

Global Conference on Measuring New Forms of Employment

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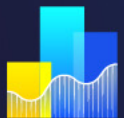


#MeasuringEmployment

Domestic outsourcing

Session 3 on Edge of the Knowledge

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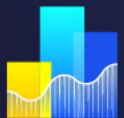


- 1** Motivation
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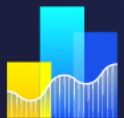
Domestic outsourcing

(based on Chapter 4 of the 2021 edition of the OECD Employment Outlook authored by Andrew Green)



Findings: Domestic outsourcing is growing across OECD countries and may bring risks for job quality and inequality

- An increasing share of workers in OECD countries are legally employed by one firm but in practice work for another
- For example, cleaners, security guards and cafeteria staff often physically work on the premises of one firm, but their legal employer is a third-party support-services company
- Such tripartite employment relationships, which are often referred to as “domestic outsourcing”, are on the rise in many OECD countries
- Domestic outsourcing may bring productivity and employment gains but workers in certain low-pay occupations, when employed by third-party contractor firms, earn less than those employed in similar in-house jobs
- The empirical findings show that outsourced cleaners and guards earn less, and the academic literature confirms generally these findings
- The results only hold for cleaners and guards. Further research is needed to see if these results hold for a broader set of occupations including high-wage occupations.
- Domestic outsourcing may contribute to overall earnings inequality.
- Policy makers may wish to consider policies aimed at preserving the positive aspects of outsourcing while mitigating any deterioration in job quality for affected workers



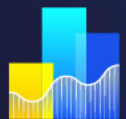
Domestic outsourcing measured by firm-to-firm contracting of services

Domestic outsourcing arrangement between a lead firm and a third-party contracting firm is characterized by the following three features :

- the **lead firm** has a **continuing** need for **labour services** fulfilled by the third-party contracting firm
- the lead firm exerts significant supervision or **control** of the employees of the contractor firm without being the legal employer

Some remarks:

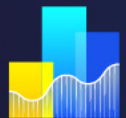
- If a lead firm contracts with a temporary work agency (TWA) for a continuing labour demand, this relationship falls under domestic outsourcing (*)
- In this chapter, domestic outsourcing arrangements between a lead and secondary firms is limited within national borders
- Domestic outsourcing is not limited to support occupations. In certain industries, lead firms use secondary firms to provide labour for their core activities. Examples include housekeepers in hotels and cooks in restaurants.
- Business format franchising can be a form of outsourcing
- Own account workers hired by a firm to meet a continuing labour demand, and the firm supervises or monitors the worker, this would be domestic outsourcing. This can be the case of dependent self-employed with one single client, with the risk of false positives in the classification of the self-employed.



The case of “business format franchising” : a little-explored form of domestic outsourcing

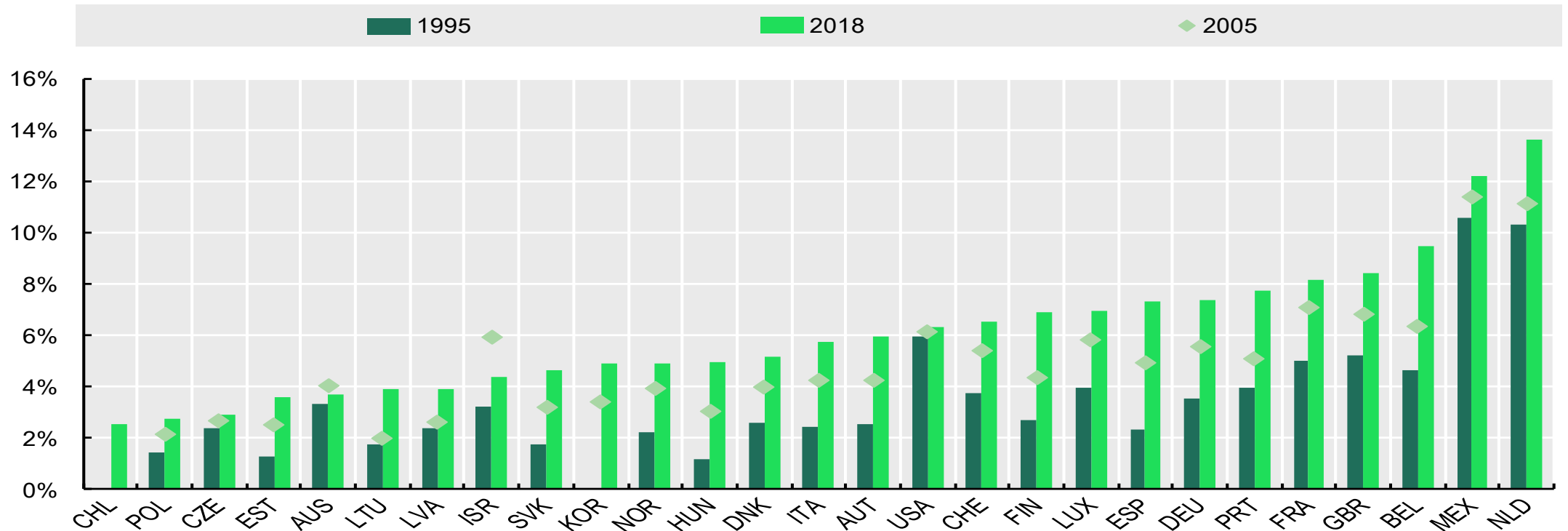
Franchising in the case of a business format franchising model is a particular form of domestic outsourcing. It consists of:

- a lead firm (the franchisor) signing long-term contracts with many smaller independent firms (franchisees) **to run the core business** of the lead firm.
- the franchisor licenses the brand, supply the product and specifies how to run the business retaining almost total control over the business operations
- the franchisees (secondary firm) are legally independent firms with limited option in the management of the operations
- employees of franchisees could be employed by the franchisor in a vertically integrated firm where the franchisor choose to run part of the franchised establishments themselves
- Data on franchisors and franchisees are rarely collected except in the case of the five-yearly U.S. Census Bureau census of establishments conducted since 2007 and asking establishments whether they are operating under a franchise brand



Over the past 20 years, employment in the administrative and support services industry has grown almost in all OECD countries

Share of total employment in administrative and support service activities, 1995-2018



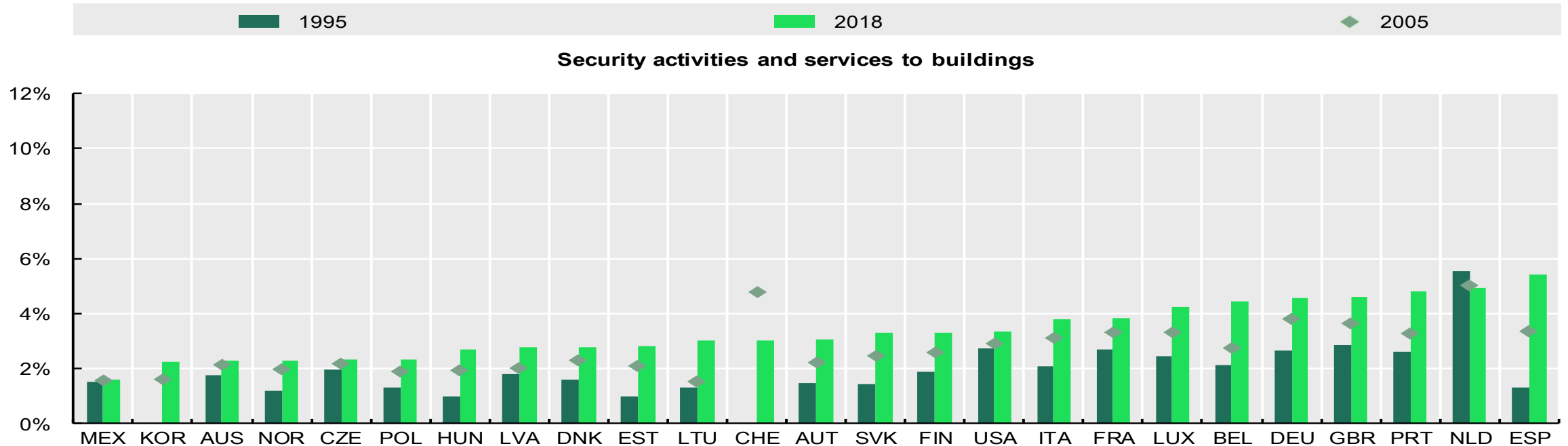
Note: Industry classification ISIC Rev 4. Administrative and Support Activities [N].

Source: OECD STAN Industrial Analysis (2020 ed.), <http://stats.oecd.org//Index.aspx?QueryId=95267>.



Employment in industries most representative of outsourcing is growing across OECD countries

Share of total employment in security and investigation activities; services to buildings and landscape activities; office administrative, office support and other business support activities, 1995-2018



Note: Panel A covers Security activities and services to buildings ISIC Rev. 4 divisions 80-82 which includes Security and Investigation Activities (80), Services to Buildings and landscape activities (81) and Office administrative, office support and other business support activities (82). Panel B covers ISIC Rev. 4 division 78.

Source: OECD Structural Analysis (STAN) Database, https://stats.oecd.org/Index.aspx?DataSetCode=STANI4_2016.



Definition of domestic outsourcing of cleaners and security guards

Cleaners

- European countries up to 2007
 - Defined by “Domestic and related helpers, cleaners and launderers”, and “Building caretakers, window and related cleaners” (ISCO-88 occupation code 913 or 914)
 - Outsourced if they work in “Real estate, renting and business activities” (NACE Rev. 1, section K). Private households with employed persons not included
- European countries since 2011
 - Defined by “Domestic, Hotel and Office Cleaners and Helpers”, and “Building and Housekeeping Supervisors” (ISCO 08 code 911 or 515)
 - Outsourced if they work in “Administrative and support services” (NACE Rev. 2 Industry N)
- United States
 - Up to 2002, defined by “Janitors and Cleaners” (1980 SOC occupation code 453). Activities of households as employers not included. Since 2012, defined by “Janitors and Building Cleaners” (SOC occupation code 4220)
 - Outsourced if their reported industry for their main job is Services to Buildings and Dwellings (Census 2002 Industry Code 7690).
- Australia
 - Up to 2011, ANZSCO-06 code 81, corresponding to “Cleaners and Laundry Workers” in ISCO 88. Since 2011, defined by “Cleaners and Laundry Workers” (ANZSCO 2006 Code 81)
 - Outsourced, if they work in “Building Cleaning, Pest Control, and Other Support Services” (ANZSIC 2006 Code 73)

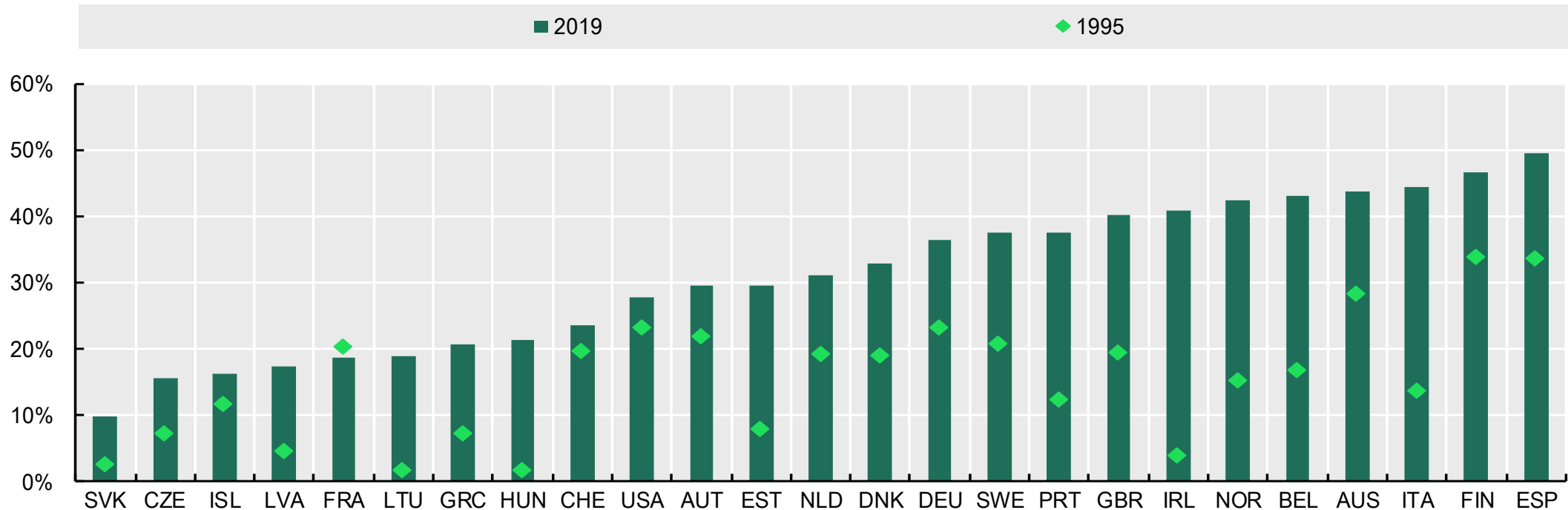
Security guards

- European countries up to 2007:
 - Defined by ISCO-88 occupation code 516, “Protective services workers”
 - Outsourced if they work in NACE Rev. 1, section K in “Real estate, renting and business activities”. Public administration and defense not included
- European countries from 2011:
 - Defined by ISCO-08 code 541, “Protective services workers”. Public administration and defense not included.
 - Outsourced if they work in NACE Rev 2 section N for support industries
- United States
 - Up to 2002, defined by 1980 SOC occupation code 426, “Guards and police except public service”.
 - Since 2011, guards are defined by 2011 SOC occupation code 3930, “Security guards and gaming surveillance officers”
 - Outsourced if their reported industry for their main job is Investigation and Security Services (Census 2002 Industry Code 7680) and (Census 2012 Occupation code 3930, since 2012).
- Australia
 - Defined by Protective Service Workers (ANZSCO-06 Code 44)
 - Outsourced if the reported industry for their main job was Other Business Activities (ISIC 3.1 Code 74)



Cleaners are increasingly employed in the administrative and services industry

Share of cleaners outsourced 1995-2019

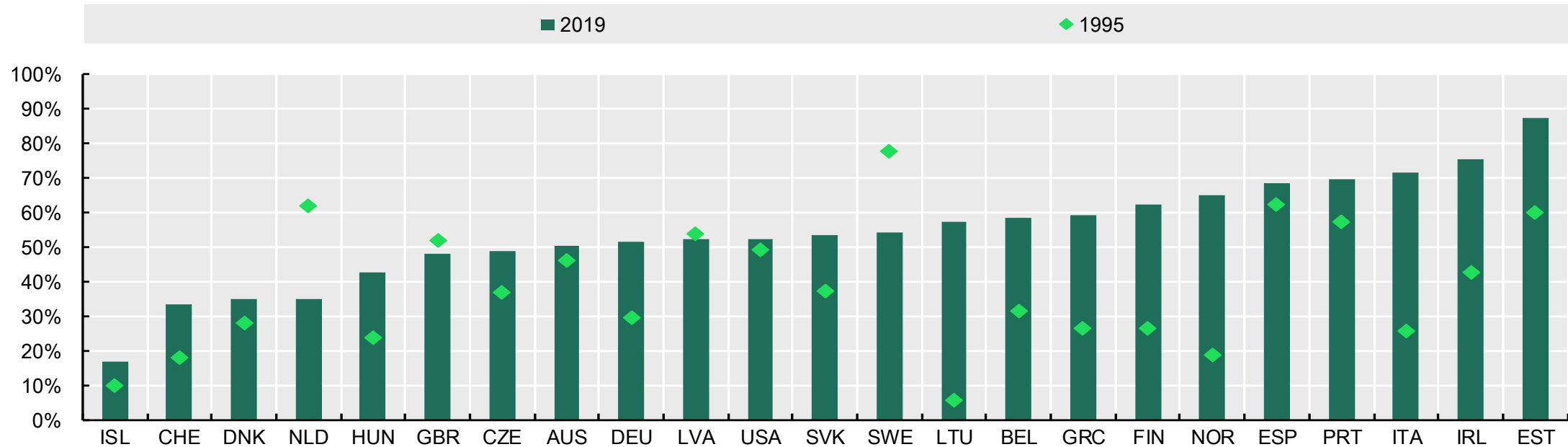


Source: The European Labour Force Survey (EU-LFS) (European countries), the Current Population Survey (CPS) (United States) and the Household, Income and Labour Dynamics in Australia (HILDA) Survey (Australia).



Security guards are increasingly concentrated in the administrative and services industry

Share of guards outsourced 1995-2007¹ and 2011-2019²

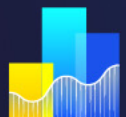


Note: For European countries up to 2007, guards are defined as ISCO-88 occupation code 516, “Protective services workers”. The administrative and support
 Source: The European Labour Force Survey (EU-LFS) (European countries), the Current Population Survey (CPS) (United States) and the Household, Income and Labour Dynamics in Australia (HILDA) Survey (Australia).



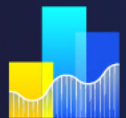
Data considerations

- The focus on administrative and support services provides a proxy measure of domestic outsourcing.
- To provide a more precise measure of outsourcing, and to facilitate comparisons between workers employed by a lead firm and those whose jobs are outsourced, it is necessary to focus on key occupations in addition to the industry of employment.
- The focus on cleaners and guards only represent two small typical cases of occupations where outsourcing is prevalent
- Outsourcing is prevalent in other occupations and industries, but not easily measurable for international comparisons with publicly available datasets
- Outsourcing is becoming more common across a range of occupations, however difficult to measure



Data considerations *(cont.)*

- Some occupations, for example high-skill information technology services, appear to be increasingly outsourced, but unlike guards and cleaners, their task content varies both over time and across countries which makes comparisons between countries or years difficult.
- Other occupations, for example cooks and canteen workers, are difficult to distinguish as outsourced in public-use, cross-country comparable survey data:
 - either because they are too broadly defined in existing occupation taxonomies,
 - or because the industry classification needed to capture outsourcing is too narrow to be released by statistical agencies.
- Measuring firm-to-firm outsourcing and sub-contracting needs both detailed industry information on firms and exact occupation assignment for workers.
- The range of occupations and industries varies greatly, and with the aid of more detailed administrative data, some of these industries and occupations can be captured





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Thank you



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