enterprise and sectoral) wage floors are determined and how these regulations apply to agency workers. These highlight that in most developed countries the law determines that agency workers need to be remunerated equally to the counterparts at the user-firm they are assigned to. Moreover, trade unions often play a key role in setting wage floors above statutory minimum wages that would equally apply to agency workers. Statements on the use of agency work as a means to undercut wages are therefore generally not appropriate.
- 2** This research analyses Adecco agency workers' wages from 17 countries. **These agency workers earn significantly more than the statutory minimum wages in the countries assessed. In many situations these workers' wages are higher than the national average.** Especially in countries with higher rates of informal work, the agency workers' wages are (very much) higher. This can be explained by the fact that in countries with high rates of informality, these lower paying sections of the economy are in de facto 'competition' with the economic activity in the informal sector (i.e. undeclared work), where no wage regulation applies.
- 3** Recent spikes in inflation are significantly impacting workers and businesses. Especially workers in lower paying sectors see their real wage decrease. Although some countries have taken temporary measures to cushion this, **no trend to structurally change the way minimum wages are regulated is visible so far.** Yet, increasingly, international organisations are pushing for more involvement of social partners in wage-setting. Notably the European Union has agreed on a Directive that further harmonizes how national statutory minimum wages are set.

Based on this, we address the following recommendations to policymakers and social partners.

- In (political) conversations in which issues on wages and agency work meet, there needs to be greater understanding around the fact that equal pay regulations (where agency workers earn wages that align with the wages of comparable workers at the user firm) already exist and more emphasis needs to be placed on the effective and proportional implementation of those regulations.
- In the contemporary context where labour flexibility is increasingly deployed through questionable forms of contracting, agency work should be considered as a key solution, providing a well-regulated and decent form of labour market flexibility.
- In raising statutory minimum wages and/or other wage floors, careful assessments must be made of the impact on labour demand and the effect on the sustainability of businesses. Wherever feasible, labour costs should be lowered through a decrease of the tax wedge. Such a measure leads to stay or decreased labour costs while at the same time leading to higher net pay.
- In mitigating (potentially rising) layoffs, major efficiency gains are found in enhancing collaboration between public and private employment services. This can be done through formalising the exchange of labour market knowledge, expertise and network; or through outsourcing the provision of active labour market policies to private experts that are qualified and recognized as providers of meaningful career guidance, training and other labour market support solutions. In addition, those efficiency gains can contribute to lowering tax wedges.

## Ius Laboris

Founded over 20 years ago, Ius Laboris is an alliance of law firms operating in 56 countries and is consistently recognised as the world's leading legal service provider in employment, immigration and pensions law. We work with employers to arm them with the knowledge they need to operate in local and international markets and our services include employment rights, data privacy, discrimination, health & safety, pay and benefits, immigration & global mobility, pensions, restructuring, labour relations, internal investigations & whistleblowing and tax. Our law firms have garnered many prizes and accolades in recent years from respected organisations for the very high quality of service we provide and our firms have an average Chambers ranking of 1.7 in 56 countries - which is by far the highest in the market.

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# Adecco

## Adecco is part of the Adecco Group

The Adecco Group is the world's leading talent advisory and solutions company. We believe in making the future work for everyone, and every day enable more than 3.5 million careers. We skill, develop and hire talent in around 60 countries, enabling organisations to embrace the future of work. We lead by example, creating shared value that fuels economies and builds better societies. Our culture of inclusivity, entrepreneurship and teamwork empowers our employees. The Adecco Group AG is headquartered in Zurich, Switzerland (ISIN: CH0012138605) and listed on the SIX Swiss Exchange (ADEN).