Essays on Delegated Search and Temporary Work Agencies

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Akademisk avhandling

som med vederbörligt tillstånd av Rektor vid Umeå universitet för avläggande av filosofie doktorsexamen framläggs till offentligt försvar i S205h, Samhällsvetarhuset, fredagen den 9 september, kl. 13:15. Avhandlingen kommer att försvaras på engelska.

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Abstract
The thesis consists of an introductory part and four papers.

**Paper [I]** models a game, where two temporary work agencies (TWAs) compete to fill a vacancy at a client firm (CF). They simultaneously choose how much effort to expend, based on their expectation of how good their opponent’s best worker will be. I then show that this will make the TWAs overconfident, as the rational way of judging your own probability of winning is not looking at the opponents expected best, but comparing how much effort your opponent will expend.

**Paper [II]** examines the misaligned incentives in the temporary work agency sector, where we first look at pure recruiting contract, that either require payment on delivery, or payment on some specified point in time. We then look at the incentives of recruit-and-rent contracts, where the worker is leased to the client firm. We show that the TWA will not always be incentivized to deliver the first match it finds, if it is too good. Lastly we look at how competition can dampen this perverse incentive.

**Paper [III]** models the waiting behavior that can occur if a TWA is contracted to find a worker for a specific time far in the future. This behavior is modeled for two types of TWAs; one that is rational and plans ahead, and another that does not plan ahead at all, but instead only looks at the immediate future. After looking at optimal contracts under perfect monitoring and hidden action I first show that for the principal to want to delegate search to a rational TWA, the agent has to be better than the CF, by some factor. Lastly I prove that it is profit maximizing for the principal to contract one agent and give it a deadline earlier than when the principal would need the worker, and then replace that agent with a competitor if the first one has not succeeded by that earlier deadline.

**Paper [IV]** estimates at the effect of family experience on relative transition probability into the temporary work agency sector. Using register data for all of Sweden we run a bias-reduced logistic regression, where we include various factors that affect the probability of young people entering the sector. We find that having had a parent, sibling or partner in the TWA sector increases your probability of entering the sector yourself.

Keywords
Temporary work agency, Agency, Principal-Agent, Search, Matching, Occupational Inheritance.