

Agency work in healthcare

Responding to the peaks in demand through cost-efficient solutions

29 June 2023

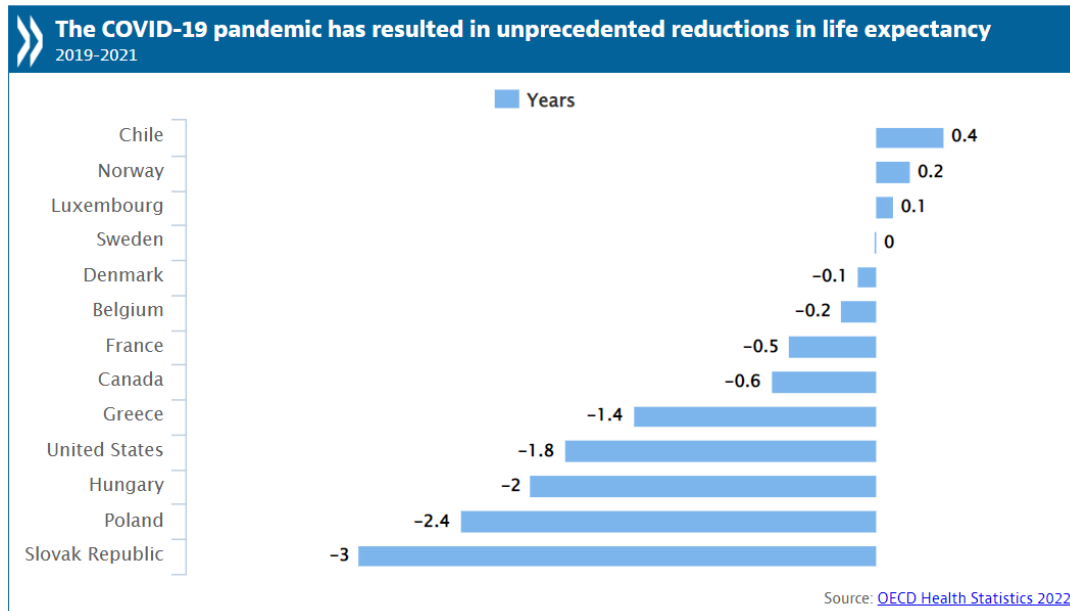
Key Message

- **Quality and cost-effective healthcare services are of crucial importance to economies around the world.** The Covid-19 pandemic proved this, but it remains fundamental beyond the global health crisis of 2019 to 2021. Building and maintaining resilient health systems is especially necessary worldwide in the context of ageing societies.
- **The HR services industry, its agency work services in particular, are an important service provider in the labour market with rising importance in healthcare.** The share of agency workers and staffing services in healthcare ranges from 0.4% in France, around 1% in Brazil and Norway, to 2% in Italy, around 12% in the Netherlands, 18% in Ireland, and 26% in South Africa.
- **Balanced and appropriate national regulation** is the basis for the effective use of agency work and staffing services in healthcare. Regulation on agency work in healthcare in all WEC member countries covers conditions to operate and provide services, working conditions for healthcare staff, and specific healthcare-related regulations.
- **The agency work industry offers appropriate pay and working conditions to agency workers:** WEC data shows that regulation on equal pay and /or equal treatment is applied in the large majority of its member countries. The specific country's approach to establishing regulation on equal treatment or equal pay is essential in the context of the discussion on agency work in healthcare and hospitals, as it has important implications for the costs of using agency work and staffing in healthcare. EU Member States apply equal treatment and equal pay in accordance with the EU Directive on temporary agency work.
- **Wages and social security contributions are the main elements of the costs charged to healthcare institutions for agency work services.** The (commercial) fee charged by the staffing or agency work company is not significantly different from other economic sectors and industries which need flexible and adaptable HR services solutions. Wages for agency workers in healthcare might rise further in the coming years due to labour shortages.
- **Experience from World Employment Confederation member countries shows that the national practices on the use of agency work in healthcare are quite diverse.**

1. The importance of healthcare services in modern economies

- The importance of well-functioning, patient-centred and cost-effective healthcare services have been vital during the Covid-19 pandemic. OECD data for 2019 to 2021 shows that the Covid-19 pandemic has resulted in an unprecedented reduction in life expectancy. Countries with modern and effective healthcare systems, such as the Nordic countries in Europe (Norway, Sweden, and Denmark), Belgium, and Canada, have managed the global health crisis better than countries with weaker healthcare systems.

Modern, effective, and efficient healthcare services are not only important in the context of a pandemic such as Covid-19. They are also gaining importance as populations in many countries are ageing due to declining birth rates.



- As highlighted by the OECD, there is a need to invest in resilient healthcare and hospital systems. Resilient healthcare systems are better prepared for shocks, such as pandemics, economic crises, or the effects of climate change. They can minimise the negative consequences of crises, recover quickly, and adapt to perform better. Using external contractors such as staffing and agency work services can be essential to ensuring and maintaining resilient healthcare services and adapting to crises and economic shocks, as elaborated further in the following section.

2. The role of the agency work industry in healthcare and hospitals

- The HR services industry, including staffing and agency work activities, offers services across most economic sectors and industries. HR services provide quality work opportunities for people aiming to work flexibly, respond to the changing level of staff faced by companies help organisations to become more efficient in work process organisation and management.
- Looking at the healthcare sector, HR services have a huge role to play, especially in efficient workforce management to cover staff absences. Staff shortages can lead to immediate risks to patient safety. Agencies address these needs by filling gaps in cost-efficient ways while maintaining a high-quality level of service provision. By offering attractive working conditions that meet market needs and expectations of workers with regard to wages, working time and an improved work-life balance, the agency work industry improves the functioning of the healthcare sector and attracts talent to the sector.
- A survey conducted among national federations of the HR services industry in 2022 shows the importance of agency work and staffing services in healthcare and hospitals. The share of agency workers and staffing services in healthcare ranges for 2021 from 0.5% in France, 1% in Brazil and Norway, 1.4% in Germany¹, 2.9% in Belgium, 4.4% in the US and 26 % in South Africa.²

¹ The 1.4% of agency workers in healthcare in Germany covers only agency workers working as nurses.

² This data refers to the share of agency workers in healthcare compared to the country's total number of agency workers. It does not reflect the percentage of agency workers compared to all healthcare staff.

3. The regulation of agency work use in healthcare

- The use of agency work and staffing services in healthcare is based in all WEC member countries on the corresponding national regulation of the industry. This regulation covers, among others, the conditions for the establishment and providing services, requirements for the professional qualifications to provide services in specific sectors such as healthcare and regulation on working conditions and pay for the agency workers.
- A WEC regulatory data show that regulation on equal pay and /or equal treatment is applied in 27 out of the 29 surveyed countries. This is applied either on an occupational level (including regulated via a CLA), on a user-company sectoral level (including regulated by a CLA), on an agency work sectoral level (including regulated via a CLA), on a regional/state level, or on a national level. The specific country's approach to establishing regulation on equal treatment or equal pay is essential in the context of the discussion on agency work in healthcare and hospitals, as it has important implications for the costs of using agency work and staffing in healthcare. In most countries, agency workers earn equal to directly employed workers doing the same job.

4. The costs of using agency work in healthcare

- The World Employment Confederation has observed increasing discussions on the use of agency work and staffing services in healthcare, focusing on the corresponding regulation at the national level, pay and working conditions for agency workers, and the costs of using agency work and staffing services.
- As illustrated in the previous section, the principles of equal treatment and equal pay are applied in the large majority of countries, especially in the European Union, where the service provision is regulated based on the EU Directive on temporary agency work. In some countries, agency workers working in healthcare have been able to negotiate more favourable pay and conditions. These provisions, however, reflect the market conditions in the healthcare sector and are mainly a reflection of the rising labour shortages in healthcare and hospitals. The (commercial) fee charged by the staffing or agency work company is not significantly different to other economic sectors and industries which need flexible and adaptable HR solutions.

5. Diversity of national practices and a global vision to move forward

- Practices in World Employment Confederation member countries show considerable diversity in the systems and reflect the national discussions on the use of agency work in healthcare and hospitals.
- While countries like Australia, Belgium and Ireland largely recognise and value the benefits of agency work as a service provider and instrument to cope with changing demands of labour in the healthcare sector, other countries continue to debate the use of the service. In some cases, these debates have led or may be leading to disproportionate regulation and unjustified restrictions. For example, such trends have been observed in Denmark, France, Germany and South Africa.
- To build futureproof, sustainable, and resilient healthcare services that provide high-quality services to citizens while offering appropriate working conditions for the healthcare staff, the World Employment Confederation calls for:

- Recognising and valuing the role of agency work in healthcare and hospitals to provide for effective and resilient healthcare systems that are adapted to ageing societies and able to cope with new and emerging health risks.
- Valuing appropriate and fair working conditions for healthcare professionals. Pay, working conditions, and social protection for agency workers in healthcare are the main component of the cost of agency work in healthcare.
- Acknowledging that in times of rising labour and skills shortages, adaptable and diverse forms of work are becoming increasingly important also in the healthcare sector to ensure a high-quality and cost-effective provision of services to citizens.

Annex – country examples and case studies

Successful practices and country case studies

Australia	Increasing debates and concerns about rising labour shortages in healthcare have driven up prices for service provision in healthcare. The increased use of staffing services is, to a significant degree, a reaction of labour market failures. The government is considering the staffing industry as a partner to fill current staff shortages and cover hospital shifts while being confronted with discussions on higher costs when considering the pay for agency workers and the fees of the staffing firms. On the workers' side, the staffing industry has served as an essential instrument to keep people in healthcare, as the flexible work arrangement and appropriate pay level match their needs.
Belgium	Public healthcare is the most important healthcare industry in Belgium. Healthcare is an important and growing sector for the staffing and agency work industry. This includes temporary agency work services to cope with short-term demand for labour and project sourcing. Project sourcing and agency work helps to enable occupational mobility within the agency work industry and thus help to address shortages.
France	Pay and working conditions for agency workers generally and in the healthcare sector are already strictly regulated based on the principle of equal treatment. Furthermore, national regulation sets upper limits to remuneration in the healthcare sector when referring to agency work to control costs. Workers usually predominantly choose to work via the agency work sector for reasons of flexibility. A current concerning element is a need for clear differentiation between real temporary agency work and workers employed in the healthcare sector based on direct fixed-term contracts. Cases of abuse are mostly related to direct fixed-term contracts.
Germany	1.766.521 persons are working in care professions. 27,306 workers in the care sector have an employment contract and employment relationship with a temporary work agency, corresponding to 1.6% of the healthcare professionals. As in many other countries, the healthcare sector in Germany is characterised by rising skills and labour shortages. Already today, around 200,000 healthcare professionals are lacking, and the labour demand is expected to increase further in the coming years. Pay levels in the healthcare sector for agency workers are typically higher when compared to the comparable, directly employed worker. The higher pay is a consequence of the significant labour shortages in healthcare. A recent survey of the Cologne Institute for Economic Research on behalf of the German agency work industry shows that predictable and reliable work schedules and a better valuing of their work were mentioned by the majority of agency workers working in healthcare. Two-thirds of the agency workers working in healthcare would only opt to work in the sector if the option of agency work was available. Introducing restrictions on the use of agency work in healthcare would imply that around 21.000 of the 32.000 agency workers would no longer be available to the healthcare sector. Agency work offers a flexible way of working that allows healthcare professionals to stay in their jobs or to re-enter, offering conditions that meet the needs of workers. Limiting this positive role by introducing further restrictions must be prevented.

Ireland	The agency work industry is seen as a partner of the healthcare sector, contributing to balancing increasing cost pressure with the need for flexible solutions and growing labour shortages in times of high demand for healthcare services.
United Kingdom	Agency work services are vital in the UK to meet HR needs in the healthcare sector. Flexibility is the main factor that attracts healthcare workers into agencies, as well as the work-life balance regarding working schedules and shift work. The REC & KPMG Report on Jobs shows that rising demand for labour has been particularly acute in the health sector and care services. The nursing/medical and care sector has been featured as skills in short supply for both permanent and temporary positions, especially for carers and nurses. Important sector issues in healthcare are to cope with and address staff shortages, deal with staff competition, reduce staff burnout, and address price caps and frameworks. The recruitment and employment industry stands ready to contribute to the delivery of long-term workforce planning, provide a framework for needed flexibility in healthcare, attract future generations based on a recruitment and retention campaign, and improve working conditions for all staff in the sector.
United States	The staffing industry in healthcare has experienced intensive change since the Covid-19 pandemic. Four main changes shape the staffing industry's future, and addressing them helps ensure its sustainability. Firstly, as in many other countries, there are persistent workforce shortages due to limited supply and robust demand. A primary factor in the workforce shortage is the increasing number of retirements. A second key trend that provides opportunities for the industry is a new openness to flexible work and the integration of workers from around the country. Hospital unit managers are becoming more flexible regarding shift coverage to meet the growing preference of healthcare professionals who desire more control of their schedules. A third trend is the accelerated digital transformation, using more digital communication tools between healthcare institutions and patients, job boards, and digital platforms for recruiting and retaining staff. Finally, agency work and staffing firms are developing new models to organise work and meet the need of the healthcare sector, such as direct sourcing and daily pay. ³

Concerning national developments and case studies

Belgium	While Belgium presents overall a positive example with regard to the use of agency work in healthcare, there are also concerning developments. The cost for temporary agency work is often higher than direct employment due to the 21 per cent value-added tax (VAT) that applies to its services. The challenge is that not all healthcare institutions are also subject to VAT and can pass this to the end customer. As a result, temporary agency work is still seen too much as a costly last resort rather than a way for the healthcare sector to provide staffing in a sustainable way.
Denmark	Due to labour shortages, there are rising debates on agency work in healthcare in Denmark. Discussions focus on the balance between part-time work and full-time work. While the government intends to tighten regulation on agency work, the healthcare sector needs internal and external flexibility.
France	There are some misunderstandings and confusions in the public debate not differentiating correctly between temporary agency work and direct fixed-term contracts to cope with the shifting demand for labour. Most of the concerning use of flexible contracts in healthcare are linked to the direct fixed-term contracts offered by hospitals.
Netherlands	Concerning political debates have emerged, especially in the second quarter of 2023, on agency work in healthcare. This includes written questions submitted in the Dutch parliament on more transparency regarding the actors involved in healthcare, enforcement mechanisms to get more transparency and a focus on the role of self-employment in healthcare and possible caps on the use of self-employment.
South Africa	The national government is taking action to ensure appropriate wages and to reduce overtime. A recent demand focused on a ban on the use of agency work in healthcare to reduce overtime.

³ The US WEC member ASA published in 2023 an issue paper [on the risk of the misclassification of healthcare workers](#).

Sweden	<p>The issue of agency work in the healthcare sector has been a topic of heated debate in Sweden. Policymakers and regional administrators view the reliance on temporary healthcare staff as problematic, a sentiment echoed by the Swedish Association of Local Authorities and Regions (SALAR). SALAR is a cooperative organisation representing the interests of Sweden's regions and municipalities in healthcare and other public services. SALAR has pointed out that the use of temporary staff often results in "less healthcare for the money". The high dependency on temporary staff could also potentially threaten the development and education of future healthcare workers. Furthermore, SALAR suggests that the work environment and the quality of care are compromised with a high proportion of temporary staff. To tackle this, the organisation proposes several measures, including limiting the use of temporary staff, improving the work environment, increasing the use of internal staffing pools, and funding further education for nurses.</p> <p>Despite these concerns, the trend in 2022 shows an increase in the costs for temporary staff by 25%, equivalent to SEK 1.5 billion, relative to total staffing costs. This increase is largely attributed to the pandemic, which caused high levels of sick leave and an increased need for staff recovery, thus necessitating the hiring of temporary staff. The lack of staff with the right expertise in various parts of the country has also complicated recruitment efforts, leading to increased competition for staff and rising costs.</p> <p>To further understand the complexity of the staffing issue, the Competence Agencies of Sweden commissioned two surveys, both conducted by Demoskop, to gain insights from the public and healthcare professionals. The first survey targeted the general public. It revealed that for six out of ten individuals, the urgency of receiving care outweighed the consideration of whether the doctor was from a staffing agency or not. This outcome highlighted the prevailing public sentiment that access to care is a higher priority than the employment status of the healthcare provider. The second survey targeted healthcare professionals, revealing the importance of staffing agencies in retaining healthcare workers. It found that without the option to work as a healthcare staffing consultant, only one in three professionals would choose to work for a municipality or a region. This shows the critical role that staffing agencies play in maintaining the healthcare workforce, offering the flexibility that many professionals seem to appreciate. The third survey targeted regional politicians, reveals that 72% of Swedish regional politicians see agency work as crucial in sustaining public service provision in their areas. However, only 32% express positive views on the staffing industry's role in providing competencies for public services. This discrepancy points to a need for improved dialogue and education on agency work's benefits.</p> <p>The case study concludes that the Swedish staffing industry's role in healthcare is growing, bolstered by increased demand, quality assurance, and high employee satisfaction. However, efforts to engage key stakeholders on the benefits of agency work should be an ongoing initiative, ensuring the continued growth and acceptance of the industry in the years to come.</p>
--------	---

About the World Employment Confederation

The World Employment Confederation is the voice of the private employment services industry at the global level, representing national federations as well as workforce solutions companies from across the world. Members of the World Employment Confederation represent a wide range of HR services, including agency work, direct recruitment, career management, Recruitment Process Outsourcing (RPO) and Managed Service Provider (MSP).

The World Employment Confederation works to broaden recognition of the positive economic and social role which the private employment services industry plays in enabling work, adaptation, security and prosperity. This role involves building networks with relevant stakeholders such as policymakers, social partners and the academic world; setting high recruitment and employment standards and practices; acting as a thought leader shaping futureproof and competitive labour markets and providing strategic data on employment issues.