



**Inquiry into Independent Contractors
& Labour Hire Arrangements**

**Standing Committee on Employment, Workplace
Relations and Workforce Participation**

**Submission of
The Recruitment and Consulting Services Association**

April 2005

The Recruitment and Consulting Services Association

The Recruitment and Consulting Services Association Ltd ('RCSA') is the peak body of the employment services industry in Australia and New Zealand.

Formed in 1996 the RCSA boasts a national membership of 3,000, all of which are drawn from a diverse range of organisations and individuals including small owner-operator businesses, listed and non-listed Australian companies and Australia's large multinational corporations.

Members of the RCSA provide an extensive range of employment services including on-hired employee services ('labour hire employees'), contracting services ("including labour hire independent contractors'), recruitment services, *Job Network* services and consulting services.

The RCSA maintains its head office in Melbourne and six Secretariats located in Victoria, New South Wales, South Australia, Western Australia, Queensland and New Zealand. The current Chief Executive Officer of the RCSA is Mrs Julie Mills and the current President is Mr John Plummer (Executive Director Chandler Macleod Group).

The RCSA is instrumental in setting standards in the employment services industry. Such standards are set and maintained in relation to individual and corporate member professional development, education, training, industry compliance, industry performance and the establishment and maintenance of sustainable and effective legislative and regulatory regimes relevant to the industry.

The RCSA Australia/New Zealand boasts a very effective member committee structure that review and contribute to the establishment of professional conduct and equitable outcomes for corporate members, individual members, employees of corporate members (direct and on-hired) and independent contractors.

Committees include the Australia/New Zealand Workplace Relations Committee, Australia/New Zealand Workers Compensation and Occupational Health and Safety Committee, Australia New Zealand Insurance Committee, Australia New Zealand Education and Training Committee and the Australia New Zealand Taxation Committee. This committee structure, which is supported by State based committees provides the RCSA with an unparalleled capacity to respond to inquiries of this nature in a manner that is accurate, effective and insightful.

The RCSA is proud of its dedicated service to, and representation of, on-hired employee service providers in Australia and boasts the greatest understanding of this contemporary form of employment.

Executive Summary

The Recruitment and Consulting Services Association (RCSA) is the peak body of the employment services industry in Australia. The RCSA represent more 'labour hire' service providers in Australia than any other industry body and is committed to the maintenance of sustainable, professional and responsible third party employment services for the benefit of members, clients, employees and independent contractors alike.

The RCSA welcome this inquiry given the opportunity it provides for all stakeholders to conduct an open and accountable debate in relation to an industry that has traditionally been misunderstood and misrepresented.

The RCSA submit that it is essential that new terminology is adopted to encourage precision in the examination of the industry and promotes the utilisation of terminology that is more descriptive and less ambiguous. The Association believes that deeming provisions and continuous improvement to compliance and professionalism have resulted in circumstances where on-hired employee services are now the predominant sub-category of the unhelpful term 'labour hire', rather than that of contracting services.

The RCSA calls upon the Standing Committee on Employment, Workplace Relations and Workforce Participation ('the Committee') to objectively consider why on-hired employee services and contracting services have grown in favour amongst business, government and especially on-hired employees and independent contractors themselves. The RCSA believe on-hired employee services provide opportunities for a range of individuals to establish flexible and meaningful and increasingly sustainable employment arrangements that in many cases would not have been available through direct hire arrangements.

There is evidence that the industry is contributing significantly to the Australian economy and that there are significant opportunities available to governments and regulators that choose to work with the industry, in lieu of those that maintain a search for threats based on allegiances to traditional employment models. In fact on-hired employee services may actually be in a position to provide continuous employment to a significant proportion of the 'casualised' workforce by virtue of its capacity to offer an element of security that arises from back to back assignments with a single professional employer rather than disjointed direct hire casual engagements. One in four on-hired employees is non-casual and one in five now become direct employees of clients.

There is distinct growth in the engagement and utilisation of on-hired permanent employees which is a concept the Committee may wish to consider further.

On-hired employee services extend well beyond unskilled and semi-skilled positions into professional and technical arenas which require unique

consideration. Moreover, there is evidence that instead of motivations of cost cutting the industry has grown on the back of professional recruitment services to ensure a focus on core business when demand is at its greatest.

The RCSA calls upon the Committee to recognise not only the importance of the existing contribution made by our industry but also the opportunities that present themselves to a progressive Government where opportunity replaces scaremongering. The demand for flexible work arrangements is not artificial and the debate can not be isolated to Australia.

The potential for the creation of offshore outsourcing will be amplified if we artificially restrain business, government and employees from the benefits of on-hired employee and contracting services.

The RCSA look forward to progressive discussion and debate on the determination of legitimate contracting however, we remain sceptical as to whether a formulaic and inflexible approach to the determination of such is in the interests of the parties to such commercial contracts. We ask the committee to respect the rights of independent contractors to work through an 'agent' without penalty or discrimination in comparison to direct engagement independent contracting.

Introduction

As the peak body representing providers of on-hired employee services ('labour hire') in Australia, the Recruitment and Consulting Services Association (RCSA) welcome the decision of the Committee to obtain an improved understanding of the nature and extent of independent contracting and labour hire in Australia.

The major focus of the RCSA submission is in relation to on-hired services including those of contracts of service and contracts for services. Whilst members of RCSA provide direct engagement independent contracting services to clients, in many cases the provision of such services occur through a corporate entity rather than a non-corporate or sole trading individual independent contracting arrangement. Owing to the developed operational structures many of the issues of legitimacy that may otherwise relate to individual independent contractors providing direct rather than on-hire services are not evident.

The RCSA firmly believe that the need for stakeholders to obtain a genuine and unbiased understanding of the 'labour hire' industry and independent contracting is critical to ensuring the maintenance of services that provide solutions not only to business and government but increasingly so for on-hired employees, independent contractors and society alike. The need to move beyond the reactive and misguided perceptions of these contemporary forms of work supply and management is overdue.

The RCSA submit that it is now time to consider 'labour hire' and independent contracting as an integral part of Australia's contemporary social landscape as well as that of its business landscape. The RCSA submit that Labour hire is no longer solely a business facility and that it has become a function of a society where flexibility, adaptability and diversity are actually sought by individuals rather than imposed by government and business.

The RCSA call upon the Committee to avoid the trap of 'labour hire' arrangements being considered as a threat to traditional employment where master and servant are artificially protected rather than adapted to changing times. The RCSA invite the Committee to consider an alternative to labour market paranoia where employers and employees are enhanced and supported by on-hired service arrangements to work as part of a multi-party team where cooperation, specialisation and satisfaction are fostered for the good of all rather than feared for the protection of the few.

Efforts to restrict employment modelling to that of a traditional two party relationship will ultimately be short lived given that it is domestic and international demand that drives business and government engagement. In the absence of private and public consumption regulation and trade restraint Australia must learn

how to adopt this new form of employment and harness its opportunities rather than hide from its perceived threats.

The RCSA submit that the following themes require particular attention in this inquiry.

These themes derive from a focus on the provision of on-hired employee services over the past decade at a time when others have chosen to ignore the reasons behind its growth.

Matters Requiring Particular Attention

1. The need to establish concise terminology to describe the specific elements and participants in 'labour hire' arrangements so as to ensure rational and precise debate.
2. Identification of the contributors to the continued growth in demand and popularity of 'labour hire' and independent contracting services.
3. Identification of multi-faceted elements of 'on-hire' services and the delineation between 'labour hire' and direct hire independent contracting services.
4. Exploration of the opportunities that present themselves when 'on-hire' services are embraced rather than suppressed including the labour market facilitation role such services play.
5. Consideration of the implications arising from the suppression of 'labour hire' services including the growth of non-employment work arrangements.

The Status and Range of Independent Contracting and 'Labour Hire' Arrangements in Australia

Before considering the status and range of independent contracting and 'labour hire' arrangements in Australia we would like to turn to the issue of definition. RCSA remains concerned that 'labour hire' is being considered in conjunction with independent contracting because it is this broad brush approach to such non-traditional forms of engagement that creates imprecision and stereotypical responses from the advocates of traditional employment forms. Whilst there may be some cross-over between 'labour hire' and independent contracting there is little to be gained by considering them in the same inquiry.

Our concern in relation to the grouping of 'labour hire' and independent contracting is that the application of legislation and other regulations are quite unique when a comparison is conducted between 'labour hire' employees and independent contracting, regardless of whether such contracting is on-hire or direct hire.

Placing aside the multitude of alternative terms used to describe the abovementioned arrangement, 'labour hire' has been used to describe three principal forms of labour provision since it was first adopted, including but not limited to:

- the supply of employees to work for a third party,
- the supply of contractors to work for a third party, and
- the provision of contract staff services utilising employees and/or contractors to deliver a specified result under contract.

The term labour hire is so broad so as to not provide any assistance to this Committee in its Inquiry and the facilitation of meaningful and concise debate about the nature and scope of the employment arrangement. Moreover, the term 'labour hire' competes with a multitude of other terms which have been adopted in the absence of more descriptive terminology including that of independent contracting.

Whilst 'labour hire' finds its roots in production and construction based industry where organisations utilise the services of an individual engaged or employed by another party, such terminology has not been widely accepted to describe services provided in industries such as service, health, retail, professional, technical and government support.

Interestingly the terms that compete with 'labour hire' to describe the abovementioned arrangements are often found to contribute even greater confusion and misinformation. We pose some questions to assist the Committee to understand our concern.

1. Why could 'labour hire' not be used to describe a traditional employment arrangement given that there is labour and it is hired?
2. How does 'temping' assist the debate when it does not cater for circumstances where an employee is assigned to work for a third party for a period greater than six months or on a permanent basis as a permanent employee?
3. How does utilisation of the term 'contract labour' assist anyone to understand the nature of the engagement when an employee is engaged under a contract and an individual contractor, partnership, entity and/or trust can all be engaged to provide labour in accordance with a contract?
4. How does the term 'agency worker' assist employers or engagers of such workers to understand their respective responsibilities for occupational health and safety management when it suggests a role being performed on behalf of another party as principal?

RCSA Terminology - In Pursuit of Constructive Debate

In the absence of consistent and descriptive terminology to aid the facilitation of an informed debate on 'labour hire' in Australia, the RCSA has developed definitions which we believe provide a lead in the pursuit of constructive debate.

The following diagram outlines the categories of service provided by RCSA members and the Committee will note that the two categories, namely on-hired employee services and contracting services are the categories of service that are typically described as 'labour hire'. The RCSA strongly believes that it is necessary to define what would otherwise be described as the sub-categories of 'labour hire' on the basis that each is significantly different and is appropriately dealt with differently under law. This debate can not progress until such time that each and every nuance of 'labour hire' is considered and assessed in its own right. Therefore, from this stage forward we will utilise RCSA terminology, definitions of which can be found on the following two pages.

RCSA Service Definitions

On-hired Employee Services

The provision of services by an organisation that provides one or more of their employees to clients to perform work as specified at a place nominated by the client.

On-hired Employee

An individual engaged under a contract of service to perform work for his or her employer's client in accordance with the client's specifications at a location nominated by such client.

On-hired Employee Service Provider

An organisation that provides its employees to clients to perform work as specified at a place nominated by the client.

Contracting Services

The provision of services where there is an agreement between a contracting service provider and a client for the production of a specific outcome or result. Contracting services may be supplied via the provision of managed project/contract services or sub-contract services (including on-hired independent contractors).

Contracting Services – Managed Project/Contract

The provision of project/contract services to an organisation where the client has outsourced defined operational functions. Typically organisations providing this service shall be responsible for the delivery of a contract package including labour, plant, management, and associated systems of work.

The service provider directly engages and instructs employees and subcontractors in the performance of work to ensure contract completion.

Contracting Services – Sub-Contract

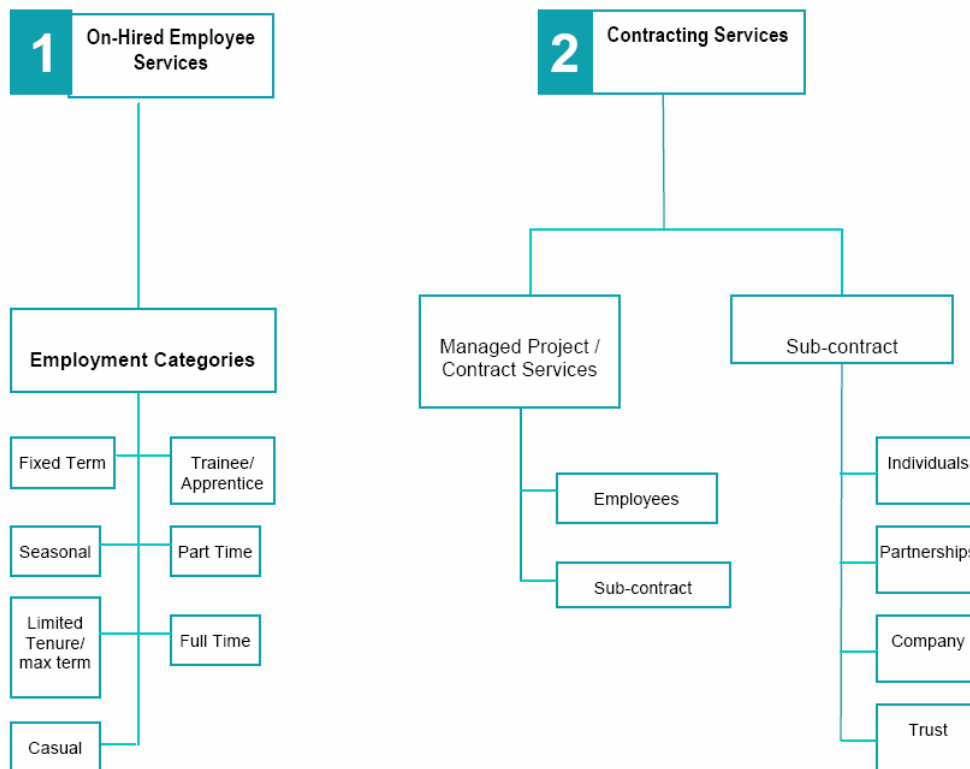
A contracting relationship exists where a client passes the risk and responsibility for the completion of a scope of works to a contract service provider. The contract service provider then sub-contracts all or part of the project to an independent contractor.

Contracting Service Provider

An organisation that provides contracting services to a client through direct provision of managed project/contract services or through the engagement of a sub-contractor.

Client

An organisation engaging and utilising the services of a provider of on-hired employee services and/or contracting services.



The RCSA believe it is critical to draw a line between the provision of on-hired employees and contractor services on the basis that obligations and entitlements of employers and employees are fundamentally different to those of principal and sub-contractor.

RCSA invite consideration of the appropriateness of the same analysis and regulation being applied to arrangements where an employee is on-hired to work in accordance with the day to day specifications of a client as it is to an organisation providing contracting services where employees and/or sub-contractors are managed and working directly for the principal contractor. The issues that surround the dilution of control that arises when an employee is on-hired are fundamentally different to those that apply to a genuine sub-contractor or provider of managed project/contract services where there is payment by results and direct management of employees with minimal input from a third party (client).

The RCSA do not support the use of the term 'host' in any capacity. Following recent discussion and debate amongst the extensive RCSA committee structure, it was determined that the term 'host employer' was misleading in that it did not aid understanding of the varying role that a client is required to play in the tripartite relationship. There is clearly only one employer at common law and that is the on-hired employee service provider (RCSA member) and therefore there should be no reference to employer, even when it is prefaced, in terminology describing other parties. Furthermore, the utilisation of the term host is

inappropriate given that it indicates a level of ownership or control which is less likely to be present when describing individual sub-contract arrangements.

The RCSA oppose the use of the term host and believe that 'client' is the most suitable term to describe those parties enjoying either on-hired employee services or contracting services provided by members.

RCSA submit that the principle sub-category of 'labour hire' is now on-hired employee services rather than independent contracting. It is important to understand the evolution of 'labour hire' services given that its shift over the last thirty years provides an insight into the existing level of misunderstanding and the proliferation of misrepresentation.

Whilst 'labour hire' thirty years ago often involved the utilisation of individual contractors to perform work that would otherwise have been performed by employees, the scene has clearly changed such that now (on-hired) employees are performing employees work.

Historically individual contractors were primarily utilised to provide 'labour hire' services on the basis that the level of industrial regulation was less than that applicable to an employee. Obligations such as workers compensation and award entitlements motivated providers to avoid the direct employment model.

Whilst the on-hire of independent contractors may have been more prevalent thirty years ago, deeming provisions and an increase in the level of compliance knowledge of the industry has resulted in a marked change to the engagement structure of 'labour hire' service providers outside of what has become known as ODCO arrangements. It is important to note that the prevalence of ODCO style 'labour hire' arrangements amongst RCSA membership is very low at the non-professional level and at the technical and professional level strict adherence to ODCO 'labour hire' arrangements are substituted with less formal independent contracting arrangements given the altering commercial arrangements and the capacity of such individuals to manage such commercial affairs in a more comprehensive way.

Despite the change from the placement of individual contractors in client workplaces to that of on-hired employees, the legacy of the industries forefathers still appears to haunt the current industry.

Many stakeholders maintain a suspicion about the provision of workers compensation insurance to cover employees, compliance with industrial instruments such as awards and agreements as well as communication and cooperation with clients to ensure workplaces are safe and without risk to health. The RCSA submit that this suspicion is outdated and is stifling more productive discussion on the levels of professionalism existing amongst an overwhelming majority of 'labour hire' providers today.

Fundamental Principles of On-hired Employee Services

RCSA submit that the following elements are inherent in contemporary on-hired employee services (not independent contracting services) and that is why there is a need to apply different laws and attitudes to such services:

1. The on-hired employee service provider is the employer.

The organisation supplying on-hired employee services is the common law employer of on-hired employees and there is no exception to this other than where specified in legislation or through common law interpretation by the courts.

If this requires clarification in legislation RCSA would need to be convinced of the need for special treatment.

2. The on-hired employee service provider is, like other employers, bound by industrial instruments.

Given the on-hired employee service provider is the employer, the only way an employee is covered by a Federal award or agreement is through direct responsibility and the client terms do not have legal implications for such coverage.

3. On-hired employee service providers are responsible for workers compensation and superannuation contributions.

Despite suggestions that there is confusion pertaining to who is responsible for the maintenance of workers compensation insurance policies and contributing superannuation, there is no confusion amongst RCSA members as to their responsibility. There may be select circumstances where there may not be a requirement to cover individual sub-contractors performing work for clients yet RCSA members are aware that they need to determine the relevant statutory deeming provisions to assess their liability in each State.

4. On-hired employee service providers work with clients to ensure compliance with occupational health & safety and equal employment opportunity legislation.

Whilst there is a debate over which party is in the best position to control workplace risk, on-hired employee providers recognise their responsibility to ensure the maintenance of a safe and harassment free workplace and work with clients to ensure such.

5. On-hired employee service providers are responsible for performance and conduct management of on-hired employees.

Whilst clients play a role in the monitoring of performance and conduct in the workplace, given the on-hired employee provider is the employer it is their responsibility to performance manage and conduct manage an on-hired employee.

As has been previously stated, there remains a degree of misunderstanding as to the operation of the on-hired employee services industry and this derives from a past where a far greater proportion of 'labour hire' employees were independent contractors. This situation has changed and whilst any industry will have participants who seek to flout the law, a clear majority of operators understand their obligations and comply with their obligations.

On-hired Employee Services versus Contracting Services

Given the aforementioned shift in 'labour hire' from predominantly individual contracting placements to that of on-hired employee services over the past thirty years it is important that the committee understand the RCSA position in relation to the demarcation of the two services.

In past years the RCSA has used the term 'on-hired' in an attempt to define not only employees sourced for a client (mere supply of labour) but also where independent contractors are engaged on behalf of the client to complete a scope of works (the production of a result).

With the introduction of A New Tax System (ANTS) the Alienation of Personal Services Income Legislation (APSI) was born. This legislation attempts to provide clarity as to what constitutes a genuine contracting relationship. The legislation provided for certain tests to be applied to determine whether the relationship is actually one of contractor or employee.

The committee would be aware of the tests to determine whether a bona fide contracting relationship exists as opposed to one of employment. Here is a summary of those tests:

- control test;
- results test;
- 80/20 rule;
- the unrelated clients test;
- the employment test; and
- the business premises test.

In addition to the above tests, common law that has evolved over hundreds of years indicates particular cases where other tests have been used to make this determination and such tests have also been used in the industrial relations jurisdiction to determine the true relationship. One such test is that the contractor will ordinarily render the services to the public at large. The use of the term 'on-hired' here diminishes the ability of the contractor to render services to the public

(ATO perception). The ATO's view here is that the agent is rendering services to the public when it should actually be the contractor that directly renders such services. Therefore, in the eyes of the ATO the contractor lacks the independence of a bona fide contractor.

The use of the term 'on-hired contractor' was deemed by the RCSA to include connotations of a mere supply of labour only. It was determined that such terminology potentially represented a principle and agent relationship for the supply of labour and as members would know, contracting on the other hand can not ordinarily be simply the supply of labour.

Contracting describes a situation where the passing of risk has occurred down the subcontract chain for completion of the job or the result and the ATO is looking for demonstration of this type of relationship.

The adoption of the new term 'contracting services' is designed to provide greater clarity amongst our members and to promote contemporary and sustainable representations. The RCSA continues to educate our membership regarding the application of the ATO APSI legislation as well as the difference between an employee and contractor for the purpose of industrial relations. Such education should not however been seen as comprehensive endorsement of the existing method of determining legitimate independent contracting arrangements as is explained toward the end of this submission.

Contractor Placement Services

Whilst the focus of this submission is upon the on-hire of employees and on-supply of contractors it should be noted that a large segment of the RCSA membership are called upon by clients to place independent contractors rather than hire and on-supply or on-hire. The prevalence of such forms of engagement is focused in the technical, professional, executive, engineering and scientific disciplines rather than the unskilled and semi-skilled.

Many RCSA members report that there is an increasing demand for contract positions from candidates and that similar to the supply of on-hired employees and on-hired contractors many individuals are choosing to provide services through independent contracting projects and placements rather than through on-hire or direct recruitment.

RCSA would welcome the opportunity to contribute further information from members on the demand for contract placements by clients.

The Role of 'Labour Hire' Employment and Contracting in the Modern Australian Economy

The RCSA submit that the role and function of 'labour hire' in the modern Australian economy, whether it be employment or independent contracting, is that of labour market intermediary. As traditional master servant relationships are adapted by motivations of individual workers and the needs of an increasingly global economy the employment service provider stands to play an increasingly important role as employer, agent and mentor.

The Labour Market Intermediary Role

Employment services firms, according to Neugart and Storrie (2002), can play a valuable macro economic role as intermediaries by processing the large amount of information available to those both offering and seeking jobs (such as internet and newspaper advertising). To play this role effectively, employment services firms need the resources to efficiently match the skills of job seekers with the job requirements of clients wanting to use their services. Employment services firms in Europe and Australia have sought to build up their reputation with both potential employees and client firms by showing their support for ethical codes of practice, undertaking advertising campaigns and the signing of collective agreements (Storrie 2002).

Employment services firms may also play a macro economic role in lowering frictional or seasonal unemployment. The opportunity for marginalised groups to earn a wage while being able to sample different jobs and employers, and to gather a wide range of work experiences, may make agency work an attractive option for the more disadvantaged in the labour market. Temporary work through employment services may provide the opportunity for stigmatised job seekers such as the long-term unemployed to gain a foothold in a user firm – to prove their worth in realistic situations in firms where they might otherwise have been discriminated against (Storrie 2002, p 70).¹

Limitations of existing permanent status for employees

The widespread use by employers of casual work provisions in awards merely reflects the inflexibility of standard working arrangements. The real message from the growth in the use of casual work provisions is the need for greater

¹ Neugart, M and Storrie, D; 2002, 'Temporary work agencies and equilibrium unemployment', Program for the Study of Germany and Europe Working Paper No. 02.6; Center for European Studies, Harvard University.

Storrie, D, 2002, *Temporary Agency Work in the European Union*, European Foundation for the Improvement of Living and Working Conditions, Dublin.

flexibility in how 'permanent' jobs are structured. This is a key recommendation of the EU Taskforce on Employment:

Member States and social partners are advised to examine and, where necessary, adjust the level of flexibility provided under standard contracts, in order to ensure their attractiveness for employers and to provide for a sufficiently wide scope of contractual forms to enable employers and workers to adapt their working relationship to their respective needs and preferences. They are also advised to examine the degree of security in non-standard contracts.²

Need for particular groups to have a stepping stone to other types of employment

The HILDA survey offering three observations over a two-year period provides evidence that many people employed as casuals move into non-casual jobs. As many as two in five of all casual employees (43 per cent) from the survey's first wave are holding jobs classified as non-casual by the survey's third wave (over an eight period from August 2003). Another two in five persons remained employed as casuals over this period. The remainder, nearly one in five persons, had become jobless, although most of these people were not actively looking for work and many stated that they did not want a job.³

Men in casual jobs in Wave 1 do slightly better in terms of gaining non-casual jobs by Wave 3 – 45 per cent are in non-casual jobs two years on compared with 40 per cent of female casual job holders.⁴

Considerable evidence from Europe also shows that a substantial share of the people currently employed on a temporary contract are in regular jobs a year further on. Studies have shown that in France, Germany, Great Britain, Italy and the Netherlands temporary employment is often an intermediate position between unemployment and regular work.⁵ Evidence from official statistics shows that this is the case for Germany, the Netherlands and Italy, temporary work is a stepping stone to regular work although not for Spain due to the rigidity of the Spanish labour market.⁶ Temporary jobs are more likely to help and not hinder the search for regular jobs and therefore increase the eventual probability of finding a regular job.

² European Commission, 2003, European Employment Taskforce Report, November 2003 (The Kok Report), p 9.

³ HILDA Survey Annual Report 2004, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, pp 25-26.

⁴ Ibid, p 26.

⁵ M. Zijl, M.J. van Leeuwen, 2005, 'Temporary jobs: intermediate positions or jumping boards; searching for the stepping-stone effect of temporary employment', Stichting voor Economisch Onderzoek der Universiteit van Amsterdam Discussion Paper No.38, p 13-16.

⁶ Ibid, p 7-9. see also for the Netherlands, Marloes Zijl, Gerard J. van den Berg, & Arjan Heyma, 2004, 'Stepping-stones for the unemployed: the effect of temporary jobs on the duration until regular work' SEO - Stichting voor Economisch Onderzoek der Universiteit van Amsterdam, November.

What effect do Temporary Help Agencies have?

The EU's European Employment Taskforce report called 'Jobs, Jobs, Jobs: Creating more employment in Europe' (November 2003) was established by European governments 'in response to concerns that Europe was failing to tackle effectively the significant employment challenges it faces'. Headed by a former Dutch Prime Minister and head of the Dutch Trade Unions, the Taskforce has called for regulators to make it easier for employers and employees to have access to a range of more appropriate employment arrangements in order to stimulate job creation.⁷

The report, in particular, points to the positive role employment services play in the labour market. The report recommends that EU governments seek to utilise better the potential of temporary work agencies by providing a more flexible framework through which they can operate more effectively:

Temporary agency work can be an effective stepping stone for new entrants into the labour market and hence contribute to increased job creation, for example by facilitating recruitment instead of overtime. Acting as human capital managers – rather than mere manpower suppliers – these agencies can also play the role of new intermediaries in the recruitment and management of both qualified and unqualified staff, offering employers an attractive alternative to traditional recruitment channels.⁸

The EU Employment Taskforce report emphasises the important role temporary work agencies potentially have in a modern labour market 'as new intermediaries that can support flexibility and mobility of firms and of employees, while offering security for employees in the form of improved job opportunities and high employment standards, including in terms of pay, working time and training opportunities'.⁹

The Evidence

Recent evidence from empirical analyses of the role of temporary employment agencies in Europe shows that they offer a stepping stone to permanent work. This applies particularly for groups that would otherwise be at the back of the hiring queue. There is evidence in Sweden, for example, that immigrants from Africa, Asia and South America are able to move from temporary work to other

⁷ European Commission, 2003, European Employment Taskforce Report, November 2003 (The Kok Report), p 28.

⁸ European Commission, 2003, European Employment Taskforce Report, November (The Kok Report), p 29.

⁹ Ibid, p 30.

types of employment through the assistance of temporary employment agencies.¹⁰

Even in a rigid labour market such as Spain's, temporary employment agencies play the role of brokers in the labour market, enabling workers to stay at the same occupational level and improving the probability of high-skilled workers achieving a permanent contract.¹¹

Lane et al. (2003), look at matched samples of 'at-risk' workers in a nationally representative survey for the USA and followed them for one year. They found that individuals who took temporary help services jobs had better employment and 'job quality' outcomes than those who were not employed. Their results also showed that the negative effects of temporary employment such as lower pay compared with other sectors are mainly small and not statistically significant. They concluded that the effects of temporary help employment on reducing reliance on welfare payments are 'unambiguously positive'.¹²

The findings of Heinrich et al. (2005) are similar. They found that employment-in temporary help services or other sectors-yields substantial benefits compared with no employment. Although welfare recipients who go to work for temporary help service firms have lower initial wages than those with jobs in other sectors, they experience faster subsequent wage growth in part due to their movement into higher-paying industries. Two years later, temporary help workers were substantially more likely to be employed and off of welfare than recipients, and their wages were close to those of other workers.¹³

Anderson et al, using US Census data also found that low-wage workers starting in temporary help services employment earn lower pay while employed by the temporary agency, but that subsequent job changes lead to higher wages and better job characteristics for these workers.¹⁴

¹⁰ Andersson, P & Wadensjö, E, 2004, Temporary employment agencies: a route for immigrants to enter the labour market? IZA Discussion Paper No. 1090, Bonn, Germany.

¹¹ García-Pérez, J. & Muñoz-Bullón, F; 2005, 'Temporary Help Agencies And Occupational Mobility', Oxford Bulletin of Economics and Statistics, Vol 67 pp163-180.

¹² Lane, J; Mikelson, K; Sharkey, P & Wissoker, D 2003. 'Pathways to Work for Low-Income Workers: The Effect of Work in the Temporary Help Industry' Journal of Policy Analysis and Management 22 (4, Fall): 581-598, cited in Heinrich, C; Mueser, P; & Troske, K; 2005, 'The Impact of a Temporary Help Job: An Analysis of Outcomes for Participants in Three Missouri Programs', IZA Seminar, Bonn.

¹³ Heinrich, C; Mueser, P; & Troske, K; 2005 'Welfare to Temporary Work: Implications for Labor Market Outcomes' The Review of Economics and Statistics, vol. 87, issue 1, pp 154-173

¹⁴ Anderson, F; Holzer, H; & Lane, J; 2002. 'The Interactions of Firms and Workers in the Low-wage Labor Market' Working paper, US Census Bureau, cited in Heinrich, C; Mueser, P; & Troske, K; 2005, 'The Impact of a Temporary Help Job: An Analysis of Outcomes for Participants in Three Missouri Programs', IZA Seminar, Bonn.

The Scope of 'Labour Hire' Employment and Contracting Services

This part of the RCSA submission seeks to provide an insight into the scope of on-hired employee and contracting services in Australia. Much of the analysis does not break 'labour hire' down into sub-categories which is so essential for productive examination.

Research

In the absence of comprehensive analysis of the roles and attitudes of the three principal parties to an on-hired employee services arrangement and that of contracting services the RCSA commissioned RMIT University to conduct research into the industry.

Where previous studies into the industry have focused upon the attitudes of employees and contractors or a limited focus on the providers of such services, the RCSA position is that it is essential that all three principal stakeholders be examined in relation to their use, experience and attitudes of the following parties:

1. On-hired employees
2. On-hired employee service providers / Contracting service providers
3. Clients utilising on-hired employee services

Whilst it would be possible to undertake an exhaustive study of the multitude of reports into the 'labour hire' industry in Australia the RCSA will focus upon Australian Bureau of Statistics data and results of the abovementioned RMIT research, which is the most recent and comprehensive research available outside that available through the Australian Bureau of Statistics (ABS).

The Size and composition of the Industry (ABS)

The Australian Bureau of Statistics (ABS) provides an insight into the size and composition of the industry through its Survey of Employment Services 2001 – 2002¹. This was only the second time the ABS had conducted this type of survey with the first analysing trends from 1998 – 1999.

The scope of the ABS study extended to 'for profit' and 'not for profit' organisations whose main activity was the provision of employment services which included sub-categories in accordance with ANZSIC codes 7861 (Employment Placement Services) and 7862 (Contract Staff Services). The survey included a sample size of 1,500 organisations.

It is important to appreciate the difference between the two ANZSIC codes for the purpose of suitable analysis.

Employment Placement Services includes organisations mainly engaged in personnel search, selection, referral and placement in connection with employment in any field. The services may be supplied to the potential employer or the prospective employee and may involve the formulation of job descriptions, the screening and testing of applicants and the investigation of references. In this category there is unlikely to be any employment or contracting relationship between the RCSA member and the individual being placed into the clients workplace and therefore this category would not incorporate what has been described by this inquiry as 'labour hire'.

On the other hand, *Contract Staff Services* includes 'employing businesses' mainly engaged in supplying their own employees to other businesses on a fee or contract basis and assignments are mainly short term and performed under the supervision of staff of the client unit.

What is of interest is the absence of non-employees in the latter definition which would indicate that even the ABS seek to discriminate between on-hired employee services and contracting services. The RCSA has held discussions with representatives of the ABS and they understand the importance of identifying such sub-categories.

The findings of the ABS in their Employment Services research based on the 2001/02 financial year are detailed below:

The Organisations Providing the Services

- There are 2,704 organisations in the employment services sector in Australia or which 2,445 are 'for profit' organisations and 259 'not for profit' which included 112 organisations reliant on government supported schemes such as Job Network providers.

This represented an increase of 29% over three years.

- There were 3,314,500 contract staff service 'placements'.
- There were 39 large organisations (more than 99 direct employees) and 37 of these organisations are RCSA members. These large organisations make up 1.4% of employment service (placement and on-hire) organisations in Australia.
- Large organisations made up 18% of all contract staff service placements.
- Micro organisations (less than 5 direct employees) comprise almost 60% of all employment service (placement and on-hire) organisations in Australia.
- Micro organisations made up 27% of all contract staff service placements.

Revenue generated by the industry

- The employment services industry generated \$10.299 billion which represented an increase of 5% on the last survey.
- \$9.038 billion was generated by the contract staff service industry. A clear majority of this would incorporate a wage component.
- The 39 largest companies (1.4% of organisations in the employment services sector) generated 39% of the total income.

Contribution to the Australian economy

- The value added to the economy by the industry (IVA) which is made up of wages and profit was \$8.867 billion which is a contribution of 1.3% to Australia's Gross Domestic Product.

The industries contribution to the Australian economy is greater than legal services and accounting services.

Industries where on-hired employees are placed

- The industry which enjoyed the largest number of contract staff service 'placements' was the health care and medical industry with 1,219,000 placements (37%).
- There were 881,700 contract staff service placements in trade labour and related occupations (26%)
- There were 506,300 contract staff service placements in clerical and 348,900 placements in hospitality, travel and tourism (15%).

Direct employment generated by 'employment services'

Direct

- There were 32,077 people directly employed in the employment services industry which represented a 10% increase in only 3 years.
- 64% of the direct employees were female.
- 76% of direct employment was full-time permanent employment.
- 41% of direct employees were employed by the largest 39 companies.

- Most direct employees were employed in either New South Wales or Victoria with 91,679 employed in Victoria (29% of the total)

Indirect

- There were 290,115 indirectly employed (e.g. on-hired employees) which represented an increase of 4% in 3 years.

Upon examination of these statistics for the financial year 2001 to 2002 it becomes evident that the employment services sector is a significant contributor to the Australian economy. Whilst the employment services sector is made up of both permanent and on-hire placements the clear majority of revenue and wages derives from the on-hired employee services industry.

It should be noted that a large number of on-hired employee placements fall outside of what could be described as 'blue collar' occupations.

It is therefore critical that any debate surrounding the on-hired employee services industry is not inappropriately focused on production and construction industries.

It is also important to distinguish between placements and hours worked. Placements may be best described as individual starts with a client yet this may not always correlate with the volume of hours worked. Unfortunately this information is not available from the ABS.

Any examination of the on-hired employee services and contracting sectors must take into account the direct employment generation. The growth in direct employment must be recognised by those parties that seek to argue that the industry does not provide any form of security.

The growth in direct employment combined with the increase in on-hired permanent employment, indicate that the threat to secure employment that may have been evident ten years ago may not be so real in 2005.

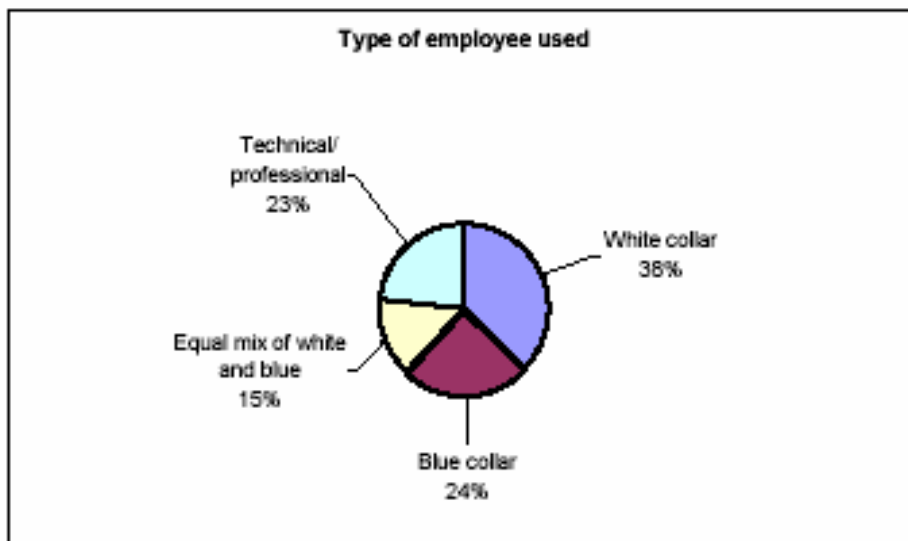
Where the Minister focuses on the growth of the number of organisations utilising contract staff services (on-hired employee services) from 1990 to 2000, the debate must mature to the point where analysis of this growth does more than presume that this is a proportional increase in the instance of insecure employment.

Size and composition of the industry (RMIT)

Whilst the ABS statistics provide an insight into what they describe as the 'contract staff service' industry and its scope in Australia, what such statistics do not provide is an insight into the motivations and attitudes of all parties.

The RMIT studyⁱⁱ provided an insight into the breakdown of occupation groupings engaged as on-hired employees. It was determined that 24% of on-hired employees utilised by client organisations (host organisations were 'blue collar' employees, 38% were 'white collar', 23% were technical or professional and 15% included a mix of 'blue' and 'white' collar employees.

Occupational groups engaged by clients of on-hired employee service providers



RMIT University 2003

Table 1 Data relating to type of employee used

	Count	% of Responses	% of Cases
White collar	75	37.3	50.0
Blue collar	49	24.4	32.7
Equal mix if white and blue	30	14.9	20.0
Technical/professional	47	23.4	31.3
Total responses	201	100	134%
0 missing cases; 150 valid cases			

These results outline the importance of understanding that on-hired employee services extend well into the technical and professional arena and that any attempt to understand the industry must take into account such scope and the

implications of what may be described as a “blue collar-centric” focus. Again, where the majority of critics of this style of employment derive from ‘blue collar’ representations, their allegations, founded or unfounded must be weighted in accordance with the evidence provided by the RMIT report and ABS statistics.

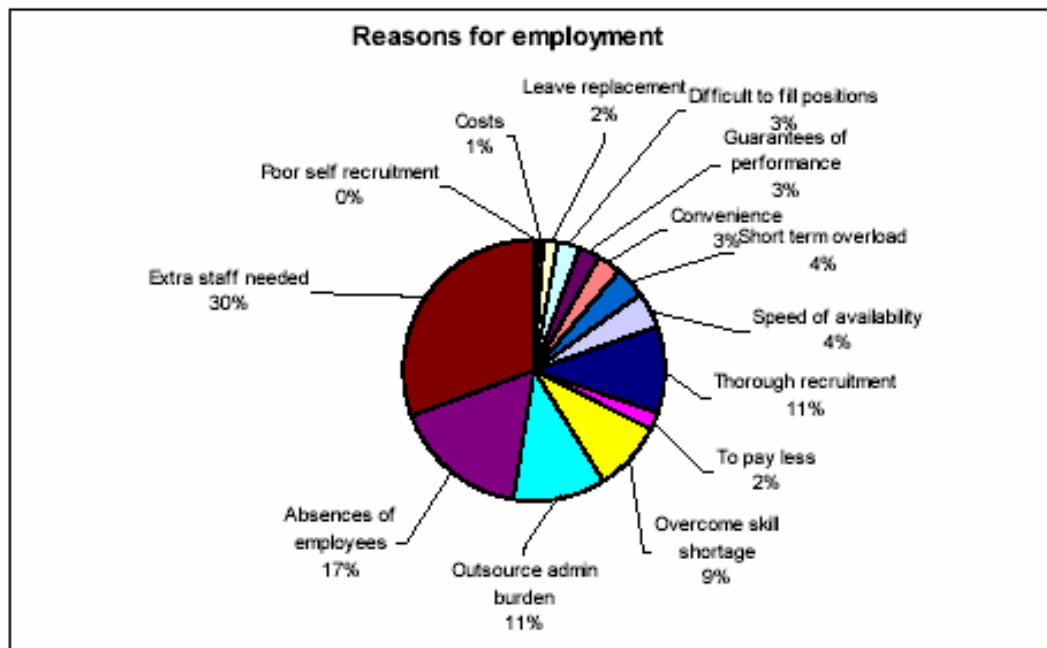
What becomes interesting is the comparison of the findings of clients of on-hired employee service providers and the break down of on-hired employee service placements by skill type.

When asked what percentage of all on-hired employee placements fall into particular skill categories, RCSA members indicated that the majority fell into the semi-skilled category with skilled and professional/executive equal second and unskilled positions being clearly the lowest skill type on-hired to clients. This result does not support the argument that there is a reliance upon unskilled employees for on-hiring to clients. If anything it further supports the trend toward greater on-hire placements amongst professionals and executives. Not surprisingly, the principle group amongst contractor placements was professional/executive with unskilled and semi-skilled clearly the skill type least represented amongst RCSA members.

Reasons for using on-hired employee services

Much has been said about the motivations of clients for using on-hired employee services with many arguing that the principle motivation has been to avoid obligations that arise under the spectrum of employment legislations that exist in Australia. However, the RMIT report indicates that the ‘outsource administrative burden’ motivation was only identified as the main reason amongst 11% of clients of on-hired employee services providers. Furthermore, the suggestion that on-hired employees are utilised to reduce wages is clearly undermined with only 2% of clients indicating this as a major motivation. Only 14% of organisations utilising on-hired employee services identified outsourcing administrative burden or reducing cost as the major motivation for continuing to use such services.

Contrary to commonly held perceptions, a reduction in staffing costs was only identified by 1% of clients as the principal motivator for using such services



RMIT University 2003

The principal reason for utilising on-hired employee services in Australia relates to additional staffing and recruitment support rather than to avoid legislative obligations.

Client usage patterns

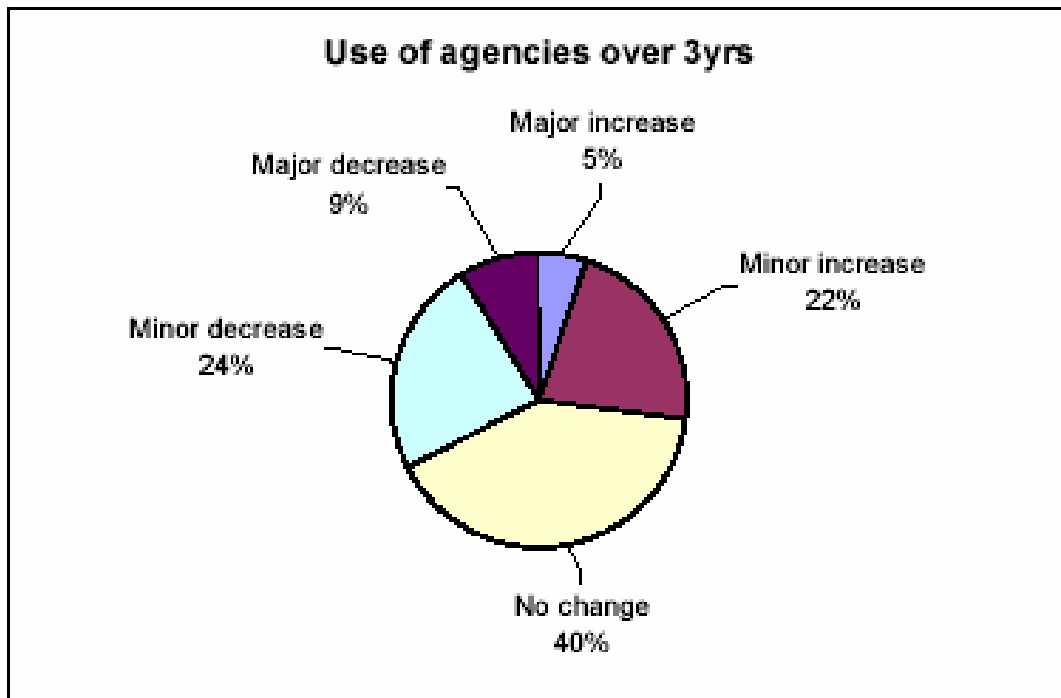
A lot has been said about the exponential growth of the usage of on-hired employee services in recent times. In particular the ABS identified that in 2000 27% of organisations engaged on-hired employee services in comparison to only 14% of organisations ten years earlier.

The RSCA believe it is important to accurately report the growth and not misrepresent the levels of growth and the alleged failure of regulators to cater for such growth.

The RMIT University report asked clients of on-hired employee service providers about their usage levels over the three years prior to 2003 and the results did not indicate rapid and unbridled growth.

The results signalled a different picture to that commonly portrayed in that 40% of clients reported no change in their usage levels and 24% indicating a minor reduction in usage.

It is important not to misreport the growth of on-hired employee services in Australia with 40% of clients outlining no change in usage levels over the past three years.



RMIT University 2003

Ratio of direct client employees to on-hired employees

The RMIT report shed further light on the ratio of on-hired employees to direct client employees. The survey found that in 75% client operations the percentage of on-hired employees to direct employees was 3% or less with 46% actually being 1% or less. This result further dilutes the argument that the industry is growing too quickly and at rate that is unmanageable.

Contributions to organisational productivity

A further interesting finding by RMIT University was that for 76% of clients the utilisation of on-hired employees contributed to such organisations productivity and competitiveness.

Increased perceptions of professionalism

The RMIT survey found that 47% of clients believed on-hired employee service providers had increased their level of professionalism over the past five (5) years.

Categories of employment of on-hired employees

A further belief is that on-hired employees are nearly always engaged as casual employees. However, the RMIT survey found that only 73% of RCSA members and 68% of non RCSA members on-hired employees were engaged on a casual basis.

Therefore, at least one in four on-hired employees in Australia are employed on a non-casual basis.

This conclusion is supported by further RMIT data that identifies that 23% of RCSA members and 37% of non-RCSA members have employees engaged as permanent on-hired employees.

Moreover the survey established that 16% of all on-hired employees are actually employed on a permanent basis.

The RMIT survey also found that 50% of casual on-hired employees obtained an additional assignment upon completion of the initial assignment.

Therefore, even if on-hired employees are engaged on a casual basis then continuity of employment is maintained for half of all such employees.

One is invited to consider whether on-hired employment actually may provide a solution to the 'precarious employment' problem identified by many as being a social ill.

On-hired employees who become direct employees of the client

One of the traditional features of on-hired employees is that many ultimately become direct employees of clients. This arrangement is colloquially known as 'temp to perm'.

The RMIT data indicates that 19% of RCSA and 25% of non-RCSA members actually become an employee of the client.

Length of assignments

The RMIT data draws out some very interesting results when comparing RCSA and non RCSA on-hired employee and contracting service assignment lengths.

The RMIT data found that 61% of RCSA member assignments are of three months duration or less compared to 37% of non-RCSA member assignments. The principal difference was that almost three times as many RCSA member assignments were of one month duration or less.

The RCSA member assignment length results are as follows:

Less than 1 month	34.20%
1 to 3 months	26.75%
3 to 6 months	24.95%
6 to 12 months	17.16%
More than 12 months	13.02%

Over 85% of assignments of on-hired employees and contractors were of 6 months duration or less which indicates that assignments remain truly temporary

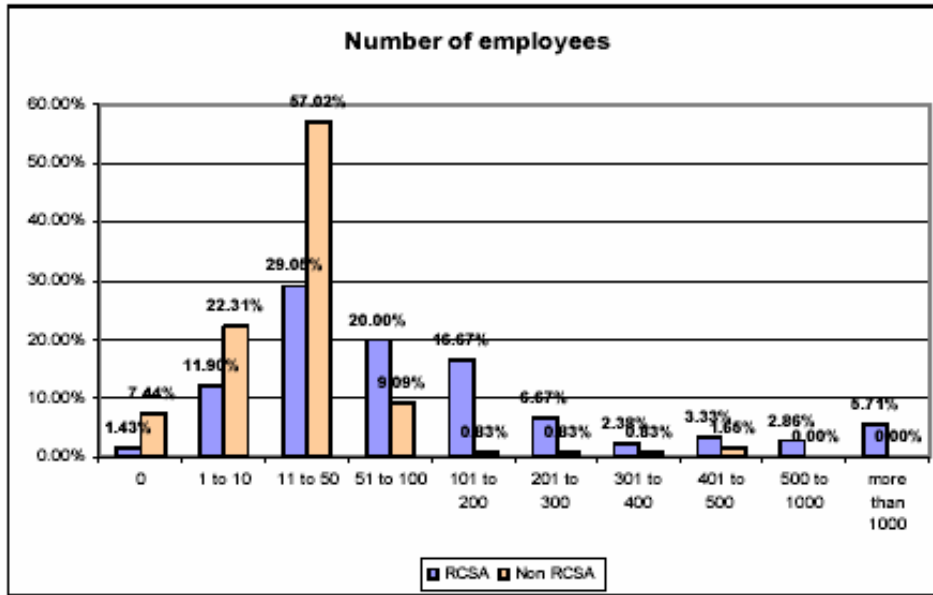
Number of on-hired employees on assignment each day

The size of the provider of on-hired employees will have an impact upon the capacity of an organisation to place on-hired employees on assignment. Based on RMIT data, the average number of on-hired employees placed on assignment each day is 419. This figure can be starkly contrasted to that of non RCSA members who average only 38 on-hired employees per day.

The significant difference can be attributed to a number of large volume providers who are RCSA members.

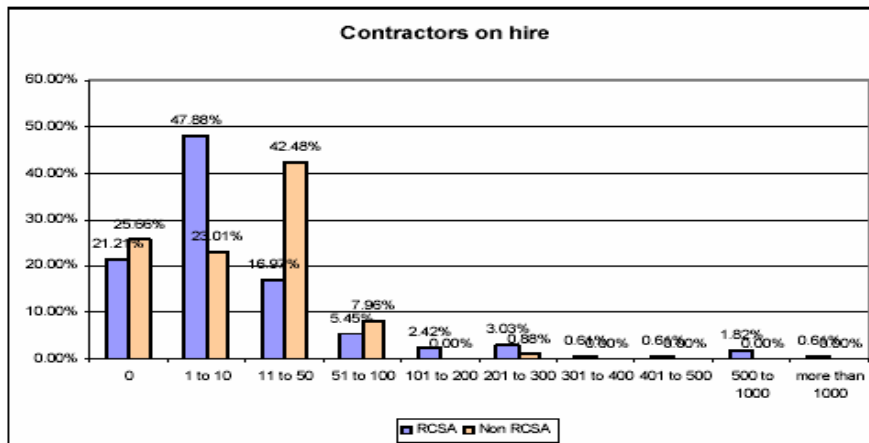
12 RCSA members from the statistical sample on-hire more than 1000 employees per day (average).

On average how many on-hired employees do you have on assignment each day?



RMIT University 2003

In comparison to on-hired employees, the number of individual contractors sub-contracted to clients is far less. This is not surprising given the deeming provisions and taxation legislation.



RMIT University 2003

ATTITUDES & EXPERIENCES – WORKERS AND SOCIETY

The RCSA submit that it is critical that 'labour hire' employment is not considered in isolation of changing social and organisational needs and demands. The criticism of on-hired employee services and independent contracting without considering such needs and social infrastructures is to fail the thousands of individuals that rely upon such employment to meet their needs.

Whilst secure full-time permanent employment presents many benefits to those that seek it there are just as many parties out there that do not seek this traditional approach to work. Having made this statement, the RCSA appreciate that it is especially important to promote sustainable flexible work patterns and to work with the wider community to ensure protection of the underprivileged.

A commitment to the sustainable and fair development of flexible work arrangements was illustrated in the RCSA's symposium on the flexible workforce which was held in Sydney in 2003. Parties attending the symposium included the ACTU, ACIRRT and business representatives. The RCSA would be happy to provide a summary of the days submissions and finding if that would assist the committee.

To superimpose permanent employment on a rapidly changing world is to fail the thousands of individuals that remain comfortable with their existing employment or contracting arrangements given their lifestyle choices

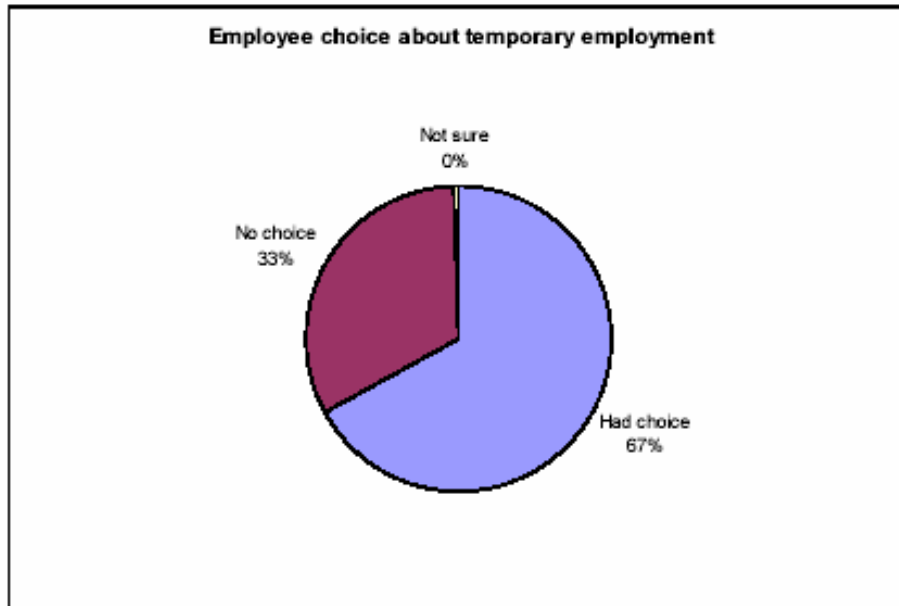
The suggestion by critics of on-hired employee services that such employees have no choice in the matter is to further their own security of employment at the expense of contemporary lifestyles and contemporary decision making.

The fact is that there will always be individuals who would prefer alternative work arrangements regardless of the form of employment they are engaged in.

Recent studies have indicated that 67% of on-hired employees had choice in selecting on-hired employment.

The fact is that in more and more cases flexible work practices are simply responding to changing consumption and service use patterns in Australia, patterns that are being enjoyed by the individuals who are making the choice to work in on-hired employment.

Have you chosen to work as a temporary (or on-hired) employee or did you have no other choice



RMIT University 2003

Why on-hired employees choose this form of employment

There are many reasons employees are choosing on-hired employment. The dominant reason for making this choice is the diversity of work offered.

RMIT University 2003

The hierarchy of reasons for choosing on-hired employment:

1. Diversity of work opportunities
2. The chance to obtain permanent work with the client
3. The flexibility of work arrangements
4. Seen as being easier than direct employment

A significant proportion of on-hired employees in the younger age brackets are seeking diversity and flexibility in their employment

RMIT University 2003

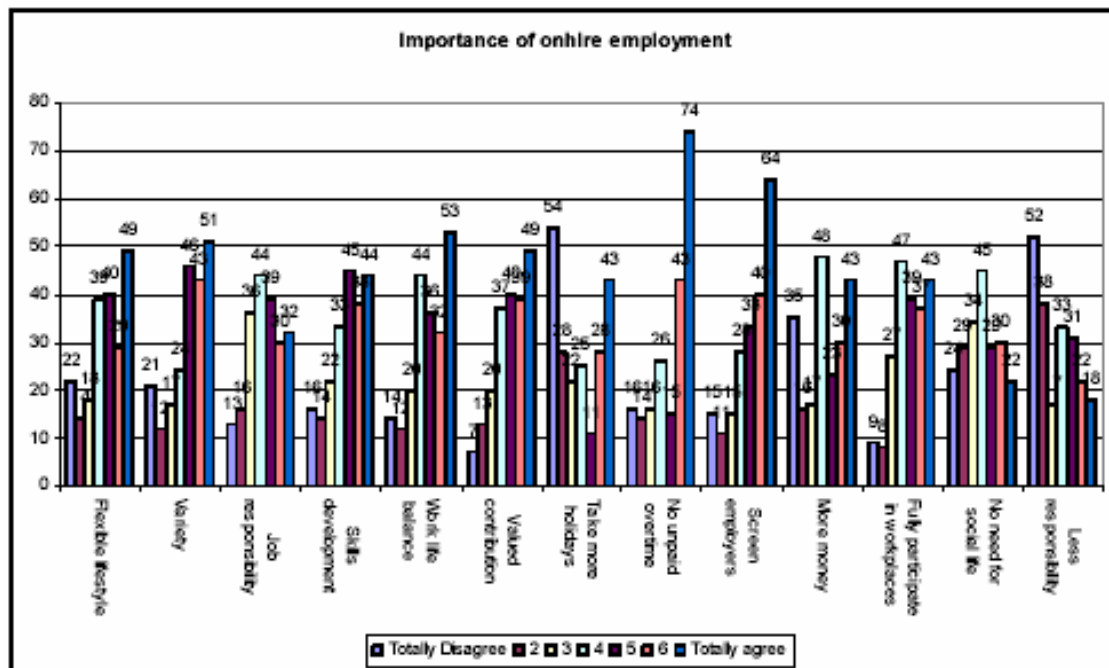
The important factors for choosing to work as an on-hired employee are as follows:

The most important reasons in ascending order (RMIT University 2003)

1. No unpaid overtime demanded
2. Provides the capacity to screen employers
3. Contributions are valued
4. Variety and diversity of work

The least important reasons

1. Less responsibility
2. Able to take more holidays
3. No need for social life
4. More money than permanent employment



RMIT University 2003

Treatment of on-hired employees

The RMIT research determined that there was general agreement with the statement that their employer treated them with dignity. Therefore, there would appear to be little evidence here to support the allegation that on-hired employees are “second class citizens” as has been suggested by some critics.

On-hired employees also enjoyed the regular contact that came with this form of employment.

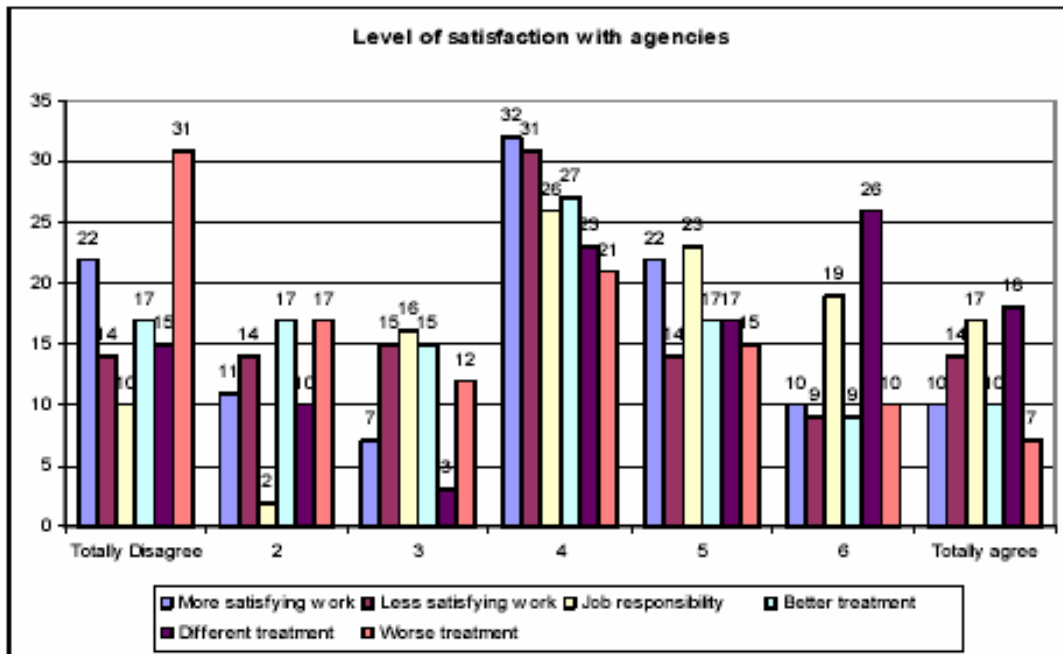
Satisfaction with the on-hire experience

A very interesting finding in the RMIT report was that when given the opportunity to identify satisfaction levels of on-hired employment in comparison with that of direct hire employment, very little difference was established. Furthermore, when invited to comment on whether they felt they had been treated worse off than direct employees there was a resounding answer of no.

The research dispelled any myths that on-hired employees felt like they were being treated poorly when compared with direct employment.

RMIT University 2003

If you have previously worked as temporary/labour hire please indicate if the experience was satisfying for you compared with direct employment



RMIT University 2003

Benefits of on-hired employment

On-hired employee service providers are often seen as a last resort for people seeking work yet this is not only not true but for people who choose to work on a casual basis there are many benefits to the on-hired employee services industry.

- Casual employees working outside of the recruitment services industry do not have the benefit of a professional representative looking for further work opportunities for them whilst they are still on assignment.
- Whilst 34% of RCSA member on-hired employees are on assignment for a duration of less than one month, 50% of RCSA member On-hired Employee Service Provider employees obtain back-to-back assignments.
- 42% of RCSA member on-hired employees are on assignments from 3 to 12 months' duration.
- On-hired employees have the opportunity to work across a number of industry sectors, gaining induction and training to those sectors.
- On-hired employee services provide an opportunity to trial work in different industries. This is a critical benefit given the fact that most employees in this age are alleged to change their career path up to four times in their lives.
- On-hired employee service providers are professional employers and therefore can provide a consistent approach to compliance and support when working in what may otherwise be casual employment where they are not representing the core workforce.

The distinction between “casualisation” and on-hired employee services

Whilst a large number of on-hired employees in Australia remain casual employees it is critical to understand that on-hired employee services are not driving ‘casualisation’.

‘Casualisation’ is a response to changing social and business needs and on-hired employee services could actually provide a solution to the apparent threats of this “explosion”

Just over 27% of all employees are estimated to have been employed on a casual basis (*ABS cat. No. 6310.0 as cited by Wooden & Warren 2003*).

‘Labour hire companies’ or ‘temporary work agencies’ employ just over 9% of all casual employees (*Wooden & Warren 2003*).

In the general workforce the types of organisations that employ casual workers tend to be small, private sector firms and they tend to be particularly prevalent in retail trade and accommodation, cafes & restaurants. Casual employees are, compared with employees with permanent or ongoing arrangements, much more likely to be women, young, have left school without completing a post-school qualification or alternatively, still involved in full time study. There is also a

relatively high incidence of casual employment among married women but only those with child caring responsibilities (*House, Income and Labour Dynamics in Australia (HILDA) Survey: First Wave cited by Wooden & Watson 2003*).

In the employment services sector the highest employing sectors were placements in healthcare & medical (ie. nursing) 1,219,000; trade labour and related occupations 881,700; clerical 506,300 and hospitality travel & tourism 348,900 (*Employment Services Australia 8558, Australian Bureau of Statistics 2003*). These statistics are supported by RCSA survey data showing the greatest demand for on-hire employees is in the nursing and medical sectors (97% of member placements were on-hire) followed by education (97% of member placements were on-hire) and blue collar industries (93% of member placements were on-hire) (*RCSA Quarterly Survey result June 2003*).

61% of RCSA members temporary on-hired employees are placed in skilled (a general tertiary qualification or trade) job categories (*RMIT 2003*).

While it is generally accepted that under common law 'each engagement of casual workers constitutes a separate contract of employment' (*Brooks 1985, p. 166 as cited by Wooden & Watson 2003*) this still does not mean casual employment is necessarily restricted to short term, intermittent employment. (*Wooden & Watson 2003*).

There is a common perception that workers employed in the on-hired employee services industry are prone to instability and long period of unemployment. Again, we need to separate casualisation in the overall workplace and casual employment through on-hire employee service providers.

Whilst 61% of RCSA members' on-hired employees are on assignments for a duration of less than three months, 50% of RCSA members' on-hired employees obtain back-to-back assignments.

On-hired employment provides an alternative to casual employment through the linking of casual assignments to provide permanent employment made up of multiple assignments

The on-hired employee services industry employs only one third of the estimated total casual workforce yet it is generally criticised for its contribution to the destabilisation of the workforce.

As it is widely agreed 'casualisation' will continue to influence the composition of the workforce overall the on-hired employee services industry should be seen as a pivotal contributor to the workforce.

Attitudes to Consistent and Legitimate Independent Contracting

The RCSA submit that whilst there is a clear preference toward clear and consistent criteria for the determination of legitimate independent contracting that the increasingly varied forms of such may require adherence to the common law indicia test.

It is certainly accepted that the current arrangement whereby each State and Territory jurisdictions maintain inconsistent approaches to determining legitimate independent contracting is not in the interests of contractor or principal however, following member feedback RCSA is unable to provide support for the systemisation of the determination of legitimate independent contracting arrangements beyond current common law tests.

However, RCSA welcomes further discussion in relation to ways and means by which greater certainty and consistency could be achieved based on the following principles:

1. Individuals should have the right to enter into commercial arrangements of their choosing so long as they are not sham arrangements to avoid the application of industrial instruments.
2. There should be no rigid and inflexible formula for the determination of legitimate independent contracting arrangements.
3. That there is a recognition of the increasing importance of employment service providers as labour market intermediaries in the Australian economy and the need to avoid discriminating against independent contractors who choose to work for a range of 'end users' whilst being engaged solely or predominantly through an 'agency'.
4. That legislation designed to deem workers as employees which varies from State to State and Act to Act is not in the long term interests of principal or contractor.

Conclusion

The Recruitment and Consulting Services Association as the peak association representing 'labour hire' in Australia is well positioned to provide information to this inquiry. RCSA believe it is essential that this inquiry maintains a focus on opportunities that derive from this non-traditional form of engagement. However, in order to effectively and productively focus on the opportunities and to dispel many of the myths it is necessary to ensure precision in such discussion. RCSA believe it is clearly time to establish agreed and consistent terminology so as to avoid misunderstanding and misrepresentation.

Given this size of the employment services industry and its significant contribution to the Australian economy it is imperative that future analysis and policy development is founded upon clear terminology. RCSA advocate the adoption of our definitions to allow for such an outcome. RCSA believe it is critical to understand the various forms of on-hired services in Australia and to ensure delineation of on-hired employee services and contracting services as is required to ensure precision in debate.

RCSA welcome a debate on legitimate independent contracting however feel such debate should follow a more in depth analysis of current trends and arrangements within Australia. Our own examination of member contracting services indicates a highly complex and variable form of engagement to meet the needs of the individual worker and the needs of the client. A one size fits all approach must be broadly examined and tested.

Australian workers and businesses have a new set of attitudes and motivations driven by a range of factors including increasingly demanding lifestyle considerations as well as changing demand side factors in business such as offshore competition. It is now time to recognise 'labour hire' as playing an integral role in the modern market place as labour market intermediary, role that provides significant opportunity as well as responsibility. The effective utilisation of employment services now and into the future is reliant on constructive debate not unfounded suspicion.

ⁱ Survey of Employment Services 2001 – 2002, Australian Bureau of Statistics

ⁱⁱ On-hired Workers in Australia: Motivations and Outcomes, RMIT University, December 2003