

CICTAR Policy Briefing

Multinational Labour Hire Companies: Can We Win for Workers & Tax Justice?



Centre for
International
Corporate Tax
Accountability
and Research

Policy Brief | Labour Hire Companies: a Tax Perspective

ICTAR has been asked by several unions to examine the tax practices of multinational labour hire companies, who now operate in virtually every sector and country. The preliminary results are disturbing.

Given labour hire practices undermine working conditions across the globe, are national and global unions interested in exposing the tax practices of multinational labour hire companies, as part of a broader effort to challenge this destructive business model?

These multinationals are already among the world's largest employers and continue to grow. Labour markets are reshaped by an assault on workers' rights, but the culprits have largely remained out of the spotlight.

These corporations promote, and profit from, outsourcing, privatisation and precarious work. The consequences are growing inequality, declining wages and working conditions, and attacks on collective bargaining and diminished union representation.

Initial research on labour hire companies operating in Australia, and detailed research on several, has uncovered evidence of aggressive tax avoidance.

These companies have paid little or no corporate tax, create complex and opaque structures and have undisclosed links to tax havens. An industry insider in the UK wrote that:

"combining aggressive tax avoidance with systematic worker exploitation, recruitment agencies are able to supply labour at prices far below the cost of direct employment...."

There is no doubt that tax avoidance is a key part of the business model and a competitive advantage for labour hire companies.

Exposing tax avoidance by these multinationals, most of whom depend heavily on government contracts, could be a powerful component of a coordinated strategic global union response to the growth of the labour hire industry.

As local firms have been acquired, many are not aware of multinational ownership. Recent union-led efforts to expose corporate tax dodging have gained more public support and attention than underlying labour issues and have also helped change national laws to advance global tax justice.

Naming the Beasts

Currently, the world's largest labour hire company, the **Adecco Group** (publicly listed in Switzerland), claims to be the world's second largest non-government employer (after Walmart).

Adecco operates in 60 countries and claims to have over 700,000 "associates" working every day. Adecco operates under several other brands, including Adia in the hospitality sector. In 2017, Europe accounted for 62% of global revenue, North America contributed 19% and the rest of the world 17% (Japan – 5%; Latin America – 4%; Australia & New Zealand – 2%).

Other multinationals, through rapid acquisitions, seek to surpass Adecco and engage in all aspects of the labour market.

Randstad (publicly listed in the Netherlands), is not far behind Adecco with nearly 670,000 “people employed everyday”. Randstad’s largest markets are North America (18%), France (16%), The Netherlands (14%), Germany (10%) and the rest of Europe (29%).

Randstad is followed by two US companies, **Manpower Group** (public) and **Allegis Group** (private). Manpower generates 67% of revenues in Europe (France – 26% & UK – 8%) and only 13% from the US. Both US firms have a global reach.

In 2016, **Recruit Holdings** (publicly-listed in Japan) was listed as the 5th largest staffing company in the world with more than 400,000 people working under its many brands worldwide. It has recently acquired **USG People**, and set up global headquarters in the Netherlands. Brands include: Advantage Resourcing, Chandler Macleod, Peoplebank, Recruit Staffing, Secretary Plus, Staffmark, Staff Service, Start People, The CSI Companies, Unique and others. Sales by region are: Japan – 38%; Europe – 30%; North America – 19% and Australia – 13%. In the Asia-Pacific region, Recruit owns major sector specific outsourced labour companies including AHS, for hotels, and Vivir, in aged care.

Another Japanese (public) company, **Outsourcing Inc.** has recently acquired major staffing firms in the UK and Australia that specialise in public sector outsourcing. In the UK these include: **Veracity**, **Liberata** and the **JBW Group**, who are a large collector of government debts. In Germany, Outsourcing owns **Orizon GmbH**, one of Germany’s top labour hire companies and recently bought **OTTO Holding BV** in the Netherlands. OTTO specialises in recruiting workers from central and eastern Europe to supply labour markets in the Netherlands and Germany.

In Australia, Outsourcing (including Hoban Recruitment, LUXXE Outsourced Hotel Services and others) is estimated to have nearly 12,300 “worksites” employees. In 2017, revenue came from Japan - 49.5%; Europe - 23.5%; Australia - 16.7%; the rest of Asia (excl. Japan) - 8.2% and South America - 2.1%.

Other large multinational labour hire firms may be worth looking at, including the **Hays Group** (public) in the UK, or others that have an important regional or sectoral presence.

Serco, a UK (public) company which specialises in public sector outsourcing in defence, prisons, immigration, health and transport is already under scrutiny for other issues and has highly questionable tax practices in Australia. In 2017, revenue came from UK & Europe - 51%; the Americas - 21%; Asia Pacific - 18% and the Middle East - 10%.

Serco competes with the global security giant **G4S. Compass** and **Sodexo** provide outsourced labour in hospitality and facilities management services. These three multinationals are also among the world’s largest employers and have been the focus of some union organising efforts.

Conclusion

A coordinated global effort on some of these seven multinationals (Adecco, Randstad, Manpower, Allegis, Recruit Holdings, Outsourcing Inc & Serco) and potentially other key regional or sectoral players, would provide a strategic focus on the drivers of precarious work and privatisation. Challenging the business model of multinational labour hire companies presents an opportunity to win for millions of workers and advance global tax justice.

Most of these companies have a significant presence in Australia where initial research is underway. Lessons learned in Australia will inform global efforts. Research and campaigning can be focused on countries and sectors where there is strong union support. Are we ready to confront the growing global dominance of labour hire companies and win for workers and tax justice?



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