

The Role of Employment Agencies in Structuring and Regulating Labour Markets

Elsa Underhill

Introduction

In the late 1800s private sector employment agencies were viewed as destabilising labour market operations and contributing to excessive frictional unemployment. But as public sector agencies emerged to monopolise the field, private sector agencies all but disappeared. Their services became more specialised; their impact on labour market structures more benign. Towards the end of the 20th century, new forms of employment agencies emerged which again threaten the stability of labour markets. Known as labour hire agencies, these agencies employ their own workers and place them on temporary assignments with hosts. Their rate of growth and potential to undermine employment regulation and stable labour markets first drew the attention of the International Labour Organization (ILO) in the late 1960s.¹ Over the next 25 years, a continual stalemate before the ILO on the question of whether they should be regulated separately from traditional employment agencies illustrates the controversy and uncertainty which accompanied their role.² This controversy continues. Are labour hire agencies, akin to traditional employment agencies, simply labour market intermediaries facilitating transitions in the labour market, or are they contributing to changing labour market structures and regulation both within and beyond the firm?

The chapter addresses this question by examining the changing role of employment agencies in Australia and their impact on the structure of the labour market. The regulation of employment agencies illustrates well how a range of techniques can be utilised by governments indirectly to shape labour market structures. Drawing on the typologies of Gahan and Brosnan,³ regulation progressed from market-based regulation through to

1 ILO, *The Role of Private Employment Agencies in the Functioning of Labour Markets: International Labour Conference 81st Session* (International Labour Organization, Geneva, 1994).

2 *Ibid.*

3 See Gahan and Brosnan (ch 7) in this collection.

This is a preview. Not all pages are shown.