Changing Work and OHS: The Challenge of Labour Hire Employment

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The expansion of labour hire employment from traditional clerical placements to a range of blue collar occupations raises concerns about the level of occupational safety risks labour hire workers encounter. Overseas evidence points to a higher incidence and severity of injury for such workers. Is this pattern of injury replicated in Australia? This paper explores this issue through an analysis of workers’ compensation claims in Victoria, and preliminary investigation into case histories of 220 injured Victorian labour hire employees. Overseas research findings in relation to injury are confirmed through aggregate data analysis. The paper then provides a preliminary examination of agency-related employment factors such as the extent and nature of training and supervision provided by the host, and the timing of injuries in relation to commencement with the host. The evidence suggests both agency and host employers need to be more proactive in overcoming the vulnerability experienced by these workers.

Introduction

Like many industrialised nations, Australia has experienced dramatic changes in the labour market since the early 1980s. Precarious forms of employment, particularly part-time and casual jobs, have increasingly replaced traditional full-time permanent employment. Their growth has outstripped the growth in full-time permanent employment in most industries and occupations, especially low skilled occupations (Borland et al, 2001). The most recent development in precarious employment in Australia has been the expansion of labour hire workers. These workers are hired by an agency and placed with a host or client through a commercial contract with the agency. Described as a triangular relationship, the workers are employed by the agency, typically on an hourly basis, but located with the host who exercises day-to-day direction over the worker. The evolution of this form of employment in the last five years has seen its expansion into a wide range of industries and occupations, especially semi-skilled manual occupations. Accompanying this growth has been an increased level of injury and risk for such workers.

This paper begins by providing a brief overview of literature on injured labour hire workers. An analysis of trends in workers’ compensation claims for labour hire workers in Victoria is then provided. A brief account follows of the main characteristics of injuries, based upon 220 case histories of labour hire workers. The concluding section draws together occupational health and safety (OHS) implications and suggests both the nature of tasks, and factors inherent in agency employment need to be addressed.

A brief review of the literature

Studies of labour hire workers and occupational health and safety outcomes have consistently found agency workers are injured more often and more severely. In France, Francois and Lievin’s (1995) pathbreaking study of temporary agency (labour hire) and fixed term workers in 85 enterprises found both employment forms experienced a higher frequency and more severe injuries, compared with permanent employees. Francois and Lievin (1995) identified a number of demographic characteristics further distinguishing injured temporary workers. Temporary employees were more likely to lack qualifications (40% compared to 17% of permanents); more likely to be injured within their first month of placement (48% compared to no injuries to permanents); and much more likely to be less than 25
years of age (53% compared to 13% of permanents).

Storrie (2002) cites official Belgium statistics which measure the frequency and seriousness of injuries to workers. He found both manual and white-collar temporary agency workers had higher injury rates - twice as high for manual workers, and just over 50% higher for white collar workers. Only manual agency workers experienced more serious injuries. Using an index of severity, their injuries were found to be almost twice as severe as for all workers. Storrie concludes that the greater problems experienced by manual agency workers may be due to the nature of the job rather than the form of employment. To support this, he draws upon French data which details tasks performed by temporary agency workers. More than half of temporary agency workers in France are involved in manual handling of weights (compared to 37% of permanents) and 38% are exposed to these tasks for more than 20 hours per week (compared to 18% of permanents). Similar differences in jobs have been confirmed in other European studies. A Europe-wide survey of working conditions found 57% of temporary workers worked in painful and tiring positions compared to 42% of permanents; 38% were exposed to intense noise compared to 29% of permanents, and 66% performed repetitive movements compared to 55% of permanents (Letourneux, 1998). These findings support European evidence that precarious employment contributes less to stress-related outcomes, but more to musculo-skeletal problems (Letourneux, 1998). The more hazardous nature of their work, however, does not translate to a greater knowledge of OHS risks. Goudsward and de Nanteuil (2000) note the incongruity between European temporary agency employees’ perceptions of hazards and their injury rates. Agency employees were least likely to consider their health at risk, or report health problems.

The final major European based study involved a survey of 1500 Swedish employees, half of whom were temporary, undertaken by Aronsson (1999) in the late 1990s. Employees were asked a range of questions concerning safe work practices, knowledge and training, and attitude towards working in a “deficient” work environment. Significant differences were identified between permanent and temporary workers. Temporary workers were more likely to think they had insufficient knowledge of the work environment and safety issues at the workplaces compared to permanent employees (40% of temporaries compared to 27% permanents) Twenty-six per cent of temporary workers thought they were neglected with regard to training for working in a safe manner, and a significant minority (34% of females, 25% of males) felt constrained from refusing work environment deficiencies because of their temporary status. Forty-one per cent thought their temporary status made it more difficult to be heard in regard to work environment and working condition issue. Only a small proportion considered their employment status facilitated a refusal to work in a poor environment.

In the United States, a number of studies have drawn upon official worker’s compensation claims data and found similar results to the European studies. Two will be discussed here. First, Silverstein and Foley (1998) studied worker’s compensation claims in the state of Washington, 1991-1996. They found leased employees (labour hire employees) had a higher claim rate than permanents, and the gap increased with the underlying degree of hazard. In all industries except technical services and construction, leased workers also had a significantly higher lost days rate than permanents. Musculoskeletal disorders were the most important injuries. Silverstein and Foley ranked the incidence of injury by industry, distinguishing temporary help as an industry, and found the temporary help
industry ranked in the top ten industries for shoulder, upper limb and back disorders throughout the study period. Compared to the all industry average, temporary machine operators experienced 4.8–7.4 times the rate of upper limb and back disorders; temporary service warehousing workers experienced three times the risk of gradual onset hand-wrist disorders compared to the top twenty industries. Information on a number of explanatory factors was not available, especially the comparative ages, the level of training and whether leased workers were exposed to more hazardous tasks.

Second, Park and Butler (2001) analysed worker’s compensation claim durations and costs from 1991-1996 in the state of Minnesota. Claims by leased employees were found to be of longer duration and greater severity, but had a lower cost per claim due to lower wage rates for leased workers. These two factors offset each other so that permanent employees’ costs per claim were moderately higher. Even after controlling for factors such as age, gender, industry, occupation, and type of injury, however, duration of claims was 26% longer for leased employees. This finding may be US specific. Leased employees have fewer health benefit entitlements than permanent employees and may thus have a stronger incentive to claim non work injuries as work injuries. Claims frequency for leased employees was much higher (15% made a claim compared with 4% of permanent employees), producing significantly higher indemnity costs for leased employees. Claims by leased employees were also more likely to be contested. This, they suggest, may be due to the relative difficulty employers face in monitoring the safety behaviour of leased employees.

Why are labour hire workers more likely to be injured than direct hire, permanent employees? Francois and Lievin’s (1995) study highlights younger age, relatively less inexperience, and “newness” to a workplace as important factors, whilst other European studies draw attention to the nature of tasks and deficient health and safety knowledge. Quinlan et al. (2001), drawing upon a number of studies, propose a range of economic and reward factors; disorganisation; and increased likelihood of regulatory failure. Whilst they refer to the broad range of precarious employees, their argument can be applied to the specifics of labour hire employment. First, vulnerability flows from the economic pressure to accept higher risk jobs, to work more intensely for longer hours, and to rush on the job. Labour hire employers, also facing intense economic pressures, are more likely to accept client’s jobs irrespective of the level of risk. Second, work disorganisation flows from the presence of labour hire workers, or “serial outsiders” (Thebaud-Mony, 2001), so that decisions become more difficult to coordinate, responsibilities are less easily defined and recognised, and dangers more difficult to anticipate. The potential for the application of effective OHS management systems is reduced through the presence of labour hire workers (Gallagher et al. 2001). Lastly, regulatory failure is more likely to accompany labour hire employment. The representative channels open to direct hire employees, such as OHS representatives and unions, are uncommon in labour hire companies, and may be insufficiently inclusive in host’s workplaces.

In Australia, the potential for labour hire employment to erode OHS standards has been noted by government and industry representatives alike (Gallagher et al., 2001). The perception of an association between labour hire employment and higher frequency of injuries is also widely held (George Report, 2002). The analysis of worker’s compensation claims in this paper confirms such perceptions, and draws out distinguishing characteristics of claims by labour hire workers.
Worker’s compensation claims by labour hire workers

Worker’s compensation claims by labour hire and direct hire workers in Victoria (1994/95 - 2000/01) were analysed to determine whether labour hire employees encountered a different injury experience compared to direct hire employees. The analysis is based primarily upon worker’s compensation claims involving more than 10 days lost to injury. It does not include all work injuries. It only includes injuries for which a worker’s compensation claim was made, and it excludes injuries involving less than ten days lost unless a serious medical claim (approximately A$500) is involved. Some labour hire workers are also excluded due to the industry classification system used by the worker’s compensation agency in Victoria. Temporary nursing and hospitality workers appear to be underrepresented in the data for this reason. The worker’s compensation database includes information on the nature, bodily location, mechanism and agency of injury, and limited demographic and compensation data. Data analysis in this paper is presented in two sections. In section one, data is drawn from the official worker’s compensation claims data base in Victoria and includes all claims as described above. In section two, an analysis based on a sample of 220 investigated claims is explored briefly to develop a fuller understanding of the injury experience.

Analysis of the Victorian worker’s compensation database

Determining the changing incidence of worker’s compensation claims for labour hire workers is difficult due to the absence of official data on the number of labour hire workers. The Victorian worker’s compensation agency, however, collects remuneration data from all employers in order to calculate worker’s compensation premiums. Changes in the level of remuneration data thus provides a proxy for changes in employment levels. Chart 1 shows the change in total real remuneration and number of claims for labour hire workers over the period.

It can be seen that both remuneration and claims have grown since 1994/95, with the growth in claims (365%) outpacing the growth in total remuneration (291%). Comparable data for direct hire employees showed much slower growth. Remuneration rose by 19% and the number of claims fell by 2%. By 2000/01, labour hire workers had 0.53 claims per A$1 million remuneration, compared to 0.46 claims for direct hire employees.

The occupational distribution of labour hire workers also changed during the 1990s. In the mid-1990s, 30% of labour hire claims involved tradespersons. By 2000/01, tradepersons’ share had fallen to 13%. Intermediate production and transport workers (eg. storepersons and forklift drivers) and labourers (eg. process workers, order pickers), on the other hand, expanded their combined share of claims from 51% to 73% over the period. By comparison, the occupational distribution of claims by direct employees was relatively constant. Tradesperson claims remained at 20% of claims, whilst the combination of intermediate production and transport workers and labourers’ claims fell from 50% to 44%. The occupational shift in claims for labour hire
workers is important to the extent that it represents a shift in the occupational distribution of agency workers more generally. They appear to be increasingly employed in more high risk occupations.

As with Francois and Lievin’s (1995) findings, labour hire claimants are more likely to be younger compared with direct hire. Around 18% of labour hire claimants were under 25 years of age, compared to only 10% of direct hire claims. This is consistent with the view of labour hire employers that temporary work is more attractive to younger workers who have less concern for employment security. Labour hire employment may also be a first step into the labour market for those younger workers who opt out of formal education and are weakly positioned in the labour market. Yet younger workers are less experienced and have much less knowledge of OHS risks than older workers, making them more vulnerable to injury even in more traditional employment models. The second demographic difference is gender of claimants. Labour hire claimants were one third less likely to be female compared with direct hire claimants (23% compared with 31% in 2000/01). Whilst a significant proportion of labour hire employees are female, they are concentrated in safer white-collar occupations. Female labour hire workers with worker’s compensation claims tend to be employed in blue collar occupations such as process workers rather than more traditional female occupations of clerks, teachers, sales, service workers and nurses.

In what ways do injuries to labour hire employees differ from those of direct hire? At the aggregate level, the most common form of injury for both employee types were sprains and strains of joints and muscles – contributing around 56% of claims over the period. The second most common form of injury for labour hire workers was open wounds, contusions and crushings. These made up under 1/5th of injuries (18%), compared to 11% for direct hire employees whose injuries were more dispersed in nature. Labour hire workers were more likely to be injured through being hit by a moving object – such as being trapped by a forklift, hit by falling objects, or being trapped between moving machinery and equipment. This occurred in 1/5th of cases, compared to 13% for direct hire employees. Around 25% of both groups of employees suffered back injuries, whilst labour hire workers were more likely to injure their upper limbs (such as shoulder injuries associated with lifting). Injuries to labour hire were more likely to involve unpowered tools and appliances (37% compared to 27% of direct hire employees), especially crates, cartons, boxes, cases, drums, kegs and barrels. Lastly, the severity of injuries appears to be greater for labour hire workers, judging by number of days compensated.

Chart 2: Days Compensated, Labour Hire & Direct Hire Claims, 1994/95 - 2000/01 (excl. 1st 10 days)

Chart 2 provides the distribution of claims by number of days compensated, for 1994/95 – 2000/01 combined. Labour hire workers are much less likely to have claims involving fewer than 10 days lost – only 33% of their claims came within this category compared to 50% of direct hire claims. Instead, more than half the claims for labour hire workers involve up to one year’s compensation. A similar proportion...
of labour hire and direct hire employees have claims extending more than one year. These differences may indicate that labour hire workers have a greater proportion of more severe injuries requiring longer recuperation. Other explanations, however, are also possible. First, labour hire workers may be less inclined to lodge a claim when the injury is expected to involve only few days off, or only medical expenses. The threat to employment once a claim is lodged appears more intense for temporary than permanent workers. Second, labour hire workers are less likely to be offered employment involving lighter or modified duties whilst recovering, or indeed any further employment once injured. Instead, they remain on worker’s compensation until they are fully recovered and capable of pre-injury employment. Hence, once injured, they are likely to remain on compensation for a longer period of time even though their injury differs little from a direct hire employee who has returned to employment on lighter duties.

The second level of data analysis involves specific occupations where more task related differences are evident. Two occupations are addressed briefly here: Storepersons and Process Workers. Labour hire storepersons made up 11% of agency claims in 2000/1, having increased from only 6% of claims in 1998/99. This is much higher than the 3% of direct hire claims consistently composed of storepersons over the same period. Compared to their direct hire counterparts, they were more likely to suffer sprains and strains to joints and adjacent muscles (74% compared with 67%); they were one third more likely to injure their lower back (33% compared to 22%) and the injury was more likely to involve unpowered tools and appliances, especially crates, cartons, boxes and cases. The latter were involved in 42% of claims compared to only 22% for direct hire storepersons. The distinct concentration of injuries arising from crates, cartons, boxes and cases suggests temporary storepersons may be involved in a narrower range of tasks than their direct hire counterparts, and their tasks are more likely to involve repetitive, heavy or perhaps awkward, lifting. They also appear to be less well trained in manual handling techniques which might otherwise prevent injuries related to moving and lifting items such as crates, cartons and boxes.

Process workers made up 10% of labour hire claims in 2000/01, but only 4% of direct hire claims. Their share of claims, for both employment groups, has remained unchanged since 1989/99. Claims by labour hire process workers are distinct in a number of ways. They have a similar level of sprains and strains as direct hire process workers (around 60%), but are much more likely to be hit by a moving object (16% compared to 10%). This more often results in an open wound, contusion or crushing (17% compared to 9%), especially to their hands (12% compared to 7%). Like storepersons, sprains and strains to labour hire process workers are much more likely to arise from lifting and moving crates, cartons, and boxes (47% compared to 32%), but less likely to involve strains associated with repetitive movements (8% compared with 15% for direct hire). The pattern of injuries, especially the concentration of sprains related to heavy or awkward lifting, suggests labour hire process workers may be performing different tasks than direct hire process workers, for which they are inadequately trained. But their greater share of injuries from being hit by moving objects suggests a lack of familiarity with the work environment and equipment. The risk associated with unfamiliarity may be compounded by an absence of training.

A preliminary analysis of 220 individual labour hire claims

The second data analysis is based upon the 220 individual labour hire worker’s compensation claims. These claims are not a random sample of all claims. They
are claims subject to investigation when the employer questions the claim, typically querying whether the injury was work related. This skews the data towards claims involving less overt injuries such as sprains, strains and stress. It also skews the data towards injuries arising within the first few days of placement when the employer suspects the injury existed prior to the placement commencing. Nevertheless these claims provide an insight into both the way injuries arise and the rehabilitation process for injured labour hire workers. At the time of writing, comparative direct hire files were still under examination and are therefore not available for inclusion in the analysis. Instead, only a preliminary analysis of the main characteristics of the labour hire claims will be provided.

First, 33% of injuries occurred within the first month, and 55% within the first three months of placement at a host workplace. When rejected claims are removed the proportions are 34% and 60% respectively. Whilst an early injury may be the reason for the claim’s investigation, there does not appear to be a relationship between when the claim is made and the genuineness of the injury. Instead, the vulnerability of labour hire workers associated with newness and unfamiliarity with the workplace appears strongly supported by this data. Having performed similar work elsewhere does not appear to counter this. Those who had performed similar work for more than 2 years previously were virtually as likely to be injured in the first month as those who had never performed similar work (32% and 34% respectively). The only factor militating against unfamiliarity appears to have been task specific training. Those who received some task-specific training at the host’s workplace (even if as little as one hour) were least likely to be injured in their first month. Twelve percent of those who received task specific training were injured in their first week compared to 22% of those without such training (35% and 42% for their first month respectively). Health and safety training – either by the labour hire employer or the host – was not associated with a lower injury rate in the first month of placement.

Second, 18% of labour hire workers were performing repetitive tasks, 13% heavy lifting tasks (ie. over 25 kilo), and another 11% repetitive heavy lifting. Predictably, 79% of those performing heavy lifting tasks and 96% of those with repetitive heavy lifting sustained injuries from muscular stress. Third, what happens to the injured worker post-injury? Almost one third (27%) of injured workers return to work with the same agency. Severity of injury, however, appears important. Sixty-five percent of injured workers who returned to the same host were off work for less than ten working days, and only three workers who received more than one year’s compensation (17% of this group) returned to work with the agency. In all, 28% were offered no further work by the agency, a further 14% moved on to permanent employment elsewhere, and 15% withdrew from the labour market altogether (4% commenced a government sickness pension).

Conclusion
In Australia, labour hire workers are growing in proportion, and expanding into low skill, higher risk occupations. With a higher incidence, and greater severity of injury they offer a challenge for preventative approaches to OHS. Importantly, their injury experience appears to be both a function of the jobs they perform and a function of the very nature of their employment. This paper drew upon worker’s compensation claims in the state of Victoria to develop a better understanding of injuries to temporary workers. Whilst the preliminary nature of this research limits comparisons with direct hire employees on some issues, a number of conclusions can be suggested. The analysis suggests firstly that labour hire workers in Victoria are performing
different tasks from direct hire employees, lending support to the notion that hosts contract out high risk jobs. Their concentrated manual handling injuries suggests they are either performing a narrower range of heavy tasks, or they are poorly trained to perform the work safely. Secondly, those with some task specific training appear to be less at risk than those without such training. Thirdly, an absence of familiarity with the host’s workplace and tasks appears an especially important factor given the high proportion of labour hire workers who are injured early in their placement. This appears inherent in the nature of labour hire employment – they fill temporary gaps in a range of workplaces. Lastly, injured labour hire workers may have difficulty re-entering the labour market post-injury, especially if injury is severe. Host companies are unwilling to pay for labour hire workers on lighter duties, whilst their employers rarely have scope for injured manual workers to perform lighter clerical jobs – tasks often perceived by the labour hire employer as the only return to work option. Both the placement process and the post-injury process require much greater attention before the OHS challenge of labour hire workers can begin to be met.

References