Different but alike? How client firms compare online labour platforms and temp agencies as outsourcing options

MASTER THESIS

Marta Vukelic (2537540)

Faculty of Behavioural, Management and Social sciences (BMS), University of Twente
Master of Science Business Administration – Human Resources Management

First Supervisor: Dr. J. Meijerink
Second supervisor: Dr. ir. J. de Leede

22 August 2022

UNIVERSITY
OF TWENTE.

Abstract

This study compares characteristics of different labour market intermediaries (LMIs), i.e. temporary agencies and online labour platforms (OLPs), which are concurrent labour outsourcing options. These two types of LMIs have many characteristics in common, while they also differ in several aspects (e.g. involvement of human intermediary). The author wants to uncover whether client firms are aware of differences and similarities between two LMIs and how these characteristics influence their choice to rely on one or the other, or perhaps both simultaneously. While characteristics may affect the choice of LMI, outsourcing decision seems to be influenced by the ways firms set their boundaries to gain money, resources, sustained competitive advantage and retain stakeholders who identity with them. Hence, this study investigates how the notion of firm boundaries relates to labour outsourcing choices. Through in-depth interviews with client firms and LMIs, it was discovered that client firms possess basic awareness of characteristics of temporary agencies and OLPs. However, influenced by the constantly changing labour market, LMIs' characteristics do not seem to be strategic drivers of labour outsourcing decisions. It was found that firm boundaries play a more dominant role. More specifically, while all four boundaries (i.e., efficiency, power, competence, identity) were discussed, in the unstable labour market, the boundary of power seems to be highly relevant. This explains the motivation of client firms to experiment with different LMIs or utilize them simultaneously. Finally, this study also offers new valuable insights in regards to perception of responsibility and control of client firms when utilizing different LMIs. To practitioners, this study provides an overview of LMIs' characteristics from the client firm perspective. From this overview it appears that temp agencies are tapping into the freelancer market, while it inspires questions about the evolution and next steps for OLPs and their utilization.

Keywords: Labour market intermediaries; temporary agencies; online labour platforms; firm boundaries

UNIVERSITY OF TWENTE.

Contents

UNIVERSITY OF TWENTE.

1. Introduction

This paper studies similarities and differences of two types of labour market intermediaries (LMIs), i.e.: temp agencies and online labour platforms (OLPs). Here, LMIs are defined as agents between client firms, that need the work to be performed, and individual workers (Bonet et al., 2013). In this study, LMIs are studied by applying perspective of client firms and organization boundaries perspectives (efficiency, power, competence, identity), in order to depict what guides client firms to choose between these two labour outsourcing options. Looking at the recent OECD data, fluctuation in utilization of different labour outsourcing options is noticeable. During the start of Covid-19 pandemic, decrease was witnessed in temporary employment in European Union, while gig work, through online labour platforms was blooming (OECD, 2021). Furthermore, rapid growth of the gig (OLP) sector and related lack of protection of the gig workers was acknowledged by European Commission in December 2021, when it was proposed to re-classify gig-workers' status from freelancers to employees of the OLPs, within the European Union. Discussions and consultations of social partners are ongoing and if reclassification will be accepted, OLPs will need to contractually bind the freelancers and by giving them legal status of the employees, assure their employee rights such as insurance, minimum wage, right to holidays and pension (ec.europa.eu, 2022).

As the number of firms and individuals are deciding for platform work, due to its 'novel' characteristics, this topic gains even more relevance while European Commission tries to legally influence platforms to act as 'traditional' employers and consequently resemble the other LMI relevant for this research i.e., temp employment agencies. Taking into consideration that both LMIs have some similarities but also differences (Meijerink & Arets, 2021), it is interesting to know whether client firms (requesters) interested in outsourcing labour, will decide to do so through temp agency or through the OLP and why. To answer this question, it is necessary to gain deeper insight into similarities and differences of LMIs, as there is rather limited research conducted previously on the comparison of the two LMIs.

Regarding similarities, existing research highlights that both temp agencies and OLPs are categorized as labour market intermediaries, which defines them as "entities between individual worker and client organization that needs the work done" (Bonet et al., 2013, p.343). Furthermore, they both offer short-term labour outsourcing and both charge clients a provision for their service (Meijerink & Arets, 2021). Also, in both cases work is performed outside of the contracting firm, which relies on an LMI to outsource work. It seems thus, that at certain level, OLPs and temp agencies share similar characteristics.

On the other hand, there are also several differences addressed by scholars. Firstly, it seems that OLPs enable faster match making between clients and workers, as they use technology instead of people to assure the match (Duggan et al., 2020). Secondly, OLPs' services are characterized as "hyper flexible" in comparison to temp agencies, as it seems that OLPs provide more freedom and empowerment to its clients since their main purpose is to enable the online marketplace where providers and requesters of services connect directly (Meijerink & Arets, 2021; Meijerink et al., 2021). Furthermore, another difference is working conditions. In case one works through the OLPs, they act as freelancers and do not have any employment contract with the platform (Meijerink & Keegan, 2019), while individuals who are working through the temp agencies are employed by the agency and therefore granted employee status (Bonet et al., 2013; Duggan et al., 2020). By being categorized as employees, workers will enjoy employment benefits of the client organization's collective labour agreement.

Another distinctive characteristic are types of tasks that are organized by the OLP and temp

UNIVERSITY OF TWENTE.

agencies. While OLP workers are most of the time requested for so called micro-tasks that last for few minutes to few hours, temp agency employees are selected for longer, often full-time tasks, but of contingent type and thus insecure for client firms to organize in-house (Cappelli & Keller, 2013). Finally, it seems that OLPs and temp agencies differ also in terms of involved stakeholders. In case of OLPs, there may be up to four actors, i.e., client (requester of the outsourced service), platform (matchmaker), freelancer (independent worker) and consumer (person paying for the end service) (Duggan et al., 2020). Alternatively, looking at the organization of temp work, there are only three actors, i.e., client firm (requesting to outsource), temp agency (matchmaker) and the worker (employee of temp agency) (Frenken et al., 2020; Meijerink & Arets, 2021).

As research has shown how OLPs and temp agencies compare, it is now time to consider which of their structural characteristics play a role in the choice of contracting (client) firms to rely on an OLP, temp agencies, or both for outsourcing business activities. That is, are contracting firms indifferent as OLPs and temp agencies share similar characteristics, or do contracting firms see clear differences between both LMI types?

When it comes to the choice between outsourcing labour through the temp agencies and 'traditional' employment within the firm, scholars propose that client firms will decide based on transaction cost, control over activities and whether it is necessary to keep competence and knowledge within firm boundaries (Cappelli & Keller, 2013; Santos & Eisenhardt, 2005). The same is claimed for the choice between OLPs and traditional employment (Boons et al., 2015; Kretschmer et al. 2020), however, comparison of factors influencing the choice between OLPs and temp agencies, is still under researched. Such research is necessary as some factors may explain why client firms are indifferent to the choice which LMI to operate with, while other factors may lead client firms to differentiate OLPs and temp agencies. That is, to assume that the choice between OLP and temp agencies does not only depend on the characteristics of these OLPs, but more specifically, it depends on the point where client firms will try to set boundaries regarding their activities (i.e., boundaries of efficiency, power, competence, and identity) in order to successfully gain money, resources, sustained competitive advantage and retain stakeholders who identify with them (Santos & Eisenhardt, 2005). By understanding better firm boundaries and applying this perspective, we might be able to explain better the choice between different LMIs.

Therefore, the objective that guides this research further is to find out whether client firms are indifferent in their choices of LMIs. If that is not the case, the aim is to discover under which conditions client firms rely on either temp agency or on OLP, or perhaps both.

In terms of theory, this research aims to contribute to the analysis of LMIs. More specifically, it focuses on comparison of two LMI types i.e., platforms and temp agencies, which nowadays seem to be concurrent labour outsourcing options. Furthermore, this research aims to make theoretical contribution by analysing application of organization boundaries theory by Santos and Eisenhardt (2005) on relationship between client firm and their choice of LMIs, as current research does not provide enough explanation on how, by applying the organizational boundaries lens, the choice of labour supplier can be explained. Eventually, this paper contributes to the stream of literature regarding flexibility of the workforce. In addition, this research aims to find out whether one of the four theories on organization boundaries is used more dominantly by client firms when outsourcing activities. Also, this research intends to find out whether multiple boundaries can be used simultaneously and if not, what are the trade-offs that client firms encounter when making LMI choices based on one (or few) of the four boundaries. In terms of practice, this research aims to provide guidance to firms planning to outsource the labour and labour related activities. Especially, if OLPs and temp agencies become more similar in terms of labour law, which is currently under discussion in European Union, it is interesting to know in what respect do they still differ and what

UNIVERSITY OF TWENTE.

are their unique selling points. Finally, outcomes of this research may also bring benefits to the LMIs, as it will expand their understanding of clients' needs and clients' strategies in labour supplier choices.

The paper proceeds as follows. Firstly, using existing literature concepts relevant to this research, i.e., labour market intermediaries and organizational boundaries are further elaborated within theoretical framework chapter. Moreover, method used to conduct the research is explained, after which main results are presented. Lastly, findings are discussed and contribution for theory and practice are highlighted in the conclusion and discussion chapter.

2. Theoretical framework

To be able to find conditions under which client firms opt for either temp agencies or OLPs as LMIs, this chapter will introduce all relevant concepts. Firstly, the concept of LMIs in general and their key actors will be explained, followed by elaboration of roles that LMIs are performing. Furthermore, existing theory on similarities vs. differences between temp agencies and OLPs will be introduced. Secondly, to depict ways in which organizations try to segment themselves from the market in which they operate, and how these decisions can influence choice of LMI, perspectives on four firm boundaries, consisting of (1) boundary of efficiency, (2) boundary of power, (3) boundary of competence and (4) boundary of identity, are presented.

2.1 Labour Market Intermediaries

As the labour market is evolving, increased number of workers operate in a zone between "traditional" direct employment with the firm for which work is carried out, and complete self-employment (freelancing). This zone includes interference in the labour activities such as subcontracting or co-employment of workers by third parties, i.e., labour market intermediaries (Lorquet et al., 2018). In addition, scholars indicate that labour activities of freelancers can as well be mediated by the third parties, such as OLPs, who act as technology (algorithms) driven intermediary (Kässi & Lehdonvirta, 2018).

According to Bonet et al. (2013), in general, labour activities can be outsourced to third parties based on several reasons. The rationale for hiring LMI might on one hand include access to a larger pool of candidates, faster match making with workers, but also decrease of administration activities for the client firm. On the other hand, motivators might as well be budget restrictions and related limitations in enlarging their permanent (direct) workforce, cuts on labour investments based on different business priorities, industry related reasons and so on. But also, companies with little interest in developing careers of their workers (e.g., cost leadership strategy) or providing legal protection, might decide to hire labour force through LMIs (Bonet et al., 2013; Meijerink & Keegan, 2019).

Furthermore, when firms decide to outsource their labour activities, LMIs can carry out three possible roles that resemble human resources management (HRM) practices (Bonet et al., 2013). First role is the 'information provider', that resembles mostly the recruitment activities, where LMIs communicate open vacancies or gigs (short tasks) to job seekers and feed the information on candidates within talent pools back to client organizations. This role is advertising related. Moreover, the strength of this role is primarily in the data availability and accessibility for both workers and requesters (clients). Due to LMIs' access to numerous employers' assignments and workers' information, they could potentially enable quicker hiring process and better quality of the

UNIVERSITY OF TWENTE.

match, which brings us to the LMIs' second role, the matchmaking between client and a worker (Bonet et al., 2013). However, this role does not entail HRM activities which lead to recruitment, such as workforce planning and identification of desired candidate profile. Furthermore, post-recruitment activity, such as selection is as well not within the scope of information provider role (Bonet et al., 2013)

Second, LMIs may take a 'matchmaking role' and try to assure good fit between client firm and the worker either by involvement of human recruiters or algorithms. This role covers HRM activities such as actively approaching candidates, screening, and selection (Bonet et al., 2013). Difference between matchmaking role and the information provider role, is related to pro-activeness. The match makers actively reach out to both client firms for assignments and to workers, who do not actively advertise nor apply for new jobs. Matchmakers thus possess even more information than the information providers due to their pro-activity. They might have more in-depth information obtained through previous 'matches' and can use it in screening and selection (i.e., filtering of candidates and client firms) (Bonet et al., 2013).

Third role is the administration of employment. By enacting this role, "LMIs absorb the costs involved in the standard employment relationship and also the risks'' (Bonet et al., 2013, p. 362). Moreover, in terms of HRM activities covered by this role, LMIs may represent the employer and can carry out payrolling and tax activities on behalf of the client firm (Bonet et al., 2013; Kässi & Lehdonvirta, 2018; Lorquet et al., 2018). Administrator role can be solely transactional one, where LMIs' arrange salary and other benefits, as well as compliance management. On the other hand, some LMI's offer also other HRM activities, such as training and development, performance management and employee relations services (Bonet et al., 2013).

An additional and more recent role is the one of legal protection of the worker, in which LMIs provide security to workers, in terms of transition between jobs or/and permanent employment contract with the temp agency. Also, they offer right to secondary employment benefits, such as insurances, access to pension funds, minimum wage, or access to unemployment allowance (Bonet et al., 2013; Lorquet et al., 2018). However, this latest role is taken mostly by temp agencies while only limited number OLPs perform legal role (Meijerink & Keegan, 2019).

To further clarify which HRM activities are covered by the two types of LMIs relevant to this research, a summary of their characteristics and applicable roles is given in the following section.

2.1.1 Temporary agencies

First type of LMIs, relevant to this study are temporary agencies (temp agencies), such as Randstad, the Adecco group or ManpowerGroup. Temp agencies are a widely used intermediary for outsourcing of labour, who support client firms with the human resources services such as recruitment, selection, hiring and sometimes training of the workforce (Cappelli & Keller, 2013; Duggan et al., 2020). After these activities are carried out, a worker is placed at the client firm, which continues supervision of the worker during the assignment. After the completion of assignment, workers employment contracts are either taken over by the client firms, where they continue their jobs as a direct employee, or they are placed by the temp agency to a new firm (Bonet et al., 2013). Moreover, temp agencies as intermediaries form a triadic relationship with the client firm and the worker, where temp agencies may take up to three roles described by Bonet at al. (2013), depending on the number of services they offer. These three roles are inspired by three groups of HRM activities. Most of the time, temp agencies stay in a triadic relationship throughout all tree processes/ roles, i.e., information providing (recruitment), matchmaking (selection) and

UNIVERSITY OF TWENTE.

administration (e.g., payroll, compensation & benefits, performance management) (Meijerink & Arets, 2021; Meijerink & Keegan, 2019).

According to Bonet et al. (2013), first role of LMI, i.e., the information provider, relates to HRM activity of recruitment. In relation, it seems that temp agencies cover all recruitment activities performable by LMIs, i.e., temp agencies contain the job board to post their clients' vacancies, they offer membership (through which candidates are notified about new job openings) (Burgess & Connel, 2006), and may as well offer outplacement services (Bonet et al., 2013) (finding a new job for redundant employees), in case client firms engage in restructuring of the workforce (Gribble & Miller, 2009). Secondly, in relation to the matchmaking role, temp agencies again engage in all previously mentioned HRM activities, as human match makers (recruiters), actively approach candidates and offer them a placement at the client firm. Furthermore, temp agencies are hired to perform (partially at least) screening and selection activities on behalf of client firms (Cappelli & Keller, 2013). In addition, through the third role- administration role, temp agencies again may fulfil all related HRM activities, as they (1) provide employment contract to the workers, (2) prepare them for the working environment at the client firm by providing onboarding related trainings, and (3) execute all payrolling and secondary benefits duties (Cappelli & Keller, 2013; Duggan et al., 2020).

Furthermore, when it comes to characteristics of the temp workforce, temp workers are not only hired for the short tasks (as typically assumed), but also for longer, definite periods, where they may stay with the client firm for several consecutive weeks or months. These workers are known as "permatemps"(Burgess & Connell, 2006, p.130). Also, previous research indicates that temp agencies will be hired based on labour strategies connected to temporary staffing challenges and strict budget controls that firms are facing (Burgess & Connell, 2006). In some cases, also highly skilled workers can be hired through temp agency contracts- especially when the skills of such workers are scarce (Purcell, Purcell & Tailby, 2004). Furthermore, client firms attempt to form long-term strategic relationships with temp agencies, especially, if they offer knowledge and skills that are scarce. But also, to benefit from human resources management (HRM) activities, through which they can gain control of workers, their skills, and qualifications (Lepak & Snell, 2002). In addition, in some cases, over time, and if performance is up to expectations, temp agency workers will be internalized and gain client firm's employment contract (Burgess & Connell, 2006).

Moreover, workers seek to join temp agencies when they need more flexibility than they would experience in a 'traditional' employment relationship (Morris & Vekker, 2001). Workers may require more flexibility due to number of reasons. Majority of temporary workers are either students or caretakers. However, there is also a group of workers who turned to temporary agency as the 'in-between' step until they assure permanent employment opportunity (until firms internalize them) (Burgess & Connell, 2006). While experiencing the work environment of client organization and building relationships with the permanent colleagues, temp workers are simultaneously aware that agency can request a placement at another client firm. Therefore, it seems that despite the flexibility and uncertainty that temp agency work brings, workers still stand the chance of gaining a status of permanent employee within the client firm (Winkler & Mahmood, 2015).

2.1.2 OLPs

Second type of LMIs relevant for this research are online labour platforms. The concept of OLPs refers to a rapidly growing way of organizing, based on information and communication technologies in a (semi) digital environment, since the actual work can be carried out on both online and on-site, with the support of the platform app (Reischauer & Mair, 2018). Platform way of organizing aims to trespass the traditional ones involving "middleman" and enables providers of

**UNIVERSITY
OF TWENTE.**

products or services to connect directly with the requestors in a digital platform environment (Frenken et al., 2020; Meijerink et al., 2021). In this research, the focus will be on the exchange of services, as a part of rising gig-economy, in which client firms or individual customers can advertise short tasks, so called 'gigs' and where individuals (i.e., freelancers) can offer to perform these gigs. This exchange of demand and supply is enabled by digital technology offered by OLPs (Duggan et al., 2020). Some of the examples involve meals delivery, taxi services, or different intellectual services (e.g., Just Eat Takeaway, Uber, Amazon Mechanical Turk, Twago) (Boons et al., 2015; Frenken et al., 2020; Meijerink & Arets, 2021).

Regarding the OLP business model, there are up to four key stakeholders. First, (1) client firms are creating demand for gigs (micro tasks) by sharing their requests with the (2) gig workers through (3) the platform (website/app). In this way, client firms are looking to outsource work force and micro activities that need to be performed (Meijerink et al., 2021). Moreover, the fourth stakeholder could be added to this model, and that is the (4) individual customer/end-user, who can as well place requests for services through the platform and create demand (Duggan et al., 2020).

When it comes to the LMIs' roles described above, it appears that OLPs are fulfilling only the first role, i.e., information provider, except for providing outplacements. However, when we take a closer look, it becomes obvious that they are fulfilling match making and administrator role as well, as they use algorithms to connect freelancers with gigs, enable companies to select freelancers, and serve as a point of transaction (i.e., salary) while also providing performance ratings after the gig is completed (Meijerink & Keegan, 2019).

According to research of Meijerink and Keegan (2019), client firms who outsource their activities through platforms to gig workers, should be aware that influencing performance of the gig workers and their level of service will however be challenging. In cases where gig workers perform poorly and not in line with their expectations, clients might decide to leave the platform and outsource activities in a different way (e.g., temp agencies). It therefore seems that outsourcing through OLPs, is possible if clients are comfortable with little or no control over quality or other performance characteristics of the gig. Thus, it seems that OLPs will be used for tasks that can be performed by different workers, and for which high quality of service is not requested, nor formation of a longer-term customer relationship.

Furthermore, according to Meijerink et al. (2021), individuals who choose to work through OLPs act as independent entrepreneurs, who compete on price and service offering. They are interested in LMIs that will provide them hyper flexibility in terms of scheduling work and finding different micro-tasks in an independent manner, as client firms can reach out to them any time, even outside of 'regular working hours' and can engage them in a gig without a middleman/agent interference (Meijerink & Arets, 2021). These workers are even more interested in flexibility that OLPs offer, as they "do not want to 'go to work' and have an employer" in the conventional way (Stewart & Stanford, 2017, p.2). Moreover, as a result of increased internet connectivity in low-income countries, with high unemployment rates, OLPs can outsource the work to individuals with increased need for work and any financial benefits. These workers will, unlike those in developed countries, count on OLPs as the main and only source of income (Graham et al., 2017). However, consequences of platform work might include unconventional working times, fluctuations in demand (tasks), different working places, absence of employment or legal conditions and more. All these aspects are hard to regulate in a freelance setting (Stewart & Stanford, 2017) and hence, legal entities or governments might be the only ones bringing in some security for gig workers.

UNIVERSITY
OF TWENTE.

2.1.3 Comparison of temp agencies and OLPs

Finally, scholars (Meijerink & Arets, 2021) propose multiple similarities but also differences among temp agencies and OLPs. Overall, both types of LMIs are hired by client firms to outsource contingent work and gain support regarding labour activities (Bonet et al., 2013; Meijerink & Arets, 2021). Both temp agencies and OLPs are comparable in terms of three roles performed (i.e., information provider, match maker and administrator) (Bonet et al., 2013), except of the fourth (i.e., legal) role, which OLPs do not often fulfil, unless countries where they operate require it by the labour law, that grants workers employment status and corresponding secondary benefits (Meijerink & Arets, 2021).

To summarize, in case of information provider role and related HRM activities, both OLPs and temp agencies use online boards and membership options to promote available gigs/placements (Bonet et al., 2013), however, to my knowledge, OLPs do not seem to be used for the purpose of the outplacement. When it comes to matchmaking activities, both LMIs provide a connection between workers and clients, however temp agencies seem to be more pro-active match makers, as recruiters may headhunt candidates outside of their data base and membership system (Cappelli & Keller, 2013). OLPs do not seem to offer this service, as match is arranged by algorithm, between existing members (freelancers and client firms) of the platform (Meijerink & Arets, 2021). Furthermore, HRM activity of screening may be carried out by both OLPs and temp agencies, but the selection process seems to differ between two types of LMIs. Temp agencies mostly carry out selection activities on behalf of the client firm, whereas OLPs offer profiles of suitable candidates to client organizations, but responsibility to approve the match is still controlled by the client firm. Lastly, administration role seems to be fulfilled by both, however, legal protection of the worker differs, as OLPs depend on freelancers, who are not primarily looking for the employment relationship, unlike the temp workers. This provides OLPs with more efficiency and reduces the costs of human resources management. Finally, in case of temp agencies, performance appraisals are carried out by agencies themselves, while in case of OLPs this is expected to be done directly by the client firms, who therefore seem to possess more control over performance ratings of the workers (Meijerink & Keegan, 2019). This stretch of the administrative role might not be desired by freelancers, as their goal is to keep flexibility regarding choice of gigs (Meijerink et al., 2021).

Besides, the ways in which roles are enacted seems to differ. In case of temp agencies, client firms relay on human employees to, with the use of technology, carry out recruitment, selection, contracting, training and so on. On the other hand, OLPs rely strongly on technology and the algorithms are used to perform these labour related activities, which seem to increase flexibility and decision making for workers but decrease influence of client firms on quality of service performed (Meijerink and Keegan, 2019). Further, with regards to the stakeholders involved, OLPs might count additional stakeholder, I.e., individual customer as a gig demander is added (Duggan et al., 2020). Lastly, the profile of the workers available in a talent pool of OLPs and temp agencies may differ, as temp agencies more often offer longer-term engagement to a worker, whereas OLPs are focused more on outsourcing micro-tasks, but not exclusively.

Ultimately, it seems that both types of LMIs share similar characteristics, but as well differ. As such, it appears that choice of LMI depends on the awareness of client firms about LMIs' characteristics and how these fit with their firm's environment and business decisions. However, it may also be that client firms are indifferent about their choices of LMIs. Thus, to solve this puzzle, I further rely on firm boundaries perspectives, which are discussed in the following chapter.

UNIVERSITY OF TWENTE.

2.2 Four Perspectives on Firm Boundaries

As previously mentioned, existing research points out that usage of LMIs involves some trade-offs for the client firms. For instance, when client firm decides to outsource labour activities through the OLP, it might gain the efficiency, as the match will be done quickly, without human involvement, independent of place and time and without committing to the worker (Meijerink & Arets, 2021). However, by outsourcing of labour through the OLP, client firm relies completely on the algorithm to determine competence match. This accordingly represents less control over worker's identity (i.e. freelancer) and skill, due to missing employment relationship (Meijerink & Keegan, 2019).

In case of temp agencies, scholars also seem to notice trade-off between efficiency and control/identity. Burgess and Connell (2006) state that temp agencies can be efficient way of labour management, as they help client firms fill shortages of workforce or specific skill, in times of uncertainties and deal with restrictions in terms of budget. However, it is also recognized that control over workforce is not ensured inside of the client firm and that commitment and identification of temp workers with the client firm stays uncertain (Burgess & Connell, 2006), as well as development of key competences (Bonet et al., 2013).

To better understand why contracting firms rely on OLPs or temp agencies (if at all), I use the theory on firm boundaries by Santos and Eisenhardt (2005), as it explains firms' (out)sourcing decisions. Here, firm boundaries refer to segmentation of organization's transactions, dependency, resources, and identity from the market in which it operates. More specifically, boundary of efficiency is explained as a point of minimization of cost of governing and coordinating activities and assets. Based on the cost, organization decides to carry out certain activities (or have assets) in-house or on the external market. For example, it might be cheaper for an organization to hire cleaning company from external market to carry out cleaning activities of its premises, than to bare costs of cleaning products, machines, staff and so on within its boundaries. As labour related investments can be costly, it does not pay off for firms to keep labour within its boundaries, especially when tasks are short (e.g., micro tasks).

Secondly, boundary of power is proposed, which organizations use to decide on how far their strategic control should expand over external stakeholders, in order to assure its influence autonomy (i.e., growth) in the market(s). Firms will set boundary of power in order to assure independency when it comes to resources and avoid being overpowered by other firms in the market (i.e., acquired) (Santos & Eisenhardt, 2005). For instance, firm that depends on the certain scarce supply, will try to gain control/power over it, by acquiring it, or on the other hand firm will spread its business over several markets, to reduce risk of depending only on resources in one single market.

Thirdly, Santos and Eisenhardt (2005) propose boundary of competence, which determines which resources are valuable, rare, inimitable, and non-substitutable (VRIN) enough for the organization to keep them within its borders, in order to ensure sustained competitive advantage. For instance, a production firm might identify its engineers (human resources) as VRIN resources and internalize them in order to ensure sustained competitive advantage (SCA), while in terms of support competences, such as cleaners, it might depend on external market as these do not offer the firm a SCA.

Fourthly and finally, Santos and Eisenhardt (2005) put forward the boundary of identity, which should be set at the point where organization will achieve alignment between its

UNIVERSITY OF TWENTE.

characteristics (who they are) and activities by attracting and retaining members (e.g., workers and customer) who identify themselves with the firm. For example, firms will want to keep workers who identify with the organization. If a reception worker displays strong identification with the firm and can translate firm identity's characteristics in its work (actions), firm might decide to internalize this worker by usage of retention practices. Each of these four boundaries provides a distinctive idea on how organization and its environment are demarcated.

Boundary of Efficiency

This boundary focuses on minimization of governance related costs and is influenced by the legal perspective. When speaking of internal governance, it refers to monitoring of managers in charge of transactions. On the other hand, firm might decide to have transactions executed externally, by the market, and consequently will bear the costs of external governance and supervision. According to this theory, firms will set boundaries at the point which is most efficient and creates least governance related costs (Santons & Eisenhardt, 2005). According to Santos and Eisenhardt (2005), there are three main sources of efficiency costs, namely, transaction costs, measurement difficulties and knowledge differences. These three factors can lead to changes in efficiency. Firstly, transaction costs are difficult to establish, monitor and enforce due to uncertainties and thus often end up in incomplete contracts. Secondly, value of goods or services are not easily measurable due to information inconsistencies, and thirdly, different specialists (workers) will try to solve problems differently, based on their own knowledge and perspectives, which can result in increased coordination costs, to align all these different views.

Moreover, the concept of efficiency depends largely on the specificity of the assets and environmental uncertainty. According to the transaction cost theory of Wiliamson (2008), assets that are too specific cannot be deployed to multiple situations and purposes, which influences degree of efficiency. Moreover, high asset-specificity means that asset has a low value outside of the particular transaction (McIvor, 2009). Furthermore, environmental uncertainty can as well compromise efficiency levels, as greater degree of coordination is needed in uncertain situations (Wiliamson, 2008). Accordingly, Santos and Eisenhardt (2005) state that the concept of efficiency is most valuable in stable and competitive industries, where efficiency is relevant organizational aspect. McIvor (2009) argues further that transaction cost theory depicts organizations solely as places for economic activity. This is important to keep in mind as unique characteristics of efficiency boundary. Finally, when applying the boundary of efficiency, it seems that firms will outsource highly specific assets, especially in uncertain environments (industries) and when workers are highly knowledgeable and experienced and thus independent in decision making, as these aspects may increase governance costs within firm boundaries.

To decrease governance and coordination related costs internally, firms might opt to outsource HRM activities and human resources. However, why would client firms differentiate between OLPs and temp agencies based on efficiency could depend on several factors. For instance, as mentioned in previous chapter, outsourcing labour through OLP may decrease transaction costs in comparison to temp agencies, since OLPs operate based on technology (algorithms) instead of paying human employees. Furthermore, by outsourcing tasks via OLPs to the freelancers, companies might reduce other labour force related costs, such as secondary benefits, pension, sick leave compensation and more (Meijerink & Arets, 2021). However, OLPs may as well be more uncertain and thus decrease efficiency, since freelancers are less stable type of labour force in comparison to

UNIVERSITY OF TWENTE.

temp workers, due to absence of contractual control. Freelancers are thus free to stop with the gig or project without penalties involved, whereas temp workers have an employment contract with the agency (Meijerink & Arets, 2021) and thus notice period or possibility from the agency side to carry out search for a replacement worker. Hence, it seems that characteristics of the OLPs' labour force might increase coordination costs of the client firm when finding a replacement of a freelancer or dividing smaller tasks (gigs) to multiple freelancers.

Boundary of Power

Further, boundary of power refers to the aim of organization to gain control over external influences and resources in order to stay independent from its environment and able to follow through its goals, instead of having to adapt to external forces (Santos & Eisenhardt, 2005). In other words, by reducing dependence on its environment, organization will grow or even take over the market and by doing so, profit by increasing the prices. Moreover, the notion of power boundary seems to be especially relevant in dynamic and ambiguous environments, where relationships with key stakeholders might strongly influence performance and where perfect competition does not exist (Santos & Eisenhardt, 2005).

Santos and Eisenhardt (2005) propose adoption of resource dependence theory (RDT) to explain the boundary of power concept. Through the lens of RDT, organizations are open systems, that depend on contingencies in the external environment, but RDT also recognizes that managers can act with the aim of reducing external risks (Pfeffer & Salancik, 2003). Hereby, the concept of power plays a role, as managers and firms try to exercise power over the environment and reduce power of environment over their organization (Hillman et al., 2009). Some of the examples of strategies that firms deploy in order to ensure independency by exercising power are mergers and acquisitions (M&A), joint ventures, international expansions, and political influence (Hillman et al., 2009). Hence, according to power theory, it appears that firms will keep activities which reduce dependence, and help them establish power over the market, in-house (i.e., vertical integration). When a critical resource is scarce and therefore increases dependency of the firm on it, firms will try to internalize it or deploy activities which enlarge their dominance in multiple markets (i.e., horizontal boundary expansion) (Santos & Eisenhardt, 2005). On the other hand, activities that do not contribute to establishing of independence, will be carried outside of firm boundaries.

When applying this perspective of boundary to the choices of LMIs, client firms might decide for the option that provides more control over selection and accessibility to the external resources but at the same time provides independence to the firm. Judging by their characteristics, it seems that none of the two types of LMIs can provide both control and independency, e.g., with the choice of OLP firm must select employees themselves and provide performance appraisal, which provides more control, but reduces independency, while by doing business with temp agencies could offer firm more independent role, as temp agencies will take care of HRM activities themselves. But temp agencies simultaneously might reduce the power of client's decision making. The question remains whether firms that apply power perspective combine several types of labour market intermediaries to reach its goals.

Boundary of Competences

Furthermore, boundary of competence should be set at the point that allows organization to connect with the resources that will bring in the competence and that assures sustained competitive

advantage (SCA). Firms competitive advantage can be achieved if its resources meet several criteria, according to which resources should be valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991). Thus, the competence boundary is described as a more dynamic one, since it depends on the availability of resources that meet all VRIN criteria (Santos & Eisenhardt, 2005). Moreover, for resource to be valuable they need to help the organization in capitalizing on the opportunities and avoiding the threats. Also, resources should not be possessed by competitors (rare) and should not be easily copied by competitors in the environment (inimitable). Lastly, resources should not be easily replaced by the alternative resource (Wright et al., 2001). However, it is not enough that resources meet these VRIN conditions for the firm to achieve the (sustained) competitive advantage, but it also depends on the firm's strategy in exploiting the resources and ensuring that these are not possessed by other competitors simultaneously, nor replicated by competitors (Barney, 1991).

According to McIvor (2009) resource-based view (RBV) is important for studies of firms' outsourcing decisions and point of setting their boundaries, as it explains whether VRIN conditions will be satisfied internally or externally, through outsourcing. If firm wants to gain (sustained) competitive advantage over its competitors, it will most probably need to cultivate and keep VRIN inside of its boundaries, while activities that do not promise SCA, will be outsourced. Thus, according to Santos and Eisenhardt (2005), competence boundary may be competing with the efficiency one, and most of the time will be more held as more important, due to its strategic significance.

If the choice of LMI is to be based on the boundary of competence, it seems that LMIs will be used for the resources which do not meet VRIN criteria and do not assure SCA. However, according to Santos and Eisenhardt (2005), the position of this boundary depends as well on the availability of the resources. Assuming that human resources are only available through temp agency or OLP might influence firms to internalize resources by first acquiring them through LMIs. If this is the case, a more pro-active matchmaker role can be seen as a merit when it comes to the roles of LMIs.

Boundary of Identity

To resolve inconsistencies between its characteristics and activities in the market, firms set boundaries of identity. These boundaries cognitively separate one organization from another (Chreim et al., 2013). Hence, while setting this boundary, organizations ask themselves questions such as: "who are we/ what are our shared values/ what do our actions say about who we are" and so on, but also unconsciously make boundary decisions based on the self-concept. Understanding of organization's identity helps its members find direction in their work and achieve objectives, but also strengthens attachment and commitment towards the organization, as it creates feeling of rapport (Santos and Eisenhardt, 2005).

According to Santos and Eisenhardt (2005), the concept of identity can be developed by multiple influences, from founders' values to industry and environmental characteristics, as well as institutional logics. Based on the notion of identity, organizations can decide to keep activities which strongly relate to identity characteristics within its borders, while activities which do not align with their perception of themselves will be carried out externally.

Furthermore, there are also disadvantages of strong identification of workers with the organization, such as lack of flexibility and rejection of need for change. Strong self-concept might hamper the organization from keeping their identity open to adjust to external influences and react to environmental changes, which is sometimes necessary for business continuity. Moreover, the

UNIVERSITY OF TWENTE.

influence of identity concept can easily be taken for granted, as its boundaries are less concrete (more unconscious) than the others previously described. However, the boundary of identity can have a stronger influence due to its enactment by organizations' members. On the other hand, boundary of identity can be in synergy with the competence, where one influences the other and can re-establish each other (Santos & Eisenhardt, 2005).

When it comes to LMIs there are different theories on identification of the workers with either OLP or temp agencies. If client firm's goal is to, through identity, influence actions of its stakeholders, it is to assume that application of HRM activities should as well be in accordance with the firm's identity, even when outsourced. The question stays, which LMI could offer firms stronger alignment between people activities and their identity.

As stated before, firms can make choices between diverse types of LMIs, but we do not know what motivates their choice. Based on the boundaries theory (Santos & Eisenhardt, 2005), I assume that to choose a labour supplier, firm will not only investigate characteristics of different LMIs, but as well look at the interaction of its own internal environment with the supplier. Here, factors such as cost, power over resources, competence needed to achieve competitive advantage and identity of the firm, to judge which option fits better to their requirements, are taken into consideration. Therefore, I predict that perspectives on firm boundaries may be a useful tool in analysing client firms' choices of LMIs. Additionally, application of boundaries theory may help in understanding whether choices of a particular LMI result in trade-offs between different boundaries and whether clients are aware of these trade-offs, as not all four boundary theories are compatible. Accordingly, to make the next steps in understanding of firms' choices regarding LMIs, this research if guided by following questions:

- What is the awareness of client firms regarding characteristics (differences and similarities) of LMIs (temp agencies vs. OLPs)?
- What are the drivers of client firms' choices based on organizational boundaries?

UNIVERSITY
OF TWENTE.

3. Methodology

3.1 Research design and data collection

To compare characteristics of two types of LMIs, i.e., temp agencies and OLPs and gain understanding about drivers that influence client firms to rely on one of these LMIs, or both simultaneously, qualitative research method was applied. Hereby views and experiences of both client firms and several LMIs themselves were considered by conducting interviews with both client firm and LMI representatives. To find and understand the drivers, it is necessary to apprehend broader environments of both clients and LMIs, which can be achieved through qualitative research (Gioia et al., 2013). Hence, this study focused on analysis of primary data gathered through in-depth interviews with firm representatives, who have the experience of working with different labour suppliers (in case of clients) or on the other hand experience of competing with different LMIs for clients' attention (LMIs) and could thus compare clients' motivation and conditions to rely on OLPs or temp agencies. To start with, client firms that would participate in the interviews were selected by searching the 'Platformwerk.nl' database of OLPs. This data base offers easier access and overview of all OLPs' profiles to the researchers interested in this topic (Platformwerk.nl, 2022). There are several reasons for targeting client firms for interviews, through OLPs. For instance, client firms that nowadays use OLPs likely used different type of LMI in the past (i.e., temp agencies) and thus allow for comparison between experiences they had with temp agencies and experiences they currently have with OLPs. Furthermore, targeting clients of OLPs provides possibility to research experiences of client firms that in the past were not keen on outsourcing activities to temp agencies, but have changed their approach since the presence of more novel forms of LMIs, such as OLPs. Thus, it is particularly interesting to gain deeper understanding on characteristics which motivated these client firms to change their mind regarding usage of LMI.

Moreover, several characteristics were used to filter on OLPs that may help in targeting client firms suitable for this research. More specifically, OLPs were selected if they connect freelancers with businesses (client firms) and not only with the individual customers, as the aim of this method was to conduct interviews with the businesses and thus platforms that connect individual customers (requesters of the service) were disqualified. Second, since the goal of the research is to compare OLPs with temp agencies, it was necessary to take into consideration that temp agencies mostly enable on-location than virtual work, by supplying labour to client firm's premises. Therefore, only OLPs through which on-location work is organized, were selected for this research. In addition, focusing on this characteristic (i.e., type of work), helps ruling out effects of other variables. Furthermore, filtering only for on-location OLPs, enables usage of network of alumni to contact the interviewees. After selecting suitable OLPs, their websites were used to further search for client companies with offices in the Netherlands. Based on another selection criteria, specifically client companies which appear to work or have worked as well with temporary agencies were shortlisted. In relation to this criteria, the goal was to include larger companies operating in various industries which typically have a tradition of employing temp staff, such as in logistics, delivery services, retail, hospitality and so on.

To further select interview participants, it was useful to search for university alumni who are employed at shortlisted client firms. Also, research objectives were presented to OLPs directly and if interested, OLPs were requested to establish a connecting with their clients for the interviewing

UNIVERSITY OF TWENTE.

purposes. Also, professional network of researcher was used to get in touch with LMI representatives, who were as well interested in participation after research objectives were presented to them. Examples of the research objective texts for both client companies and LMIs can be found in 'Appendix A'.

Finally, a list of around 23 potential participants was prepared, and prospective participants were contacted by email, phone or LinkedIn and invited to participate in an interview. Contacting resulted in 12 interviews. Non-probability sampling method was used in this case, as specific participants were selected under assumption that they are familiar with the topic and could tell us more about their direct experiences with different LMIs or elaborate on the motivation of their clients to work with a specific LMI.

Table 1. Overview of interview stakeholders

Client Company	Industry	Interviewee is client firm or LMI representative	Position	N of interviewees
1	HR Services, operate in Production, logistics, customer support services	LMI_1	Director	1
2	Hospitality	Client firm_1	Hospitality Manager	1
3	Logistics, delivery	Client firm_2	Terminal Manager	1
4	Retail	Client firm_3	District Manager	1
5	Hospitality	Client firm_4	HR Manager	1
6	Health care & social assistance	Client firm_5	Nurse	1
7	Retail	Client firm_6	HR Manager	1
8	Consumer goods/delivery service/ E-commerce/Retail	Client firm_7	Fulfilment Centre Lead	1
9	HR Services, operate in logistics, hospitality, customer support services	LMI_2	Recruiter	1
10	Cross-industry: Aerospace, defence, chemical, healthcare, infrastructure…	Client firm_8 & LMI_3	Commodity Manager	1
11	HR Services, operate in science, medical, manufacturing, etc.	LMI_4a	Key Account Manager	2
		LMI_4b	Customer Relationship Manager	
			Total interviews:	**12**

3.2 Operationalization

To arrive at interview questions that assure content validity, concepts relevant to this research were listed, based on the theoretical framework of this thesis. Further, concepts were elaborated under "definition" column, and finally 24 interview questions were composed in order to be able to measure these concepts (Table 2).

Table 2: Operationalization table

Concept	Definition	Interview questions
LMI	Third party which supplies temporary labour to the client firm and carries out labour related activities (human resources management activities). E.g., recruiting and contracting. Examples include temporary employment agencies and online labour platforms.	Via which third parties do you outsource work or find temporary labour? Why do you decide to work with them?
		What responsibilities does the third party enact and which responsibilities do you – the contracting firm – have when it comes to: - recruiting temp workers - selecting temp workers - training temp workers - payrolling / compensating temp workers? - appraising temp workers? - allocating tasks to temp workers? Does the division of responsibilities differ for the different third parties that you work with?
		In your view, which characteristics do these different third parties have in common? And, how do these third parties differ?
Temp agency	Agencies that clients firms rely on to outsource work to temp workers who are co-employed by the temp agency and hiring firm and/or where a human intermediary	What type of work activities/jobs/type of labour do you (*not*) outsource via third party, where the workers are employed by that third party (i.e. temp agency) and/or where the

UNIVERSITY OF TWENTE.

	matches the worker to the client firm. Examples include Randstad, Tempo Team, Michael Page, Adecco...	matching process is mostly done by a human intermediary. Why do you outsource these activities to these third parties?
OLP	Website/application that connects freelancers with the client firms that have a job opening. Algorithms match profiles of freelancers with the suitable shorter-term jobs (gigs) or projects. OLPs do not offer employment relationship.	What type of work activities/jobs/type of labour do you (*not*) outsource via third party, where the workers are freelancers (e.g. Temper) and/or where the matching is done mostly by means of an online application (that suggests workers to client firm: Temper of Youbahn). Why do you outsource these activities to these third parties?
		Do you rely on different types of third parties to outsource work (e.g. OLPs for freelancers, platforms/applications for temp workers, or traditional temp agency where human does intermediation)? Why?
Benefits of OLPs	Benefits of OLPs include, but are not limited to: 1. fast match making, without interference of a human match maker 2. 24/7 access to freelancers and gigs 3. flexibility to the workers 4. Not necessary for client firms to employ non-essential workers	What are benefits to the client firm of using platforms/online applications for contracting with freelancers? (e.g. Temper) What are the benefits to client firm of using platforms/online applications for hiring temp workers? (e.g. Youbahn)
Drawback of OLPs	Drawbacks of OLPs include, but are not limited to: - Less job security for workers	What are drawbacks/challenges/ limitations to the client firm of using platforms/online

UNIVERSITY OF TWENTE.

| | | applications for contracting with freelancers? (e.g. Temper)

What are the drawbacks/challenges/ to client firm of using platforms/online applications for hiring temp workers? (e.g. Youbahn) |

Benefits of temp agencies	Benefits might be but are not limited to: - Easier internalization of workers - Less coordination of HRM activities as these are coordinated by temp agencies themselves - Human touch	What are benefits to the client firm of using third parties where matching process is mostly done by a human intermediary? (e.g. Randstad)
Drawbacks of temp agencies	Drawbacks might be, but are not limited to: - Available only during working hours as depend on human match makers - Not as quick - Not as flexible for workers	What are drawbacks/limitations/challenges to the client firm of using third parties where matching process is mostly done by a human intermediary? (e.g. Randstad)
Boundary choices	Four notions of boundaries that lead firms' choices on outsourcing. For instance, cost minimization (boundary of efficiency), maximization of control over resources and minimization of dependence (boundary of power) access to competences that bring competitive advantage & outsourcing of competence that does not provide SCA (boundary of competence), as well as alignment of firm's	Why did you decide to outsource these activities? Based on which criteria do you decide to outsource work in general? Why / on the basis of which criteria do you choose for a third parties where matching process is mostly done by a human (i.e. temp agency like Randstad)? Why / on the basis of which criteria do you choose for a platforms/online application for

UNIVERSITY OF TWENTE.

identity with their actions (boundary of identity).	contracting with freelancers (OLP like Temper) or hiring temp agencies (OLP like Youbahn)
	If you work with different types of third parties/LMIs simultaneously, why do you do so?
	If you changed between different types of third parties/LMIs, why did you do so?

3.3 Measurement

The in-depth interviews with client firm representatives and LMI representatives took place between 4th of March and 24th of May 2022 and lasted from thirty to forty-five minutes. Interview protocol was used as a guideline and to assure that the prepared topics are followed (Appendix B). Questions were partly standardized in order to create an open atmosphere, where interviewees would be encouraged to bring up the experiences freely, but still make sure that prepared questions are answered. To ensure reliability and validity in interviews, techniques such as verifying of answers by asking to repeat what was said or summarizing were used. Also, sometimes the same question was asked in a different way. Moreover, interviews were voice recorded, with the knowledge and consent of participants.

3.4 Data analysis

Analysis of interviews data was conducted in several phases. Firstly, 12 interview transcripts were prepared based on recordings and notes taken during the interviews. Then, data was imported to a coding software for qualitative analysis – 'Atlas.ti'. To code the data 'Gioia methodology' (Gioia et al., 2013) was used to arrive to a structured theory. Process started with the coding of first order terms, which continued with organization of first order terms to second order themes and finally to overarching theoretical dimensions. Process resulted in the data structure that includes overarching category and example of the quote. Codes that emerged in addition to previously set codes, were supported with new theory, in order to arrive to a data structure. Overall, categories used to arrive at first terms, second themes and overarching dimensions were referenced back to theory to ensure validity. Thus, hybrid approach of both inductive and deductive coding was used (Locke et al., 2020). Lastly, to ensure intercoder reliability, two other stakeholders, independent of the study, were checking the codes to prevent personal bias of a researcher and ensure reliability of the research (Gioia et al., 2013).

UNIVERSITY OF TWENTE.

4. Results

This section presents overview of the most relevant results which came out of the analysis of the interview transcripts. Results are presented in the order resembling the method chapter. First, more high-level overview of reasons for utilization of LMIs is provided, including the outline of responsibilities LMIs enact. Hereby, views on similarities and differences of temp agencies and OLPs are presented. Subsequently, chapter offers more in-depth experiences of client companies with two types of LMIs, i.e. temp agencies and OLPs are noted. These sections are broken down in into benefits, drawbacks, and roles, for comparison purposes. Lastly, perceptions on how the notion of boundaries relate to the outsourcing decisions are given. Hereby, clients' criteria for outsourcing are described, as well as more detailed reasons for both simultaneous use of different LMIs as well as for changing between LMIs are given.

Labour market intermediaries

Various findings are reported which justify reasons for utilization of temp agencies and OLPs by client firms. Even though study focused primarily on similarities and differences between the two types of LMIs, i.e. temp agencies and OLPs, it revealed some differences within these two categories of LMIs, in terms of the relationship between the worker and the LMI, but also in regards to LMIs' relationship to the client firm. To illustrate, it was found that there are LMIs resembling both temp agencies and OLPs, as they attract workers and clients interested in hyper flexibility and gigs, however, they bind worker by the contract. Also, in this case, the "human touch" is kept, as the recruiter will stay in personal contact with both the worker and the client firm and take the responsibility over the administration activities, which would not happen in case client firms collaborated with the OLP. It appears that temp agencies expanded their offer in this direction, which resembles increasingly the OLPs. Another unexpected result was the usage of OLP like infrastructure in-house (i.e. within the boundaries of the client firm). Companies seem to utilize OLP-like infrastructure, as vendor management system, where managers can post the vacancy themselves via the in-house OLP and be matched with the temp agency which is allocated the vacancy, or establish a match with the freelancers, who are as well given the access to the firm's vacancies via the same platform. In addition, this infrastructure helps firms to oversee different temporary agencies (vendors) to whom assignments are given, in terms of selection of vendors, costs, performance and more. Findings showed that LMIs are mimicking each other's characteristics, while also client firms seem to internalize certain characteristic of LMIs.

Furthermore, reasons for utilization of specific or more LMIs simultaneously differed largely per client firm, and thus it was not found that one is mentioned more frequently or is considered more important than the other. One of the reasons is access to a larger talent pool, in times of the talent scarcity and post pandemic business growth, when employers are dealing with the lack of skill or quality of direct workers, while their businesses are back-on track and require timely execution and delivery to the customers. It has become overly challenging for internal recruiters to fulfil business needs.

> *"Because we have huge problems with recruitment at this moment. We cannot find all right candidates right now, so we have a big gap between what we need in hours, on contracts*

**UNIVERSITY
OF TWENTE.**

and what's now it. Gap is too big. We need help from other companies." [CF_6, HR Manager]

"I think it is set-up in that way because we need a lot of qualified workers...when we do this with different staff, we have ability to choose and get people in with qualifications we do not have. It is in and out until we need you again...Right now a lot of hospitals are short of staff." [CF_5, Nurse]

Also, turnover, absenteeism, and other consequences of pandemic on the workforce seem to be a rationale for client firms to outsource labour related activities and by doing so, to preserve well-being of their directly employed staff.

"There are other situations. For example, when person quits or they don't turn up for work. For example if I got sick from corona, then they know they need freelancer for six days. I then sent this request to third company and search." [CF_5, Nurse]

"In the law, you have to have break between shifts, so you cannot have people doing double shifts etc. You can get tired and make mistakes etc. So you need a big pool of qualified staff." [CF_5, Nurse]

"Also, out staff is happy, they only work until 3pm, so they don't complain in general." [CF_1, Hospitality Manager]

Additionally, different fluctuations in the workload call for utilization of LMIs, as it is challenging to plan and forecast staffing needs. Several reasons are brought up by respondents, such as mergers and sudden scaling of the business, recovery of hospitality and events industry after pandemic and more.

"If we get a merge and they have a sale or something, we do know what they are going to expect from the sale, like 50 – 50%, but if that would be 89-90 or 100%, it is something that we expect, and we can scale up really rapidly by just putting on bigger numbers on the online platform." [CF_2, Terminal Manager]

"But also, we sometimes have a lot of events in house and sometimes not. We cannot always predict and forecast few months upfront if we need and have those requests which are quite last minute." [CF_4, HR Manager]

Overall, abovementioned reasons were also summarized by respondents, both LMI and client firms, as they mentioned the flexibility and mitigation of risk as main motivators to use LMIs, stating that these reasons are unrelated to HR or procurement. Thus, implying that notion of firm boundaries also plays a role in utilization of LMIs.

"Firstly, there are few drivers for organizations. They might not be HR related or procurement related but as organization, clients try to minimise any risk that is related to outsourcing labour (people that are coming from the outside). Many organizations just don't want to deal

UNIVERSITY OF TWENTE.

with it and they want to have as little risk on their shoulders as possible. So they put it on the partner and if anything happens with that person it's your issue. That's the main driver many often." [LMI_4b, Customer Relationship Management]

"To lower the risk, from payroll cost perspective, I think we all learned during covid, especially in our business, that we have a lot of seasonality. In summertime, we add a terrace with over 150 covers, which requires a lot more people to ensure that we host our guests like we would like to. That we don't have in winter times." [CF_4, HR Manager]

Other reasons for usage of LMIs were also more explicitly linked to the roles LMIs fulfil and which resemble to HRM practices (i.e., information provider, match maker, administration, and legal protection of employee) (Bonet et al., 2013; Lorquet et al., 2018).

"The thing that it helps us with is the payment of course. For us it's quite easy. We just get one invoice and all of the names are listed on it, so we don't have to handle like ten-fifteen invoices per day, so I think that's one of the biggest plus points." [CF_2, Terminal Manager]

"And also, what you see is, there is a workforce in the organization that has certain rights and the person who comes from the outside does not have these rights. So they don't have a telephone they don't have direct line, they don't need their visitor cards, they don't have it. And if you make a mistake here as an organization, you can get into trouble. Now, if you have a partner or agency or recruitment agency, however you call it, who is responsible for covering these people in the right way, then it's something that you as organization can lay back and say hey, that's not our problem." [LMI 4_b, Customer Relationship Management]

Utilization of LMIs to fulfil abovementioned roles, as well implies the need of client firms to achieve greater efficiency in terms of HRM activities such as payroll or to deal with the topics such as legal rights of the outsourced workforce.

Perception of respondents on similarities of LMIs

About similarities of OLPs and temp agencies, when asked directly, respondents offered limited views. In their answers, they focused mainly on the similarity in the profiles of workers and indicated that both LMIs provide many students, who are interested in flexible and well-paid assignments, that do not involve commitment to the employer, as they are saving up money for their personal goals after graduation. This way they can earn higher net salaries than by having a direct employment with the client firms. Also, students seek to work at their own convenience not wishing to commit to a fixed schedule. Both temp agencies and OLPs offer these work conditions.

"I think the flexibility, so just being able to just decide when you're able to work, from candidates side. They don't want to know they have minimum amount of hours, but it's nice that they can just decide when they want to work, so the flexibility." [LMI_2, Recruiter]

"I think the big similarity is that they both use a lot of students. Someone like you for example, who have some time over. A lot of students who are busy with the thesis. So they just know ok this day I am free to work but they don't want to have obligations working for

UNIVERSITY OF TWENTE.

you. A lot of persons I spoke with they are either saving for a big trip and want to work a lot, as they get a lot more this way then working directly for employer. And they don't have the risk of being sick and are not saving for that. Then of course 20 EUR/h is a lot better than 10." [CF_3, District Manager]

In relation, it is acknowledged that workers are equality unreliable when it comes to attendance to work.

"For no shows it's clear. We had a lot of good guys from platform. Some of the guys are still working with us on our payroll. From agency, we had some good guys but resulted in no-show. So no big difference." [CF_2, Terminal Manager]

Another similarity is related to the service of LMIs. Client firms acknowledged that both are there to deliver labour supply on a short notice and have a shared interest of purely selling their services, sometimes also competing in the same "short term/gig" market.

"So I would say, some do have in common is that they fill our gaps. They can ensure on a very short notice that we get additional people for specific task." [CF_4, HR Manager]

"Well they all try to sell their services. They can make some decent money and make some margin on it. And yes there is also agencies out there that go for short term assignments, but that is not the industry where we're operating." [LMI_4b, Customer Relationship Management]

Overall, asking directly about similarities led to a narrow view on similarities of LMIs, where respondents recognized only few characteristics that these two LMIs share, namely, similarity of the workers' profiles (i.e. students), related unreliability of workers and the fact that sometimes temp agencies attempt to compete in the gig market, where mainly OLPs operate.

Perception of respondents on differences of LMIs

With OLPs, clients feel there is more responsibility on their side, than when outsourcing via temp agency, where responsibility can be handed over to another human intermediary. In relation, some respondents mentioned how human aspect is specific to temp agency, as they are engaging with both client and candidates to ensure good fit, so relationship appears to be their central selling point. Especially temp agencies themselves saw a human intermediary involvement as a biggest difference and their own advantage in comparison to OLP.

"Different idea. OLP is more of a platform and temp agency is really a company that makes money out of hiring people and transferring them to us. Of course they do quite the same from that perspective that we ask for help and then they deliver us some people, but the difference with OLP is actually you do it yourself. We open a vacancy, people apply and start directly and with the temp agency we need some support from manual work from temp agency and they build a pool of candidates and know how they are. With OLP we don't know who is coming. There is a little bit of a filter with temp agency and not with OLP." [CF_6, HR Manager]

UNIVERSITY OF TWENTE.

Due to involvement of human intermediaries and their effort in ensuring person-organization fit, there is a perception of labour supply from temp agencies being more predictable and reliable than OLP workers, who are matched to the gig without the presence of human intermediary.

"We always have human involved. We need to think of the buzz words also ourselves even if process is automized with the clients. We are calling with candidates and presenting these to clients. There is a lot of work that cannot be done by algorithm only, as it is such a fragile and sensitive product that we have. It is very sensitive. We are keen on having relationship with both candidate and the clients, so we can describe to them what's possible." [LMI_4a, Key Account Manager]

"Of course. We are here as a local agency we know literally everybody. If we introduce someone... we can say to client...ok this guy already worked for us, so he is reliable. So I think that is really big benefit in comparison to online agencies. Also, we can build up trust level with the client. We can say which staff is reliable, and offer a backup as well in case we judge that some are not really good. Big part of our work is honesty. There are always failures when you work with people. It's just life. If there is a risk, I will pay for it. I guess that's a big difference." [LMI_1, Director]

Finally, there appears to be the difference in feedback process between temp agencies and OLPs, as well as distinction in perceived transparency. When human intermediary is involved in the process, client firm perceived that feedback regarding the fit of candidates was considered and applied in the process improvement. On the other hand, feedback towards OLP can be given in terms of rating the candidate, which did not seem to result in the selection process improvement. This also implies that roles in selection process differ, i.e., when working with temp agency, they oversee the process improvement, while when working with OLP, responsibility is on the client firm to re-design and improve the process, when necessary.

"With OLP is surprise. Temp agency we can also call and give feedback and next time fit is better, but with OLP you don't know who is coming. Only feedback is rating system." [CF_6, HR Manager]

"With online platform it's very transparent how much workers you have and clients you have. With agency is less transparent." [LMI_1, Director]

Ultimately, main differences between OLPs and temp agencies, from respondents perspective are involvement of human intermediary when working with the temp agencies, which creates perception of more reliable workers, as human intermediary pre-selects them by evaluating their qualifications and performance. When outsourcing labour through OLP, profiles are matched based on CVs and sometimes performance ratings. However, these performance ratings are based on a different criteria, of different client firms at which workers performed gigs. Furthermore, findings in regards to human intermediary involvement also appoint to the collaboration differences. When working with temp agencies, client firms perceive feedback process as more effective, as it can be given to a temp agency personnel, who will apply it in their approach. On the other hand, if

UNIVERSITY OF TWENTE.

selection process requires improvement when working with OLPs, these improvements will need to me implemented by client firms directly.

Characteristics of temp agencies

Benefits, drawbacks, and roles of outsourcing labour through temp agencies were captured in the following views of respondents.

Temp agencies offer different work relationships. From freelance, to employed contractor or direct recruitment for positions on client's contract. Freelancers seem to also like the concept of employed contractor, as administration and payrolling will be taken care of by the agency.

> *"Sometimes freelancers choose to be in employed contractor model, because this model means that they can be paid when they are ill, they get holiday, they have paid leaves. As a freelancer you have a full risk. We were a pioneer in 2016 or 2017 with our licence and we started convincing freelancers into this employed contractor option. We successfully convinced freelancers into this option and we have a big pool." [LMI_4a, Key Account Manager]*

It appears that temp agencies are utilized to fulfil both blue collar and white-collar jobs, with the pre-condition that these jobs/assignments last for minimum one day, up to several weeks or even several months. The positions which temp agencies are hired to recruit for, are not fully simplified ones, and require more extensive onboarding and training for the worker to be able to perform the job. Examples are roles/ jobs in IT, hospitality, science, production facilities, logistics and more.

> *"We offer wide range of positions in STEM. Temporary staffing, contracting option and permanent option. One is permanent staffing, like permanent hires, who are fix based, second option is freelance model on a temp basis such as for certain projects. This one also comes along with MSPs, who are more in line with permanent staffing..."[LMI_4a, Key Account Manager]*

> *"We have people working in restaurants, we have logistics, jobs like order pickers, and we also have Administration, so office jobs. We can talk of jobs as data entry and promotion & call centre jobs. Usually jobs where they look for candidates for a month, if someone is on a sick leave or if there is a big event in Amsterdam, such as football match...Then you need employees to come and work for a day." [LMI_2, Recruiter]*

When asked about type of work they would never outsource via temp agency, respondents did not have an answer. One remark was made in regards to client firms being critical about the type of work they outsource to a specific agency. Particularly, clients are careful about outsourcing a specific type of work to a temp agency experienced and specialized in a certain field (e.g. IT & Tech).

> *"What they are not giving us...well since we are really focused on that field, we never get questions about other type of work. They go to other specialized agencies for that. For*

example, for site operator or manager. We also rather don't take those projects on us."
[LMI_1, Director]

Regarding HRM practices carried out by temp agencies, respondents identified several of them, such as employer branding, recruitment, selection, contracting, performance reviews, payrolling, diversity reports and more. Responsibilities of temp agencies do not stop when the position is filled, but extend during the assignment period, where recruiter (i.e. human intermediary) is involved further in execution practices such are administration and payroll or reporting.

"It does extend a bit, after I match them, I am in contact with people and check if they need any help when it comes to changes in their accounts. I would be the one who does that. So I am also sort of a help desk, after I matched the candidates with their jobs." [LMI_2, Recruiter]

"We discuss diversity report, we offer in headhunting, we have different meetings and diversity projects with clients, what else...MSP partnering also. This means that within line manager context that we connect with MSP, which is called MSP partnering." [LMI_4a, Key Account Manager]

"They can also ensure that they promote us and specific event we have in a creatin way, so we can attract right people in our pool. They already make selection. Within that selection I think biggest plus is that it also attracts people who like to work for specific events and audience." [CF_4, HR Manager]

Furthermore, some of the benefits of temp agencies were brought up. Firstly, longer existence/presence on the labour market and involvement of human intermediary seems especially relevant for the relationship and trust building with the client firms, but also between temp agencies and candidates, who do not need to be specially attracted or educated about possibilities with temp agencies.

"I think it's because of our employer brand. We have been around for many years and because of that we have improved quality of jobs and way clients operate. When you think of us, you think of big company who delivers quality." [LMI_2, Recruiter]

Also, there is a perception that candidate pools of temp agencies are still larger than at the other type of LMI or the one in-house recruitment team could generate.

"What we did not talk about is specialized areas. Clients are not specialized, they do not have contacts and network and knowledge on how to recruit for each area. For a recruiter working for a company you must recruit for different areas and you would never be that great as someone who has a special know how on how to look for DevOps specialist or different qualified specialized persons. Candidates are also referring you to others. Within your network you can deliver quite quickly. There is rarely a company that is constantly recruiting." [LMI_4a, Key Account Manager]

**UNIVERSITY
OF TWENTE.**

"As agency you are constantly recruiting, if not for this client, then for other client and they have data pool. Then this quick recruitment is absolutely a topic why they would choose us. They cannot cope with the amount of positions themselves. So this is the reason." [LMI_4a, Key Account Manager]

Further benefits recognized by respondents are also less responsibility for client firm, more support during pre-selection phase, as temp agency workers are profoundly aware of both client and candidate side, which enables them to pre-decide if these two fit.

"You really need people to start interviewing, set-up contracts, ask other companies for references. There is a lot of stuff that needs to be ready if you really need to onboard people in the weekend." [LMI_1, Director]

"I can only think of one and that is that you don't need to plan anything. You can just reach out to agency and they will do all for you." [CF_3, District Manager]

Also, benefit of temp agency in comparison with direct employment is the "extended trial period" of the worker.

"Yes, definitely. So, benefit is definitely that we always say... "the trial period". In Germany we have this equal pay rule, I am not sure if you have it in the Netherlands, but after 9 months in temp position, you have to pay that worker, even if it's a continuing longer, but you have to pay that temp worker, as if someone was hired internally in that position." [CF_8 and LMI_3, Global Commodity Manager]

On the other hand, respondents brought up some of the more negative sides of temp agencies utilization. First one is related to the behaviour of the talent they supply. More specifically, several respondents were of the perception that security temp workers feel from the temp agency, negatively influences their motivation to show up, engagement and performance. Furthermore, if temp worker calls in sick, replacement is not always guaranteed by the temp agency.

"With temp agencies it is possible that people are still not coming because they say they are sick or else, and that's not case with OLP, they are really motivated to come." [CF_6, HR Manager]

"Yeah, so you need to manage and delegate. This is also very important one: freelancers can promise to come and never show up. That is a major risk. Freelancer needs to be with a company person on one department, so you need enough direct staff to supervise them. They also don't get any penalty when they cancel. They need to cancel 8 hours before but sometimes they don't. Actually when you don't report that they didn't come, they get paid. So I need to tell who was on agenda and did not show up." [CF_5, Nurse]

"Another problem is the monitoring of freelancers. They don't feel responsibility and commitment to admit mistakes. We had a situation with somebody breaking medicine

UNIVERSITY OF TWENTE.

cabinet...these stuff are sensitive. We also had someone who stole from patients." [CF_5, Nurse]

In addition, due to current labour market challenges, temp agencies are also struggling to deliver on their promises in terms of quality and timing as they are juggling between numerous requests and workers' scarcity . While clients decide to utilize more LMIs simultaneously, in order to assure that desired talents and service are in place, temp agencies try to lower clients' expectations in terms of talent pool and their service. As according to temp agencies, clients are not accepting of the current talent scarcity on the labour market.

"Well, availability, that is the biggest issue at the moment. When we need them. They don't always have people available for us." [CF_4, HR Manager]

"The requirements that we get from our clients, we need to say to our clients it's great you have this in mind but you will not find it. There is very very scarce talent out there and you need to bring down your expectations and it will be harder moving forward. That war for talent is going to go extreme over the next couple of years as there is so many people out there that are hunting for talent as there is little talent and it will be harder in the future." [LMI_4b, Customer Relationship Management]

Last drawback recognized is related to the takeover costs. Respondents indicate the takeover costs which client firms need to pay in order to take the worker from agencies' talent pool and employ the worker directly after the assignment, can be very high. This could be a reason for client firms to search for an alternative LMI that does not charge the client firm for the "takeover" of the talent.

"It happens when they are in they see how great it is to work here, but then sometimes it is not possible due to fee, a lot of money. That is reason for me to stop with that agency and go to other temp agency." [CF_6, HR Manager]

Characteristics of OLPs

Respondents also provided views on characteristics of outsourcing labour through the OLPs, their benefits and drawbacks. In general, OLPs seem to mostly be used for very simplified, repetitive tasks, which are most of the time not customer facing ones, and which require as little possible training to carry out the task and do not require knowledge nor understanding of client firms' business model, processes nor values. These tasks are short in duration, so there is a possibility that the worker, coming from OLP, joins the client firm for only one shift, without commitment to come back.

"We got a really big machine for it. All parcels need to be injected into machine and taken out of machine. So, colleagues work with iPhone scanner. They just scan the parcel. It is not a rocket science." [CF_2, Terminal Manager]

UNIVERSITY OF TWENTE.

"What we started initially is to give them task that you don't need any training for. So, really easy easy task. Activities where we get a lot of data and where we can keep track on activities and also on employees who are using a scanner." [CF_7, Fulfilment Centre Lead]

"With freelancers really easy work that they can learn within 5-10minutes. So really hands-on. They need to support in the store, so for example putting the carts outside or helping with the cardboard to bring it to logistics centre, to remove it and sometimes they help in kitchen department. They help with dishwashing." [CF_6, HR Manager]

Examples of type of tasks for which OLPs are hired involve placing a parcel in a machine, cleaning the kitchen, scanning products and similar. However, there were also few exceptions named, such as working behind the register or welcoming customers, that face the customers, however, do not need to possess extensive knowledge of the products.

"So what we normally do, we just add OLP workers behind the register, so the other more experienced people from company can get on with their tasks. But we don't have difficult other tasks that you can use OLP for." [CF_3, District Manager]

Also, when asked what type of work does not fit to OLPs, one of respondents mentioned that OLPs are not used for outsourcing work where commercial/people skills are needed, as these are not possible to assess when matching is based on CV only.

"Hmm...the more specific tasks, there are some things where more issues will come up. I also don't want them to do last step in the process, so for example after round of picking employees put baskets into the frames, and that for example, if it goes wrong it can have bigger impact on customers. ...Activities that have impact on customers." [CF_7, Fulfilment Centre Lead]

"With OLP workers, we don't allow to do some cashier work or with customers, as there needs to be lots of training and for 1 day that is not useful." [CF_6, HR Manager]

Furthermore, mostly brought up characteristic of OLPs is the flexibility in terms of accessibility and use of the OLP technology, user friendly properties, efficiency of replacing or selecting new staff, but also in terms of OLP aligning with the flexibility of the client firm itself, in situations of rapid growth of customers and their demands.

"Well, it's very easy, user-friendly, that is a big benefit. It costs our hiring manager less time than using different ways of outsourcing labour." [CF_4, HR Manager]

"That's really fast plug and play. it's really that we have people available within few moments and it's more trustful than working with temp agencies." [CF_6, HR Manager]

"Flexibility is the biggest plus point." [CF_2, Terminal Manager]

UNIVERSITY OF TWENTE.

Hence, it seems that start-ups and scale-ups, who are trying to become profitable themselves, often decide to outsource via OLPs.

"We've got a forecast for a month and sometimes even longer, but in the week itself there can still be a lot of ups and downs in the volumes and that's where OLP gets in actually." *[CF_2, Terminal Manager]*

"If I need to explain this to people I always use the following metaphor – if you're on your phone and you want to install some app you can always use light version for free. Personally, I would always use light version. You see…it's really cost orientation with the online labour platforms." *[LMI_1, Director]*

More benefits recognized by respondents were high and motivation driven performance of freelancers and, in case of sickness, ensured replacements by workers themselves. This is related to the fact that freelancers can get 'expelled' from a specific OLP, in case they do not arrange a replacement worker in case of absenteeism, which is convenient for the client firm.

"Really big benefit is that you have no sickness. If temper gets sick they need to arrange someone as a substitute and that works really nice. Then, mostly we get really motivated people." *[CF_3, District Manager]*

Also, the transparency of data and easily accessible technology seem to increase managers' satisfaction and perceived feeling of control over the recruitment process and management of freelancers. OLPs seem to be adapting or adding new features to their service such as possibility to invite workers proactively to shifts or creating a preferred talent pool.

"If I would compare now, I would just think which platform is fastest and easiest to use, so for example, OLP has added an function that is really nice. Two years ago you would just put out a shift and you have to wait, but now you can invite people and see which people are looking for job." *[CF_3, District Manager]*

On the other hand, several drawbacks of OLPs were emphasized. First one is related to the development stage and size of OLP. Still, some of them are in their beginnings and thus do not operate in smaller cities, where the candidate pool is thus significantly smaller and client firms seem to have less positive experiences. This is related also to the type of the workers OLP attract, as most of the time these freelancers are students or young people trying to save up money for leisure, not interested in secondary benefits but in earning more in a moment. In smaller cities, there are less jobs for international students, who appear to be a large portion of the talent pool. Due to less activity in smaller cities and less demand for internationals, also the candidate pool is smaller and not as attractive as perhaps temp agency one. This implies that labour market plays an important role in client firms' decisions to work with the OLP, as OLPs currently depend greatly on students.

"Well, it is almost like instant speed employee. That is really nice. I differs of course a lot between cities. For Amsterdam or Utrecht we always find someone, but for example for cities like Enschede it is quite difficult, so the outer regions." *[CF_3, District Manager]*

UNIVERSITY OF TWENTE.

Furthermore, client firms are not convinced that there is always a good match between CV/candidate and the gig offered. Selection on CV is not always reliable and client firms find out quite late that the freelancer is not matching their expectations, after they already invested their time in getting person on-board. Also, selecting candidates based on the performance ratings given by different client firms, at which they worked previously, can be misleading, as these client firms might differ in their strategy and thus expectations of workers. For instance, a luxury hotel might have a different performance and qualification criteria for OLP workers than a budget hotel or hostel. Without the presence of human intermediary, it is challenging for client firms to judge quickly whether the worker fits their environment and the task.

> *"Well, the quality. Of course there is rating system behind, but well...people work in all kind of restaurants and there is a big variety in those restaurants and quality standards of restaurants. So, yeah, you cannot see via platform if someone fits your culture. We are a 5-star luxury hotel, so we have specific guests we would like to serve and we need people who are able to do that and who would like to do that. That is not something you can always find out via platform like that. That also makes it not a perfect solution." [CF_4, HR Manager]*

While motivation and performance were mentioned as benefits, there are several negative views regarding these aspects. In case of underperformance, demotivation and lack of commitment, the workload will increase for the direct staff, as they will need take up managerial responsibilities towards freelancers. In relation, high fluctuation of freelancers involves repeated investment in training and work instruction. Finally, the benefit of flexibility in terms of publishing a gig quickly can also be overshadowed by the investment of managers' (client firms) time in search of suitable candidates, sometimes outside of their working hours.

> *"There are some problems. First one in general is motivation of OLP compared to own employees can be much lower. We set it up in the system that good ones are coming back, and those that we don't like can't. But still there is motivation difference & work ethics. What I said in the beginning, it was hard to keep track on them...they could just walk around. So you need a lot of leadership to keep track on them." [CF_7, Fulfilment Centre Lead]*

> *"Using OLP, also means for me that for example, it happened yesterday, I got a sick person for today and I put out a shift and I am checking whole day and sometimes even at 11 o'clock in the evening you have to do a lot yourself. With temp agency you can just put out a shift and …." [CF_3, District Manager]*

Firm Boundaries – Criteria to outsource

Overall, respondents brought up two main themes of criteria for outsourcing to LMIs. On one hand, they expressed criteria in relation to LMIs' services, their collaboration and ability to deliver on their promises, while on the other hand criteria in regards to expectations of workers was mentioned.

In terms of LMI criteria, trust was an important and frequently mentioned component and applies for both types of LMIs (i.e. temp agencies and OLPs). Client firms find (human) relationship with the LMI representative crucial in achieving successful collaboration and utilization of LMI.

UNIVERSITY OF TWENTE.

"I think there is big personal component. The relationship that I have with chiefs of companies should not be as important but it is. They know they can call me anytime and be open." [LMI_1, Director]

"That's quite difficult to answer, as I just started working with OLP as a test and it works really well. Reason for me is contact person from OLP and I, myself, I find it really relaxed working with him so I never thought about another agency." [CF_3, District Manager]

Furthermore, price or cost of the service and worker were also acknowledged multiple times**,** however, respondents did not highlight it as the single criteria, but brought it up in combination with ability (competence) and flexibility of the LMI to deliver the right talent on time. Also, dependency was brought up, as client firms do not want to invest in working with an OLP that has a limited labour supply.

"So, price is important one. Availability also. I can put a lot of time and effort into collaboration with the party, but if they have a really small pool of people, then I won't really benefit from it. So this is something I would like to understand before I decide to work together." [CF_4, HR Manager]

"What I already mentioned, the cost. While growing OLP. We started a year ago with it… The flexibility, we aren't even profitable company. We are interested in growing, and how you grow is to keep promises to customers, and that's how they are contributing." [CF_7, Fulfilment Centre Lead]

"Cost is always an issue, but I think we at the moment all earn enough because we have high demand of people in the market and at the moment it is not very cost driven recruitment market. It is more candidate driven. Clients would pay more for candidates." [LMI_4a, Key Account Manager]

Technology and infrastructure stood out as well among the criteria as they enable quick access to workers and independency or the perceived control of managers in recruitment. It seems that technology with which OLPs equip managers, gives them perception of control and efficiency, and thus is seen as relevant criteria in selection of LMIs.

"If I would compare now, I would just think which platform is fastest and easiest to use, so for example, OLP has added an function that is really nice. Two years ago you would just put out a shift and you have to wait, but now you can invite people and see which people are looking for job." [CF_3, District Manager]

"Most of work is done via platform and technology. They can all have access on mobile phones to the app and be in control of who they like to hire for a certain period or day. So they are completely in control." [CF_4, HR Manager]

UNIVERSITY OF TWENTE.

Another criteria was development stage of the client firm. It seems that if the client firm is in its growth phase, where ensuring profitability is the focus, it would decide to outsource via an OLP, as the focus is on the quick filling of the positions, so delivery to the customers and acquisition of the new ones can be ensured. However, stable, middle-size (international) companies strive to ensure that LMI deliver high quality candidates, while having a good understanding of their processes and needs. In these cases, client firms decide to utilize temp employment agencies. It is however unclear if OLPs are likely to cater to the needs of bigger firms, and thus offer services which are built around client firm's processes and additional needs.

> "I think...I am not sure... I think in the future there will be shift in what KPIs are more important in the future. Maybe we are only ones in next 10 years or so that are able to sell to all households in Europe we are in a more luxury position and we don't need OLP anymore. I have no clue...that can differ. Priorities differ... I would say that position needs to be balanced anytime." [CF_7, Fulfilment Centre Lead]

> "I think first of all, it's ...let me think. You need to differentiate the clients. Germany has a lot of middle size companies and small (MSPs so to say). They prefer good recruitment service and good candidates. Those two things. That means that you have somebody who talks to you and who provide good candidates. First of all, quality of candidates was always the reason for which I could open up with clients and clients were willing to talk to me. But, for really big international companies it is also about understanding clients' needs and processes. You need an organization that works along with you. Very important one. But also the other two criteria." [LMI_4a, Key Account Manager]

Furthermore, it appears that client firms strive to work with LMIs who know their brand and identity. However, this seems to be a long-term, future oriented criteria, challenging to meet at this moment when labour market is out of balance and when there is a talent scarcity. This is a challenge both for client firm and LMIs, as both sides strive towards this ideal of establishing their relationship and boundaries based on the firms' values.

> "But we want to work with preferred supplier in the Netherlands, who knows our values and culture, so that will come." [CF_6, HR Manager]

> "We need to understand our client in order to be a very good representative and that is very often where they are buying into us. But of course there needs to be a balance with the services that we offer, the price and availability of candidates and also what our client is looking for. We are very clear in what we can provide. If our client is seeking for something completely different, then we are not the right partner." [LMI_4b, Customer Relationship Management]

Criteria further depends on the type of job/role client firms are outsourcing and demand (i.e., number of positions to be filled). For blue collar jobs cost seemed to be a more important criteria, as well as ability of LMI to fill the positions quickly, regardless of the quality of talent. On the other hand, for the jobs requiring higher education level and where workers will face customers, quality of talent is the relevant criteria.

UNIVERSITY OF TWENTE.

"I think factors depend on the type of job you're outsourcing. In production, cost is by far the biggest factor." [LMI_1, Director]

"When it comes to logistics – I can just send candidates. When it comes to data entry and restaurants – they want certain quality and diploma. They don't want to have anyone walking around in horeca. They would not put a 15 year old in a restaurant serving more people at the same time. They look at if someone can handle stress, what are qualities etc. They also look at work experience when it comes to those jobs." [LMI_2, Recruiter]

"It's not always about quantity though, but when client needs 30 or more people, they don't look at quality. When they need like 5, they are cautious who they hire. they look more at requirements and diplomas." [LMI_2, Recruiter]

Mostly emphasized criteria for LMI workers were the proximity of workers to the workspace, number of no-shows, performance, qualifications, and skills. Interestingly, even though motivation and commitment were brought up multiple times as drawbacks of outsourcing to LMI, these factors did not come up during criteria discussion.

"Sometimes the skills. I will give you an example; we don't have nobody in our location that has a level 4 nursing. Persons who have level 4 are mostly there during the day. For example, level 2 and 3 nurses cannot do male catheter. Also, we have persons who are trained with fire, choking and other emergencies...sometimes our level 2 and 3 don't have that training. So, qualification and skills are what we look out for. We need specialized people." [CF_5, Nurse]

Lastly, it is remarkable that LMI respondents brought up the shift in the criteria which they notice in interactions with the clients, in the current challenging labour market. It appears that price of the service lost its relevance over ability of the LMI to deliver and the quality of the talent. In the times of the resources uncertainty and scarcity, client firms care less about the price.

"Of course price, but I would say that this is getting less and less important. Because this is about the talent and that job is filled, and not about the price. Our line manager says, and this is for more specific positions; I don't care how much it costs, just get the position filled." [CF_8 and LMI_3, Global Commodity Manager]

"There's always a desire from a client and a desire from candidate. But you have to lower expectations from both of them, you have to balance it out. That could be a location, that could be weekly hours, that could be technology used, that could be price, you have to balance it out. That's again where we come into play, as you really have to speak to both sides and say hey where is the flexibility and on what scale can we work together and that is very often a difficult part of our job because on paper it looks like we could work together, but they also say no to each other and you need to find out what needs to happen in order for you to come together." [LMI_4b, Customer Relationship Management]

UNIVERSITY OF TWENTE.

Firm Boundaries - Reasons for simultaneous use of LMIs and to change LMIs

For client firms that use LMIs simultaneously or who decided to, besides more traditional LMIs to involve OLPs, reasons are mostly related to the challenges on the labour market and objective to spread the risk over several LMIs and thus avoid dependence on only one talent pool and competence of their direct employees. Even though companies would like to work with their own direct staff only, or with the dedicated LMI on the exclusivity basis, this does not seem feasible in the times of talent scarcity.

"Because we want to avoid risks of not getting the right people in. that's just it. In the current market. If you ask me pre-covid, I would say that I prefer to work with one agency to make sure we have a very strong relationship. That is something I really believe in. From both sides we need to be able to count on each other. With some of our agency we have that kind of relationship as we have collaboration of 15 or 20 years. But in current market I need to avoid the risk and that's why we use different agencies." [CF_4, HR Manager]

"Hmm, I think first I used temp agency and then we moved to OLP. We did not use them at the same time. I know they do now or when I left. I think the only reason that my ex colleague mention is that it was just so much competition and sickness everywhere and you have to use more than one to fill in all the gaps. If you look at me personally, I would never use an agency anymore, seeing how easy OLP works." [CF_3, District Manager]

Moreover, the reasons to change between LMIs seem to be the costs related, inability to comply with service level agreements and inability to deliver, but also negative experience of client firms with the human intermediaries.

"I think one of the main reasons is definitely the missing of flexibility, so if what they are looking for cannot be offered by the supplier in terms of services or maybe even technology. What you see, in America, what is happening there, client organization who used to have the infrastructure, so the vendor management system and the managed service provider, they get rid of the service provider. Because they say, okay, we now have transparency and we have everything on the platform, but we want services to be handled internally." [CF_8 and LMI_3, Global Commodity Manager]

"Lack of responsibility or accountability lack of delivery in terms of not delivery on what they promised to deliver, lack of talent, speed and time, and very often price." [LMI_4b, Customer Relationship Management]

Finally, in relation to outsourcing in general, respondents believed outsourced service can never be delivered at the same level of quality as if performed internally.

"Because someone from internal matches the values and they know what's important for the company, and they can provide the services in a better way than the external. That really relates to what I said back in the beginning." [CF_8 and LMI_3, Global Commodity Manager]

UNIVERSITY OF TWENTE.

"Am I redundant, can they replace me? But my personal statement is: never. Of course, there are some jobs that can be replaced by someone external, but the quality is always decreasing. That is at least my statement. This external person is handling multiple clients and has only certain time available during the day to cover for that client. From internal perspective, someone internally has the hold on values and culture. I think that is the nice note for the end." [CF_8 and LMI_3, Global Commodity Manager]

Overall, relying on multiple LMIs to spread the risk in times of talent scarcity and demand fluctuations, is perhaps not ideal from the cost and identity point of view, as client firms are forced to pay a higher price for the talent in the current labour market and need to work with several vendors simultaneously to increase the chance of fulfilling the vacancies or cover for skill and knowledge gaps of their direct staff. As there is a need to work with different vendors, it is challenging to establish collaboration only with the ones closest to the client firm identity and characteristics, even though this might be their long-term aspiration to ensure highest quality of service and understanding of processes.

5. Discussion

The aim of the study was to discover whether client firms are indifferent in their choices of LMIs or they comprehend differences and similarities of particularly two types of LMIs, i.e. temp agencies and OLPs. Furthermore, study focused on understanding whether and how four organizational boundaries (i.e., boundaries of efficiency, power, competence, and identity) drive client firms' choices of labour outsourcing. From the theory point of view, study meant to contribute to the comparison of two different LMIs, i.e., OLPs and temp agencies from the client firm perspective, while it also aimed to explain how organizational boundaries influence outsourcing choices. From practical perspective, research aimed to provide guidance to the client firms planning to outsource their labour, while it simultaneously intended to expand LMIs' understanding of client needs and strategies. Interesting findings were reported from both theoretical and practical perspectives. In the following section, first theoretical findings will be presented and discussed, followed by the practical perspective and then limitations of the research.

5.1 Theoretical Implications
LMIs – similarities and differences of temp agencies and OLPs

Before diving deeper into awareness of similarities and differences between temp agencies and OLPs, findings captured more general reasons for outsourcing through LMIs, which confirmed some of the theoretical implications, but also added new insights. For instance, rationale proposed by theory was expansion of talent pool, fast match making and decrease of administration for client firm (Bonet et al., 2013). Findings confirm that access to a larger talent pool is one of the crucial reasons for utilization of more LMIs simultaneously, especially, in the times of labour scarcity and tight labour market. In the current labour market conditions, client firms opened towards new types of LMIs, such as OLPs, with the hope of reaching more workers. Also, findings confirm that LMIs are used to reach higher efficiency in terms of HRM activities and mitigate risks which come when internal HRM department and recruitment team are unable to deal with the market challenges due

UNIVERSITY OF TWENTE.

to lack of competence, knowledge, or incapacity. Furthermore, faster match making was also confirmed to be a reason for LMIs utilization, especially, when client firms desire more flexibility and wish to spread the risk instead of being dependant only on their own or few external talent pools. In addition to these findings, it was discovered that consequences of pandemic in terms of business recovery, increased absenteeism, and turnover call for the utilization of LMIs, in order to preserve the well-being and retention of client firms' direct staff members. Besides, fluctuation in workload and seasonality were mentioned as drivers for labour outsourcing.

When it comes to client firms' understanding of differences and similarities between temp agencies and OLPs, findings confirmed that both OLPs and temp agencies fulfil the same roles (i.e., information provider, match maker and administrator) (Bonet et al., 2013). Also, study confirmed assumption that roles are fulfilled in different ways, as temp agencies enact them directly while when outsourcing through the OLP, client firms need to take the responsibility for the roles. This is however challenging, as managers in client firms, who are the primary users of OLPs, do not always expect that HRM activities and related roles will become their direct responsibility and thus add some strain to their primary tasks. In relation, findings show that outsourcing through the temp agencies involves more standardized processes, while usage of OLP, probably as it is a newer form of LMI, is still in its experimental phase, where managers are trying to find best ways to utilize OLPs by themselves, and do not involve much advice from the HRM function. Despite, it was reported that HRM function finds that OLPs stimulate managers to be more independent in, and accept the responsibility for the people management part of their role. In relation to the roles, it was acknowledged that information and match maker roles were more frequently mentioned by the respondents. This could be due to the currently unstable labour market with labour scarcity and record high turnover rates, where the emphasis is more on the recruitment and selection, than on the other HRM activities.

Furthermore, based on theory, it was assumed that temp agencies play more pro-active role in terms of headhunting and reaching out to candidates outside of the talent pool (Cappelli & Keller, 2013), however, findings have proven that some of OLPs included as well option for client firms to pro-actively contact workers registered at the platform, who were not yet matched to their vacancy, but are "on the search" for a new gig. This functionality enables client firms' pro-activity and involvement in recruitment process.

Another finding worth highlighting is related to performance appraisals. Meijerink and Keegan (2019) assumed that client firms possess more control over workers' appraisals when working with OLPs, due to a more direct responsibility over workers, in the absence of human intermediary. On the other hand, temp agencies are keen on managing appraisals themselves and thus have more influence over performance appraisals. However, findings of this study offer a different view. It appears that, when utilizing OLP, appraisals can also be challenging and lead to less control over workers' qualifications and performance. To elaborate, OLPs allow different client firms to rate workers' performance, but different client firms can naturally use distinct evaluation criteria. This misalignment in criteria can lead to unreliable ratings. For instance, a luxury restaurant would not have the same performance expectations and criteria for platform workers as a school canteen. Thus, when a new client firm wants to offer a gig to the worker, based on workers' previous rating, it may be unreliable, as different client firms follow different strategies and thus set different performance evaluation criteria. The client firms therefore seems to lose control over appraisals with both LMIs and not only when working with temp agencies.

UNIVERSITY OF TWENTE.

Furthermore, it is necessary to bring up the human intermediary factor, as a distinct characteristic between OLPs and temp agencies. In a fact, both LMIs involve human factor, however, difference lays in the responsibility of the client firms. When working with temp agencies, client firms have a perception of being able to rely fully on the agency to perform the roles and improve process and services. This perception is shared as well by agencies themselves, as they see it as their unique selling point. On the other hand, when working with OLPs, companies hope for efficiency and flexibility, however, there is a trade-off with the limited influence on the service performed (i.e., on the platform/AI performance and functions) (Meijerink & Keegan, 2019). To illustrate, when working with OLPs, client firms still expect them to improve their service and product (i.e. platform). However, it seems challenging to communicate their experiences and feedback to OLPs, in the absence of human intermediary. Even tough client firms chose to work with the LMI which do not offer human intermediary, they still expect to be able to share their feedback to OLP and in return receive improved service.

Moreover, study found that in case the additional functionalities are needed, as for example, records of freelancers' performance, client firm would set-up their own internal ratings system and records to keep the track of the performance or absenteeism of the workers as a response to OLPs not changing functionalities and service themselves. This is an important finding, as it points out that client firms need to have the capacity (among their managers and HRM) to take the responsibility, to ensure flexibility and efficiency that they hope for initially, will be achievable in practice. Even though it is obvious that when working with OLP, human intermediary will not be available, there still seems to be an unease about this aspect from the managers point of view.

Besides, regarding the profiles of workers, respondents who have experience with both temp agencies and OLPs, noticed similarity, as they were mostly matched with students, by both LMIs. However, they noticed the difference in the ways workers deal with absenteeism, as OLPs require workers to find replacement themselves in case they cannot show up for the gig, while temp agency workers are not asked to do the same and might therefore feel less responsibility to show up. However, it is important to emphasize that these findings were reported in relation to blue collar, repetitive, simple jobs.

Finally, even though similarities and differences, proposed by the theory, were found throughout interviews indirectly, when asked directly about similarities and differences, respondents could offer only limited answers. Why this is the case, should be researched further. Based on the findings of this study, it is to assume that both HRM function and managers are just starting to utilize and test OLPs, in addition to temp agencies. Due to its early stage of usage, client firms still encounter a lot of trial-and-error situations, while understanding of users, strategy, and training on the proper utilization of OLPs are missing.

Four perspectives of firm boundaries

In terms of boundary of efficiency, based on theory, it was assumed that it might be cheaper to hire labour externally than to bare cost of coordination and governance of labour internally (Santos & Eisenhardt, 2005). This assumption was partially confirmed by the findings, as outsourcing to OLPs, seems to reduce transaction costs as they are performed by AI. One example is that when working with OLP, paying of the workers is more efficient, due to utilization of the tech instead of human intermediary. However, coordination and governance costs were still high, as client firms need to invest heavily in training and managing of the freelancers. Moreover, in cases where temp

UNIVERSITY OF TWENTE.

agencies were chosen as the outsourcing option, transaction costs seem to still be high due to investments in monitoring of the service level agreements with the agencies. On the other hand, coordination, and governance costs, while still present, seem to be lower due to better match between the worker and the client firm, which was ensured by the involvement of the human intermediary.

Overall, despite of client firms acknowledging that with the utilization of LMIs, coordination and governance costs do not reduce, transaction cost reduction is still a driving criteria to outsource to LMIs. Even though outsourcing, as a cost reduction tool is often considered by the client firms, in the unstable labour market, it is not a leading criteria, as often multiple LMIs are utilized simultaneously, which does not contribute to the cost reduction. This finding is aligned with the theory, which assumes that boundary of efficiency is more relevant in stable markets (Santos & Eisenhardt, 2005). However, outsourcing, as a tool to manage boundaries, offers client firms independency, which leads us to the boundary of power, which seems to be the leading one.

Boundary of power, can be explained with the resource dependence theory, which suggests that firms will try to exercise power in order to control the resources in the environment or reduce the power of the environment over the firm (Hillman et al., 2009). Findings of this study show that firms use several labour outsourcing options simultaneously, in order to achieve independence from depending only on one LMI's talent pool, as this could limit their access to human resources. Also, client firms brought op relationship and trust as one of the crucial criteria for outsourcing, which are one of the tools for managing this boundary (Santos & Eisenhardt, 2005). Especially, in the times of the talent scarcity on the labour market, high labour turnover rates and demanding candidates, client firms are unable to fully internalize (human) resources and thus seek the solution in outsourcing. By doing so, firms try to reduce the power of the environment (labour market). Furthermore, in the context of this study, question was posed whether client firms combine several LMIs to achieve both control and independence, as OLPs seemed to provide more control (as responsibility is with the client firm), while temp agencies seemed to offer independence to the client firm, as firm can rely on the human intermediary to take care of HRM activities. According to the findings, client firms do not seem to use OLPs and temp agencies simultaneously to achieve both independence and control, but to grant access to larger talent pools and limit dependence on the talent pool of only one external party by relying on many external parties at the same time.

In relation, findings show that when working with OLP, control by the client firm over the worker may be reduced. This seems to be the case in relation to the appraisals process. Even though it appears that client firm has more control over the performance ratings of the worker, as they assign the rating directly by the use of platform, it does not seem to be the case, as more client firms will be evaluating the worker, based on their different performance criteria and thus client firm loses the control over worker's rating. Also, working with OLPs makes client firm more dependent on their own HRM knowledge and competence, in the absence of human intermediary. In contrast, when working with temp agencies, client firms are less dependent on their own HRM knowledge and competence since human intermediary (recruiter or account manager) will take up those activities. Control over the resources and processes, thus seems to be decreasing with the utilization of LMIs, especially when demand for support of LMIs is high. In these times, LMIs do not need to invest in tailoring their approach to the specific client needs to attract new clients, and hence offer more generic services.

Furthermore, boundary of competence was truly relevant in the eyes of respondents. It was

UNIVERSITY OF TWENTE.

confirmed, that boundary of competence competed with the efficiency one. It was found that, in the current labour market, client firms strive to ensure needed competence on the trade-off of the cost. However, remarkably, firms did not speak about internalizing resources which bring sustainable competitive advantage, due to high uncertainty on the market. Focus is mainly on accessing resources by utilization of LMIs. Interestingly, some of the client firms did mention that roles which are customer facing, require knowledge of the business processes and knowledge, as well as for instance commercial skills, will not be outsourced via OLPs, where selection is only based on application documents and system ratings. In terms of temp agencies, it seems that client firms outsource all kinds of roles to them. Exceptions seemed to be managerial or coordinating roles, but in practice, these ones also seem to be outsourced through temp agencies, in some cases.

Lastly, boundary of identity predicted that firms will set boundaries in order to attract and retain members or other stakeholders, such as customers or suppliers, that will identify themselves with the client firm (Santos & Eisenhardt, 2005). According to the findings, this seems to be a long-term aspiration of client firms, however, in practice, when boundary of power is more relevant, this one becomes non- attainable. Moreover, when client firms are trying to increase their independence from one talent pool, by working with several LMIs, it becomes challenging for client firms to assure match and compliance of several LMIs (and their actions) with the firms' identity. According to the findings, synergy between client firms' and LMI's identity seems to only be achieved when stakeholders work closely together, on an exclusive basis and focus increasingly on ensuring that LMI represents firms' identity in the authentic way to the candidates. However, when client firms would select based on boundary of identity, it seems that for now, temp agencies would have the advantage, as they put more time (via human intermediaries) in understanding of company identity and processes, to ensure a reliable fit between the candidate and the firm.

5.2 Practical Implications

To offer guidance to client firms, looking to outsource labour, 'Table 3' providers overview of OLP and temp agencies characteristics from client firms perspective. To summarize, it seems that OLPs are currently used more by companies focused on growth, such as start-ups or scale-ups for example, as their focus is mostly on efficiency and flexibility. On the other hand, temp agencies, as they involve human intermediary, are used by bigger companies, that can afford to outsource HRM responsibilities. When utilizing OLP, there might be increased responsibility put on managers in terms of posting jobs, selecting candidates, managing performance and so on. In regard to job profiles, based on the findings of this study, OLPs are mainly used for micro tasks, while temp agencies offer variety of profiles to the client firms, to fulfil different roles (e.g., production worker or engineer) from the same talent pool. Also, some of the temp agencies provide as well option of hiring freelancers. Temp agencies also seem to be used when client firms want to extend the 'trial period' of the worker and only hire them on a direct contract after they have worked through the temp agency on an assignment. Hence, it seems that temp agencies are tapping into freelancer market, to enlarge their talent pools, while for the OLPs the same does not apply. This could however be an interesting topic for the further research. There is still the question of whether OLPs are considering to offer larger variety of services to the clients and hence expand their client base. For instance, example of one OLP implementing the headhunting option to the platform could be just one of the first examples of OLPs tailoring their services towards client firms needs and thus becoming more similar to the temp agencies.

UNIVERSITY OF TWENTE.

Table 3. Characteristics of OLPs vs temp agencies

Characteristics	OLPs (client firms' view)	Temp Agencies (client firms' view)
Job profiles outsourced	• Mostly used non-customer facing jobs, few exceptions • Simple, repetitive jobs, do not require knowledge of business model/processes/values • For jobs where match can be based on CV only (do not require skill check)	• Can be used for broad range of profiles, no limits indicated • Lately also used for simple, short tasks (gigs)
Development stage of the client firm	• Used for start-ups, scale-ups, since less costly	• Used by more mature/stable firms
Unique selling points (benefits)	• Fast matching, flexible	• Offer more options for client firms in terms of (HRM) services • Used as trial period/ testing period for future direct staff • Longer presence on the market, history, well established brand • Larger talent pools • Less responsibility for client firms
Challenges	• Smaller talent pools (new to the market) • Less reliable match making and performance ratings • Increase in workload for direct staff	• Security of workers negatively influence their motivation • Agencies struggle to deliver on KPIs, SLAs • Charge for the takeover of the worker by client firm

Furthermore, when it comes to the practical usage of LMIs, it is interesting that client firms expectations towards OLPs in terms of process and service improvements are still high, even in the absence of human intermediary. This finding implies that client firms are perhaps not fully accepting the responsibility they have when working with OLPs (i.e., technology based LMIs). Hence, there seems to be a need to set the expectations more clearly, when outsourcing through OLPs. As OLPs are new forms of LMI, based on the findings, it can be assumed that managers are not educated nor trained by HR department regarding the differences of working with the two types of LMIs. Also, there seems to be absence of the strategy for utilization of OLPs. Main reason for utilization of OLPs are expectations on flexibility, efficiency, and the fact that temp agencies are struggling to deliver on their promises to client firms. However, OLPs, if utilized properly, with a strategy in mind, might offer client firms and their managers more independent approach in HRM activities and equip the managers with HRM knowledge, as their level of ownership over HRM activities may increase.

To summarize, whether OLPs or temp agencies will be utilized, depends mainly on the client firm's characteristics such as development stage, characteristics of the job outsourced and whether client firm wants to outsource HRM activities, in addition to outsourcing labour.

In addition, while existing theory did not point at the relation between industry and the type of LMI, this study found that temp agencies were mostly used in the industries such as manufacturing and science, while OLPs were utilized in e-commerce and consumer goods. Furthermore, it was found that in health care, logistics, hospitality, and retail, both types were utilized simultaneously, as well as hybrid types of LMIs (e.g., temp agencies offering freelancer tasks/gigs). The fact that in the mentioned industries both types were utilized could be the consequence of the increased demand in these industries during and post pandemic. The interaction between industry and type of LMI, might be an interesting avenue to explore further and observe how presence of different LMIs in above-mentioned industries evolves.

Table 4. Type of LMI per industry

Type LMI	Industry
OLP	E-commerce, consumer goods
Temp Agency	Manufacturing, science and medical
Both or utilization of a hybrid type (e.g. temp agencies which offers gig, in-house OLP, etc.)	Health care, hospitality, logistics, retail, customer support

5.3 Limitations & suggestions for future research

As with any research, this one as well contains several limitations. First one is the limited number of interviews. As the research was conducted post pandemic, when many business are back on track and facing challenges such as increased demand, high turnover and more, it was challenging to find the available respondents and thus, only 12 interviews could be conducted. Furthermore, since it was necessary to compare views of several client firms about their experiences with LMIs, it was not feasible to limit the research to one firm, which would normally ease the search for respondents. Also, as it was challenging to find participants who have experience with both OLPs and temp agencies, researcher accepted to interview few participants who have a direct experience with only one of the two LMI types. This approach could have resulted in many assumptions by participants. Likewise, due to limited time and need for more participants, researcher agreed to also interview LMIs' representatives, who were mainly sharing their opinion and experiences regarding the type of LMI they represent. Another limitation of this research is related to the approach in selection of participants. Some of the client firms were selected after they were referred by the OLPs. This approach might have influenced respondents honesty about drawbacks of OLPs. Even though researcher noticed that client firms brought up drawbacks, it is not clear whether some were left out purposely, in order not to harm the relationship with the respective LMI.
Overall, in order to avoid these pitfalls, further research might consider to re-evaluate selection process of respondents, try to enlarge respondents' pool, and select respondents with a direct experience with both types of LMIs.

UNIVERSITY OF TWENTE.

6. Conclusion

This study focused on finding out whether client firms are aware of similarities and differences of two types of LMIs (temp agencies and OLPs) when choosing between or using simultaneously these LMIs. Also, the goal of the research was to find out whether and how labour outsourcing choices are influenced by the notion of four organizational boundaries. In regards to the first research question, it was found that client firms have the basic awareness of differences and similarities between the two types of LMIs, as well as their benefits and drawbacks. However, these differences do not seem to be, by default, the drivers for utilization of one or the other. What drives the choices of client firms are their reactions to the constantly changing labour market, which can be observed through the notion of organizational boundaries. More specifically, in times of talent scarcity, client firms are changing their approach in outsourcing. It was observed that initial attempt in prioritizing efficiency and wish to vertically integrate or utilize only most suitable LMI (more informed about clients firms' processes and business model and fitting to the client firm identity) are overruled by the need of the client firm to spread the risk of depending only on one talent pool. Hence, different types of LMIs are utilized simultaneously. Furthermore, there is a strong need of acquiring access to several talent pools simultaneously, in order to assure access to critical competences, while keeping them external to the organization to, as previously mentioned, reduce the risks in relation to labour. However, the increase of client firms' understanding of which LMI is more suitable for their particular case, could lead to a better informed labour outsourcing decisions. On the other hand, this research gave the insight to LMIs in regards to client firms' expectations of LMIs, which are valuable for continuous improvement and development of their services as well as client and candidate base. Finally, this study leaves several questions which further academic research should explore. For instance, if temporary agencies continue their attempts of entering the gig market, what will be the next steps for OLPs to differentiate themselves? Will OLPs tailor their services to enlarge the client base? But also, to what extent do current research and practical implications help HRM professionals to make more strategic decisions in utilization of temp agencies vs. OLPs? Finally, what steps are being taken by HRM community to educate managers in utilization of different LMIs, especially in terms of responsibility and ownership over HRM practices?

7. Acknowledgements

UNIVERSITY OF TWENTE.

References

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management, 17*(1), 99-120.

Bonet, R., Cappelli, P., & Hamori, M. (2013). Labor market intermediaries and the new paradigm for human resources. *Academy of Management Annals*, *7*(1), 341-392.

Boons, M., Stam, D., & Barkema, H. G. (2015). Feelings of pride and respect as drivers of ongoing member activity on crowdsourcing platforms. *Journal of Management studies*, *52*(6), 717-741.

Burgess, J., & Connell, J. (2006). Temporary work and human resources management: issues, challenges and responses. *Personnel Review*.

Cappelli, P., & Keller, J. R. (2013). Classifying work in the new economy. *Academy of Management Review*, *38*(4), 575-596.

Chreim, S., Langley, A., Comeau-Vallée, M., Huq, J. L., & Reay, T. (2013). Leadership as boundary work in healthcare teams. *Leadership, 9*(2), 201-228.

Duggan, J., Sherman, U., Carbery, R., & McDonnell, A. (2020). Algorithmic management and app-work in the gig economy: A research agenda for employment relations and HRM. *Human Resource Management Journal, 30(*1), 114-132.

European Commission. (2022). *Commission proposals to improve the working conditions of people working through digital labour platforms.* Retrieved from: https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6605

Frenken, K., Vaskelainen, T., Fünfschilling, L., & Piscicelli, L. (2020). An institutional logics perspective on the gig economy. In Theorizing the sharing economy: Variety and trajectories of new forms of organizing. *Emerald Publishing Limited.*

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking qualitative rigor in inductive research: Notes on the Gioia methodology. *Organizational research methods, 16*(1), 15-31.

Graham, M., Hjorth, I., & Lehdonvirta, V. (2017). Digital labour and development: impacts of global digital labour platforms and the gig economy on worker livelihoods. *Transfer: European review of labour and research*, *23*(2), 135-162.

Gribble, L., & Miller, P. (2009). Employees in outplacement services: do they really get the help that is needed?. *Australian Journal of Career Development, 18*(3), 18-28.

Hillman, A. J., Withers, M. C., & Collins, B. J. (2009). Resource dependence theory: A review. *Journal of management, 35*(6), 1404-1427.

Kässi, O., & Lehdonvirta, V. (2018). Online labour index: Measuring the online gig economy for policy and research. *Technological forecasting and social change,* 137, 241-248.

Kretschmer, T., Leiponen, A., Schilling, M., & Vasudeva, G. (2020). Platform ecosystems as meta-organizations: Implications for platform strategies. *Strategic Management Journal*.

Locke, K., Feldman, M., & Golden-Biddle, K. (2020). Coding Practices and Iterativity: Beyond Templates for Analyzing Qualitative Data. *Organizational Research Methods*, 1094428120948600.

Lorquet, N., Orianne, J. F., & Pichault, F. (2018). Who takes care of non-standard career paths? The role of labour market intermediaries. *European Journal of Industrial Relations, 24*(3), 279-295.

McIvor, R. (2009). How the transaction cost and resource-based theories of the firm inform outsourcing evaluation. *Journal of Operations management, 27*(1), 45-63.

Meijerink, J., & Arets, M. (2021). Online labor platforms versus temp agencies: what are the differences?. *Strategic HR Review.*

Meijerink, J., & Keegan, A. (2019). Conceptualizing human resource management in the gig economy: Toward a platform ecosystem perspective. *Journal of managerial psychology*.

Meijerink, J., Keegan, A., & Bondarouk, T. (2021). Having their cake and eating it too? Online labor platforms and human resource management as a case of institutional complexity. *The International Journal of Human Resource Management*, 1-37.

Morris, M. D., & Vekker, A. (2001). An alternative look at temporary workers, their choices, and the growth in temporary employment. *Journal of Labor Research, 22*(2), 373-390.

OECD. (2022). *Temporary employment (indicator).* Retrieved from: https://data.oecd.org/emp/temporary-employment.htm

Pfeffer, J., & Salancik, G. R. (2003). The external control of organizations: A resource dependence perspective. *Stanford University Press*.

Platformwerk.nl. (2022). Retrieved from: https://platformwerk.nl/

Purcell, J., Purcell, K., & Tailby, S. (2004). Temporary work agencies: here today, gone tomorrow?. *British Journal of Industrial Relations, 42*(4), 705-725.

Reischauer, G., & Mair, J. (2018). Platform organizing in the new digital economy: Revisiting online communities and strategic responses. In Toward Permeable Boundaries of Organizations?. *Emerald Publishing Limited.*

Santos, F. M., & Eisenhardt, K. M. (2005). Organizational boundaries and theories of organization. *Organization science*, *16*(5), 491-508.

Stewart, A., & Stanford, J. (2017). Regulating work in the gig economy: What are the options?. *The Economic and Labour Relations Review, 28*(3), 420-437.

Williamson, O. E. (2008). Outsourcing: Transaction cost economics and supply chain management. *Journal of supply chain management, 44*(2), 5-16.

Winkler, I., & Mahmood, M. K. (2015). The liminality of temporary agency work: Exploring the dimensions of Danish temporary agency workers' liminal experience. *Nordic journal of working life studies*, *5*(1), 51-68.

Wright, P. M., Dunford, B. B., & Snell, S. A. (2001). Human resources and the resource based view of the firm. *Journal of management, 27*(6), 701-721.

UNIVERSITY OF TWENTE.

Appendices

Appendix A

A) Research invite for OLPs:
Dear reader,

We kindly invite you to participate in the research study – conducted by the University of Twente – that examines why client/contracting firms choose to outsource labour via online labour platforms rather than traditional means like temp agencies or job boards.

What's in it for you / your business?
This study offers you insights into which client firms' are likely to rely on the services of online labour platforms, and why. As such, it offers insights which markets or customer segments have (untapped) growth potential to your platform and how to best communicate the value proposition of your platform to these potential clients.

How can you contribute?
We kindly ask you to bring us into contact with 3 – 5 of your current clients for an 30-minute interview with us. The interview can be in Dutch as well as English, and will either be online (remotely) or in person, depending on the preferences of the interviewee. The interview data will be fully anonymized. FYI: we will also conduct interviews with businesses that do not rely on online labour platforms for outsourcing work activities.

If you're interested in participation, we look forward hearing from you. Please get in touch via: m.vukelic@student.utwente.nl or j.g.meijerink@utwente.nl

---

B) Research invite for client companies (UT alumni):
Dear [name/ company name]/ UT alumni,

[if alumni contact was suggested by UT name of stakeholder who provided the contact – e.g. I have received your contact from prof./dr./… Who suggested you might be interested in participation in my master research project as your company makes use of an online labour platform for hiring temporary labour]

I would like to invite you to participate in my master research study into why businesses choose to outsource labour via online labour platforms (e.g. YoungOnes, Temper rather than traditional means like temp agencies or job boards. [if company makes use of OLP: I saw your company relies on … name OLP … which is why I contact your]

What's in it for you / your business?
My master thesis project offers you insights on how to most efficiently outsource work activities. It offers a guideline that helps to (re)evaluate what type of temporary labour is the right choice for your firm's objectives.

How can you contribute?
I would be delighted if I can interview you or one of your colleagues (for approx.. 30 minutes). The interview can be in Dutch as well as English, and will either be online (remotely) or in person, depending on your preferences. The interview data will be fully anonymized.

UNIVERSITY OF TWENTE.

If you're interested in participation, I look forward to hearing from you and telling you more about this research project. Please get in touch via: m.vukelic@student.utwente.nl or https://nl.linkedin.com/in/mvukelic

Appendix B

Interview protocol

During this interview we are addressing **labour market intermediaries** → Third party which supplies temporary labour to the client firm and carries out labour related activities (human resources management activities). E.g., recruiting and contracting. Examples include temporary employment agencies and online labour platforms.

1. **Via which third parties do you outsource work or find temporary labour? Follow-up: Why do you decide to work with them?**
2. **What responsibilities does the third party enact and which responsibilities do you – the contracting firm have when it comes to for example:** recruiting temp workers, selecting temp workers, training temp workers, payrolling / compensating temp workers, appraising temp workers, allocating tasks to temp workers?
3. **Does the division of responsibilities differ for the different third parties that you work with?**
4. **In your view, which characteristics do these different third parties have in common?**
5. **And, how do third parties differ?**

Next set of questions is related specifically to **Temporary Agencies** → Agencies that clients firms rely on to outsource work to temp workers who are co-employed by the temp agency and hiring firm and/or where a human intermediary matches the worker to the client firm. Examples include Randstad, Tempo Team, Michael Page, Adecco...

6. **What type of work activities/jobs/type of labour do you outsource via third party, where the workers are employed by that third party (i.e. temp agency) and/or where the matching process is mostly done by a human intermediary.**
7. **Why do you outsource these activities to these third parties?**
8. **What type of work you would not outsource to a temp agency?**
9. **Why don't you outsource these activities to a third party (temp agency)?**

Following questions will be about **online labour platforms** → Website/application that connects freelancers with the client firms that have a job opening. Algorithms match profiles of freelancers with the suitable shorter-term jobs (gigs) or projects. OLPs do not offer employment relationship.

10. **What type of work activities/jobs/type of labour do you outsource via third party, where the workers are freelancers and/or where the matching is done mostly by means of an online application (that suggests workers to client firm: RandstadGo/Temper /Youbahn).**
11. **Why do you outsource these activities to these third parties?**
12. **What type of work you would not outsource to online labour platforms (freelancers)?**
13. **Why not?**

UNIVERSITY OF TWENTE.

14. **Do you rely on different types of third parties to outsource work (e.g. OLPs for freelancers, platforms/applications for temp workers, or traditional temp agency where human does intermediation), explain?**

Next part of the interview focuses on **benefits & drawbacks of OLPs.**

15. **What are benefits to the client firm of using platforms/online applications for contracting with/ or hiring freelancers?**

16. **What are drawbacks/challenges/ limitations to the client firm of using platforms/online applications for contracting with/ or hiring freelancers?**

Further, I would like to come back to **temp agencies** and discuss **benefits & drawback.**

17. **What are benefits to the client firm of using third parties where matching process is mostly done by a human intermediary?**

18. **What are drawbacks/limitations/challenges to the client firm of using third parties where matching process is mostly done by a human intermediary?**

Last set of questions that I will be asking concerns **Firm Boundaries** that **lead firms' choices on outsourcing**. According to the research, there are four. For instance, cost minimization (boundary of efficiency), maximization of control over resources and minimization of dependence (boundary of power) access to competences that bring competitive advantage & outsourcing of competence that does not provide SCA (boundary of competence), as well as alignment of firm's identity with their actions (boundary of identity).

19. **Why did you decide to outsource these activities? (summarize activities they mentioned in the beginning)**

20. **Based on which criteria do you decide to outsource work in general?**

21. **Why / on the basis of which criteria do you choose for a third parties where matching process is mostly done by a human (i.e. temp agency like Randstad)?**

22. **Why / on the basis of which criteria do you choose for a platforms/online application for contracting with freelancers (OLP like Temper) or hiring temp agencies (OLP like Youbahn)?**

23. **If you work with different types of third parties/LMIs simultaneously, why do you do so?**

24. **If you changed between different types of third parties/LMIs, why did you do so?**

Appendix C

Categorization/ Groups of codes and examples of quotes

Group	Codes	#	Example Quote
Labour Market Intermediaries	Responsibilities	14	*"I just put out a shift. For example, I have a shift tomorrow from 12-5 in Amsterdam and you can look how many Tempers are looking for a job that day and then you can invite them and they just respond to the position and I accept one." [CF_3]*
	Similarities	5	*"I think the big similarity is that they both use a lot of students. Someone like you for example, who have some time over. A lot of students who are busy with the thesis. So they just know ok this day I am free to work but they don't want to have obligations working for you. A lot of persons I spoke with they are either saving for a big trip and want to work a lot, as they get a lot more this way then working directly for employer. And they don't have the risk of being sick and are not saving for that. Then of course 20 EUR/h is a lot better than 10.'' [CF_3]*
	Differences	22	*"We always have human involved. We need to think of the buzz words also ourselves even if process is automized with the clients. We are calling with candidates and presenting sheets to clients. There is a lot of work that cannot be done by algorithm only, as it is such a fragile and sensitive product that we have. It is very sensitive. We are keen on having relationship with both candidate and the clients, so we can describe to them what's possible." [LMI_4a]*
	Type of work/job/labour outsourced via OLP	17	*"We got a really big machine for it. All parcels need to be injected into machine and taken out of machine. So, colleagues work with iPhone scanner. They just scan the parcel. It is not a rocket science." [CF_2]*

UNIVERSITY OF TWENTE.

Type of work/job labour *not* outsourced via OLP	2		"With OLP we don't allow to do some cashier work or with customers, as there needs to be lots of training and for 1 day that is not useful." [CF_6]
Type of work/job/labour outsourced via temp agency	18		"If I need for a longer period of time a replacement, if you need a person to replace someone for 3 months, of course agency would be more ….much better. But I don't use it lie that. I use it just for a day or so." [CF_3]
Type of work/job/labour *not* outsourced via temp agency	1		"Easy, replaceable work, 70% of what we're doing is that. Manual production workers, forklift, etc. What they are not giving us...well since we are really focused on that field, we never get questions about other type of work. They go to other specialized agencies for that. For example, for site operator or manager. We also rather don't take those projects on us." [LMI_1]
Type of work/job/labour not outsourced	11		"I think, all right, I think this activity when we get new patient. You get this patient in and you need to tell them about company, show how to ring the bell, you need to know all about their sickness, what they can and what they can't do. This intake meeting is always done by somebody who has been there longer time, senior nurse or a team leader or manager. They know the company and they try to sell the company. I would not outsource these activities to a freelancer, as I don't think they have capability nor experience to do it." [CF_5]
Reasons to outsource	23		"Because I can't have many people during the week, I don't have work for them, so I search for extra workers for events." [CF_1]
Reasons to outsource to OLP	11		"Flexibility is the most important factor, and maybe the only point why we are so eager to use platform." [CF_2]
Reasons to outsource to temp agency	15		"As agency you are constantly recruiting, if not for this client, then for other client and they have data

			pool. Then this quick recruitment is absolutely a topic why they would choose us. They cannot cope with the amount of positions themselves. So this is the reason." [LMI_4a]
Benefits OLPs	22		*"Well, it's very easy, user-friendly, that is a big benefit. It costs our hiring manager less time than using different ways of outsourcing labour."* [CF_4]
Drawbacks OLPs	29		*"So what we noticed in the beginning – when we don't give them activities that measure productivity and that can't be tracked, they will just walk around. So what we then did – don't give them a training and put them on activity that ...it's also called receiving, that means they will receive the product that comes from suppliers and put them into shops."* [CF_7]
Benefits temp agencies	20		*"With OLP is surprise. Temp agency we can also call and give feedback and next time fit is better, but with OLP you don't know who is coming. Only feedback is rating system."* [CF_6]
Drawbacks temp agencies	17		*"We could not get workers that quickly."* [CF_2]
Drawbacks LMIs	12		*"Although it is enhancing the processes and you as a buyer or HR specialist have time for different things, it's still the question of the quality and if it stays the same. In my opinion, it is unfortunately decreasing, if you need a certain level of flexibility and pro-active thinking what I said back then. The external service provider is external service provider, and they are handling multiple clients."* [CF_8 and LMI_3]
Direct staff	13		*"I want to give feeling to our own employees that they are first. Second one... we need to prove to our own employees that freelancers are really productive, so that the story telling is correct."* [CF_7]

UNIVERSITY OF TWENTE.

Firm Boundaries	Criteria to outsource	4	"And of course, what type of people are responding. They always say that they have really good people working for them and then you need to find out." [CF_3]
	Criteria to outsource temp agency	11	"it's not always about quantity though, but when client needs 30 or more people, they don't look at quality. When they need like 5, they are cautious who they hire. they look more at requirements and diplomas." [LMI_2]
	Criteria to outsource to OLP	10	"What I already mentioned, the cost... We started a year ago with it." [CF_7]
	Boundaries	13	"Of course price, but I would say that this is getting less and less important. Because this is about the talent and that job is filled, and not about the price. Our line manager says, and this is for more specific positions; I don't care how much it costs, just get the position filled." [CF_8 and LMI_3]
	Simultaneous use	20	"We have also in-house to have a lot more control over the whole recruitment process, which I prefer as well. I would like to work on exclusivity base, but no one can guarantee to provide me enough people now." [CF_4]
	Reasons to change	14	"Lack of responsibility or accountability lack of delivery in terms of not delivery on what they promised to deliver, lack of talent, speed and time, and very often price." [LMI_4b]
	Labour market challenges	15	"Of course. So it could be any other...we very often have 20-25, 30 or even 50 competitors. In some cases it is only just 5, but yes, yes, it is very competitive market. At the same time, these days, it is a very candidate driven market. So for us, it's not a question of getting clients and assignments, it's all about candidates." [LMI_4b]

UNIVERSITY OF TWENTE.