TEMPORARY EMPLOYMENT AS AN ALTERNATIVE UNEMPLOYMENT RATE REDUCING NEW EMPLOYMENT FORM ANALYSIS IN LITHUANIA AND CZECH REPUBLIC

Erika Svedaite, Teodoras Tamosiunas

Abstract: The paper study identify temporary employment as an alternative unemployment rate reducing new employment form in European Union, Lithuania and Czech Republic. After the scientific literature, European Labour Force Survey (EULFS), Eurostat, document and statistical department analysis, systematization and comparison there was presented temporary employment concept and how it reduce unemployment rate, legal this atypical work form regulation. A study disclosed temporary employment indicators and how it reduce unemployment rate in Lithuania, Czech Republic and European Union. Study provides results that show temporary employment importance in labor market that reduce unemployment rate.

Keywords: Temporary employment, Temporary work agency, Temporary worker, Temporary employment contract, Temporary employment law, Unemployment rate.

JEL Classification: E2, E24.

Introduction

1 The relevance and the main issues of the research

Temporary employment is a new labor relations problems solving service in Lithuania. It allows people to work at least temporarily and find yourself losing hope in searching for a permanent job. For employers in Lithuania this new method of recruitment allows to save significant money and stay in the market during downturn.

Temporary employment is one of the measures that improve employment policies. Those services allow for passive participants easier to enter the labor market. This recruitment method is particularly relevant in addressing the unemployment rate problem.

During difficult economic and social situation in Lithuania and whole Europe countries entrepreneurs quickly began to explore new ways of saving the company money. One of them - job cuts. People on that time began to explore more diverse ways and opportunities to find the work.

The practical research problem aspect is associated with a temporary employment situation in Lithuania, Czech Republic and the whole European Union. It becomes an important to identify temporary employment services as a new way that reduce unemployment rate.

Temporary employment agency services significantly contribute the labor market positive improvements implementation especially with seasonal businesses and those
that flexibly respond to the effects of globalization in business. This employment form help to reduce unemployment rate in every EU country and make opportunities easier to integrate people to market trade. In addition, this service is relevant for low-skilled individuals and thereby it reduce unemployment.

**Scientific temporary work issue** in scientific level has not been widely studied. The legal aspects of this theme was highlight by Dr. T. Bagdanskiis and prof. Dr. G. Dambrauskiene in scientific articles. Temporary employment services in public sector organizations are considered in E. V. Bartkus, A. Raipos and Z. Liepes articles. It discusses the nature of the outsourcing phenomenon, analyzing the scientific literature on the economic resources to temporary employment treatment. Flexible working time models are considered by S. Zickiene and A. Kovieriene research paper. Non-traditional recruitment methods including temporary employment are analysed in the collective work of Non-Standard Work and Industrial Relations. It provides examples of what recruitment methods are selected in various parts in the world.

**The research subject** – temporary agency work as an alternative unemployment rate reducing new employment form.

**The research aim** – to analyse temporary work as an alternative unemployement rate reducing new employement form in Lithuania, Czech Republic and EU.

**Research objectives:**

- After the analysis of scientific literature to explore the theoretical aspects of temporary employment.
- Define the legal regulation of temporary employment in Lithuania, Czech Republic and EU.
- To identify unemployment rate in Lithuania, Czech Republic and EU.
- Compare Lithuania and Czech Republic unemployment rate and to explore temporary work role in both countries.

**The research methods:** Scientific literature and document analysis, systematization, comparison, generalization. Empirical investigation methods: the quantitative and qualitative documents and data bases analysis, interpretation.

2 **Theoretical aspects of temporary work**

Flexibility in the labor market is a necessary condition for competition that help address issues of unemployment, which means new jobs and the emergence forms of employment and together with temporary employment appearance, on purpose to make more efficient human resources use [15].

Temporary employment agency provide an atypical form of employment relationship. Those relationship are among three entities - employment agency, a temporary employee and company user. Temporary employment characterized by a so-called triangular or trilateral relationship between employment agencies, temporary staff and users of the company in whose favor a temporary worker performs certain tasks assigned to it. Generally regarded as temporary employment agency worker, employment agency - is an entity providing temporary workers to the firm users and the user company – is an entity that uses temporary worker’s employment [9, 7].

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Temporary employment agencies services are considered of a number of authors. The first table presents scientists who examined the temporary employment agency services statements, test results and assessments of temporary employment.

**Tab. 1: Temporary employment theoretical concepts**

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Description</th>
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<tbody>
<tr>
<td>Mertens, A.; Mcginity, F. (2004)</td>
<td>Found a connection between main three temporary work participants: the temporary work agency, working under a temporary contract staff and temporary work user. He state key factors leading temporary work existence attractiveness in employment among the users. Time and administrative cost are reducing and minimize. Human recources recruitment process take less time using temporary agency services that allows client personnel staff divide their work time to direct functions. This author find out that using temporary agency services help companies to control the number of employees in order to contribute the companies financial resources and reduce cost.</td>
</tr>
<tr>
<td>J. Arrowsmith (2009)</td>
<td>Temporary work agencies services are focused on temporary employment services for job seekers who are interested in short-term job offers.</td>
</tr>
<tr>
<td>A. Krisciuniene (2011)</td>
<td>Authors state, that people who are struggling to integrate into the labour market, students or people who have lost their job unexpectedly generally are interested in temporary work agency services.</td>
</tr>
<tr>
<td>A. Clark (2005)</td>
<td>Study temporary workers productivity to company. According to financial implications of increasing temporary employees and company productivity he found that temporary employment service contributes to cost reduction.</td>
</tr>
<tr>
<td>K. Obloj (2010)</td>
<td>Argues, that companies that are using temporary agency services can reduce costs that also reduce transmission of human resource management and rise possible job retention services.</td>
</tr>
<tr>
<td>D. A. Foote and T. B. Folta (2002)</td>
<td>Temporary employment services help company to avoid the unnecessary costs of human resources recruitment and permanent employment.</td>
</tr>
<tr>
<td>A. L. Kalleberg (2000)</td>
<td>By his research, he find out that mostly employers use temporary agency services for flexible management of existing number of employee in case when it is necessary to increase or decrease it. While for others the importance between employees it their ability to perform various tasks.</td>
</tr>
<tr>
<td>Judickiene, J. (2008)</td>
<td>Thought that temporary work has positive effects such as it is an opportunity to employ the unemployed market participants, but at the same time he argue that temporary employees receive lower wages than the same job working permanent company workers.</td>
</tr>
<tr>
<td>D. Jong, R. Witte (2008)</td>
<td>Argues that temporary agency services may become a negative factor for natural and legal persons.</td>
</tr>
<tr>
<td>R. Witte, K. Naswal (2003)</td>
<td>Found that temporary workers sense of job security were less committed than it was among permanent company employees.</td>
</tr>
<tr>
<td>L. Vosko (2008)</td>
<td>Argues that temporary worker is less subordinate for temporary services using companies than permanent workers.</td>
</tr>
</tbody>
</table>

*Source: The table is created based by authors’ study*

In general temporary employment agencies services have main those benefits divided to three this flexible work user groups:

1. For temporary employee: gain greater career and personal development opportunities; gain valuable experience in project management; ability to
test and apply specific skills in different organizational context; gain new skills, working experience in challenging areas.

2. For temporary employment agency: improve workers’ skills; teamwork and cross functional staff’s ability to exchange information; raise employee motivation and job satisfaction; extend the acquaintance; acquire a good employer reputation that takes care of community development.

3. For using a temporary employment services company: receive the assistance required to implement the project; flexible human resources management [14].

To sum up, according to different authors statements temporary employment agency services are flexible, help to increase labour productivity; promotes competitiveness; provides temporary workers permanent jobs places and helps respond and adapt to economic cycles. It allows people to get the job pretty quickly which give them the necessary starting point for a new life. However, this also means that they are working as temporary employees and at the same time do not have the same working conditions as direct employees. Minimum wage they are getting can often be the maximum.

2.1. The legal regulation of temporary employment

The appearance of temporary employment agency in Lithuanian labor market led the international companies which used this form of employment in the whole world. At the moment temporary employment services became more popular in companies due to staff shortages and in budgetary institutions.

Temporary employees in Lithuania especially young people feel more free without having to commit to work in the same job continuously. At the end of the agreed work for the duration of the work task, the company strives to offer another job. With increased labor hire, recruitment companies set up enterprises engaged in labor of temporary employment.

The second table provide the temporary employment regulation by special laws in European Union and Lithuania.


**Tab. 2: Temporary work regulatory framework**

<table>
<thead>
<tr>
<th>European Union temporary work regulatory framework</th>
<th>Lithuanian temporary work regulatory framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Code</td>
<td>Lithuania Labour Code</td>
</tr>
</tbody>
</table>

*Source: The table is created based by authors’ study*

Following European Union and Lithuanian temporary work regulatory frameworks it could be stated that Labour code is one of the main official law that provide rules of temporary employment legal use. On the other hand, the legal and social status of temporary employment agency work in different European Union countries is not the same. Directive No. 2008/104/EC was adopted by European Parliament and Council which set temporary agency providing temporary employment services rights which was taken according to the labor markets. All necessary conditions in this document must be provided in all European Union member states which have temporary employment offering agencies.

1996 16 December European Parliament and Council Directive No. 96/71/EC regulate temporary agency work relationships among three entities: temporary employment agency, temporary employee and temporary employment company user. All member states must ensure this official document adaptation in their law and use it for right employment relationships [8].

1991 25 June Council Directive 91/383/EEC regulate temporary employment relationships in European Union countries as well. This document follow healthy and safety temporary employee work place. This directive concept is transposed into national Lithuania law [5].

1997 private employment agencies convention 1 article define temporary employment services and give the concept of private temporary emloyment agencies where private temporary employment agency is defined as a company or private person that has legal permit to provide temporary employment services in labor market [3].

1997 3 June international labor organization's 181 convention on private temporary employment agencies in Lithuania was ratified in 2004. After this convention in 2011 1 December in Lithuania appear temporary employment law that provides human recourses recruitment services and correct temporary employment use. The purpose of this directive is to ensure the temporary employees protection and to improve the quality of temporary employment services providing agencies [4]. Furthermore, this law introduce the principles of temporary employee working conditions.
2.2. Czech Republic temporary work regulatory framework

Temporary employment law is most evident in the Czech Republic where it was put on a legal footing from October 2004. The first specific legislation for temporary employment in the Czech Republic was the Employment Act 2004. The new legislation was designed to clarify legal relationships and provide better protection for temporary employees following ratification of ILO convention no. 181 in 2001. Under the new law temporary employment may assign an employee to the same user for a maximum period of 12 consecutive calendar months, unless the employee requests a longer period or if the work being done is replacing that of an employee on maternity or family leave. The maximum total period for repeat fixed-term employment periods is set at two years [18].

In the Czech Republic the labour and social affairs ministry issues licences subject to criteria relating to age (over 23 years), residency, personal integrity, educational qualifications and experience. No financial guarantees are required, but a licence fee is charged (currently CZK 10,000 (about €350) if the business involves international placements and CZK 1,000 for activities solely carried out within the country). The labour office has the authority to perform inspections to ensure that employment regulations are enforced, although this is reportedly conducted only in response to a complaint [24].

3 Unemployment rate in Lithuania, Czech Republic and European countries

According to International Confederation of Temporary Agency Work Businesses (CIETT), temporary employment agencies in the European Union currently employ over seven million workers - 1.9% of the EU working population. Temporary employment is often found out as a tool promoting flexibility in the labour market. It improves easier job searching and reduces unemployment rate [1].

The unemployment rate in the EU has been growing since September 2008. Based on Eurostat’s estimations, the unemployment rate in the EU-27, seasonally adjusted, in April 2009 made up 8.6%, while in April 2008 – 6.8%. In April 2009, the highest unemployment rates were recorded in Spain (18.1%), Latvia (17.4%), Lithuania (16.8%), and Estonia (13.9%), while the lowest – in the Netherlands (3.0%), Austria (4.2%), Cyprus (5.4%), Denmark and Slovakia (5.5% in each). Unemployment has been increasing in almost all EU countries. The vastest increase in the unemployment rate from April 2008 to April 2009 was observed in Lithuania (from 4.3 to 16.8%), Latvia (from 6.1 to 17.4%) and Estonia (from 3.7 to 13.9%). In March 2009, the unemployment rate in the United States of America made up 8.9%, a year ago – 5.0% [12].

Table 3 shows unemployment rate annual year average in European Union, Czech Republic and Lithuania.
Tab. 3: Unemployment rate (%)

<table>
<thead>
<tr>
<th>GEO/TIME</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU Countries</td>
<td>8.6</td>
<td>8.9</td>
<td>9.1</td>
<td>9.2</td>
<td>9.0</td>
<td>8.3</td>
<td>7.2</td>
<td>7.1</td>
<td>9.0</td>
<td>9.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>8.0</td>
<td>7.3</td>
<td>7.8</td>
<td>8.3</td>
<td>7.9</td>
<td>7.2</td>
<td>5.3</td>
<td>4.4</td>
<td>6.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Lithuania</td>
<td>16.5</td>
<td>13.5</td>
<td>12.5</td>
<td>11.4</td>
<td>8.3</td>
<td>5.6</td>
<td>4.3</td>
<td>5.8</td>
<td>13.7</td>
<td>17.8</td>
</tr>
</tbody>
</table>


The Czech Republic labour and social affairs ministry reported that the unemployment rate increased by 0.4% from 9.8% in December of 2011. Employment offices registered over 500,000 job seekers last month. The highest rates of unemployment were recorded in the Northern regions of Bohemia and Moravia, reaching over 20% in some areas. The lowest unemployment is in Prague and reach 3% [12].

Daniel Munich who is a professor at the Centre for Economic Research and Graduate Studies at Charles University and specializes in the labour market named those the main unemployment rate reasons: “The growing unemployment has at least two or three reasons. First, there is a European wide recession and one would conclude that it should impact the Czech labour market. The second impact is through the welfare system, which attracts more and more people who stay long-term unemployed collecting benefits and not being interested to work or work in the informal sector and not being taxed. So while the European recession will change the impact on the welfare system is permanent and contribute to growing unemployment of there is no change in the welfare system.” Czech Republic has about 40% of unemployed are long-term unemployed, meaning more then 12 months. While long-term unemployed are losing their skills, their work habits so it’s decreasing their productivity. And second, if these are parents it is likely that these parents transfer these habits of no work and living on welfare to their children, this is especially the case in North Bohemia and Moravia. Some kids in these families have never seen their parents working so they think this is the style of living, not to work and collect benefits [6].

According to provisional data of Statistics Lithuania, the unemployment rate in 2009 reached 13.7%, i.e. by 2.4 times more than in 2008. In 2009, increase in the male unemployment rate was more rapid than that in the female unemployment rate. In 2009, the male unemployment rate made up 17% and over the year increased 2.8 times, while the female unemployment rate made up 10.4% and over the year increased 1.9 times. In 2009, the unemployment rate in urban areas was lower than in rural areas and made up 12.6%, in rural areas – 16.5%. In 2008, the unemployment rate in urban areas made up 5.7%, in rural areas – 6.1%, i.e. respectively 2.2 and 2.7 times less than in 2009. The highest unemployment rate was recorded in 2001 (17.4%), while the lowest – in 2007 (4.3%) [23].

The overall unemployment rate in the EU reached 9.7% in 2010. The unemployment rate in the EU, Czech Republic and Lithuania has been growing since 2009, when economical crisis has appeared in every country labour market. In comparison to the rate during 2009, the unemployment rate rose by 0.7% points. This
is less than the steep rise from 2008 to 2009 due to the economic crisis, when the rate rose by 1.9% points between 2008 and 2009. The impact of the economic crisis on unemployment in the years from 2008 to 2010 has now completely wiped out the reduction experienced in the unemployment rate between 2004 and 2008 [12].

The unemployment rate rose in all 27 Member States between 2009 and 2010, apart from Germany, Luxembourg, Malta and Austria. The biggest decrease was recorded in Germany, where the unemployment rate dropped by 0.7% points. Belgium, France, Romania, Finland, Sweden and the UK also performed well, showing only moderate increases (below 0.5% points) between 2009 and 2010. While Estonia and Lithuania were among the countries with the highest increases, they recorded decreases in unemployment in the second half of 2010. High increases were also perceived in Greece, Spain and Slovakia. Spain remained the country with the highest overall unemployment rate in 2010, at 20.1%. The dispersion of unemployment across the EU continued to increase during 2010 [12].

Among the Member States, the lowest unemployment rates were recorded in Austria (4.1%), Luxembourg (4.7%) and the Netherlands (4.8%), and the highest rates in Spain (22.8%), Greece (18.3% in August) and Latvia (16.2% in the second quarter of 2011). Compared with a year ago, the unemployment rate fell in twelve Member States and increased in fifteen. The largest falls were observed in Estonia (16.1% to 11.3% between the third quarters of 2010 and 2011), Lithuania (18.3% to 15.0% between the third quarters of 2010 and 2011) and Latvia (19.3% to 16.2% between the second quarters of 2010 and 2011). The highest increases were registered in Greece (12.9% to 18.3% between August 2010 and August 2011), Spain (20.5% to 22.8%) and Cyprus (6.0% to 8.2%) [11].

International human resource management experts over the years have an active discussion and do not access to the general conclusion of what is the reasons of temporary employment development. In some places (UK, Ireland) temporary agency services became popular in the labor market during periods when passive participants were trying to enter the labor market and reduce unemployment rate with more flexible labor relations rules [2].

4 The research method

In order to prepare this research data was drawn from European Labour Force Survey (EULFS), Eurostat and statistical department. Those databases provide standardised, statistical information on individuals compiled from national Labour Force Surveys. It contains information regarding labour force participation, employment characteristics, gender, age, education and occupational status among others. The survey was designed to represent the working-age population in Europe and in each country. Thus provides database of employment issues in Europe countries.

5 Analysis of the findings

According to M. F. Corbett (2004) temporary employment agency services in other words could be named as external outsourcing were started to use since the 1970s in America. In economic theory this process is defined as the use of external resources
like a worthy service. That is way of business that is treated as a resource rental or lease services [4].

American management association showed that from 1995 more than half of the production company gave some part of their manufacturing process to temporary agency employees. Recently, a temporary employment covers a wide range of activities from which the main distinction is between these three: information technology, business process management and production services [17].

There is a lack of statistical sources dealing with the concept of temporary employment rate indicators in European Union. For instance, temporary employment indicators could be found in several national labour force statistics. However, this employment rate reducing work form data availability especially statistical information and researches on working conditions in European countries is very limited. This raises difficulties in data collection and temporary work monitoring developments analysis in labour market.

According to Eurostat statistical information the number of temporary agency workers since 1999 has increased worldwide from 5.2 million full time equivalents to nearly 9 million in 2009. In the last ten years the number of temporary employment agency workers in Europe has increased too. The fourth table shows the number of thousands of temporary employees in Europe, Lithuania and the Czech Republic.

**Tab. 4: number of temporal workers**

<table>
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</thead>
<tbody>
<tr>
<td>EU</td>
<td>2.12</td>
<td>2.62</td>
<td>2.62</td>
<td>2.60</td>
<td>2.73</td>
<td>2.95</td>
<td>3.12</td>
<td>3.46</td>
<td>3.91</td>
<td>3.88</td>
<td>3.21</td>
</tr>
<tr>
<td>Lithuania</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Czech Republic</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35</td>
<td>36</td>
</tr>
</tbody>
</table>

*Source: OECD’s Library, (2012).*

The temporary workers data of Lithuania are not provided by Lithuanian statistic department and statistics department of Eurostat provides data for the year 2009 only. Number of temporary employee in the Czech Republic from 2008 to 2009 has increased by one thousand workers. The number of temporary employee in the same year in the European Union countries fell by 671 employees. Indicator drop down at that time as result because of economic crisis in the European Union. The evolution of the number of temporary employees in European Union during past years display strong inverse correlation with the year on year on reducing unemployment rate in all EU 27 countries. This set a confirmation as temporary agency services become a leading business indicator in European Union that positively effect labor market.

According to quarterly labour force sample survey in Czech Republic, permanant worker is name persons whose main job is a permanant job or with a work contract of
unlimited duration. Temporary worker: workers whose main job is a: fixed-term contract; interim work through a temporary work agency; apprentices and trainees; probationary period; an occasional, casual or seasonal worker; parries out community work as an unemployed; or has a contract for a specific task. Czech Republic has 215 operating temporary employment agencies while Lithuania has near 15.

Table 5 presents the percentage of temporary employees in EU, Lithuania and Czech Republic.

**Tab. 5: Percentage of temporal workers**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>13.4</td>
<td>13.1</td>
<td>13.1</td>
<td>13.3</td>
<td>13.4</td>
<td>14.4</td>
<td>15.0</td>
<td>15.0</td>
<td>14.6</td>
<td>14.0</td>
<td>14.4</td>
</tr>
<tr>
<td>Lithuania</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.8</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>9.3</td>
<td>9.0</td>
<td>8.8</td>
<td>9.9</td>
<td>9.5</td>
<td>8.6</td>
<td>8.7</td>
<td>8.6</td>
<td>8.0</td>
<td>8.5</td>
<td>8.9</td>
</tr>
</tbody>
</table>

*Source: OECD’s Library, (2012).*

Table 6 provides the number of temporary employees as a percentage (%) of the total number of employees. This table does not provide sufficient data on temporary employment situation in Lithuania, as this information is not delivered by statistics department. Comparing the 2009 and 2010, the amount of temporary employees in Lithuania and in the Czech Republic shows that in Lithuania this index increased 1.1 percent and 0.4% in the Czech Republic. Meanwhile, the Czech Republic temporary employees accounted for nearly 10 percent of all state employees. In European Union this index was nearly 15 percent which indicates that temporary agency services are quite relevant for companies. Thus, the temporary employment contributes to reducing the unemployment rate in Lithuania and the Czech Republic and all European Union countries.

**Conclusions**

Temporary employment is one of the consequences of the division of labor. Division of labor is as a phenomenon that allows businesses to directly engage only selected activities and all other ancillary support or maintenance (recruitment, personnel records, etc.) and other activities deliver to companies that specialize on it and can all do better and for lower cost. What is more it allow the company save money and additional costs in employee time for it recruitment procedures, job safety briefing, pay staff salaries, taxes.

The main temporary employment influencing factors are: lack of labor supply, reducing unemployment, reducing the possibility of time in searching for employees, the company financial constraints, need quickly find a worker for jobs, free movement of workers.
European Confederation of Private Employment Agencies (Eurociett) summarizes the twenty-seven European countries statistics and found that the increase in temporary workers working hours reduced unemployment rate and at the same time increase the country’s GDP. Temporary employment is not only to reduce unemployment, but also reduces illegal activity and increase employment in general. It allows a greater range of employees to social security and attracts foreign investment.

Discussion

Flexible work forms as the subject of Lithuanian higher education were analyzed only fragmentary. Separate flexible work organization principles were analyzed by dr. B. Gruevski, prof. dr. G. Dambrauskiene. But temporary employment in higher education has not been studied scientifically. The present analysis could be used for further research. What is more temporary agency service in Lithuania comparing with this service experience in foreign countries is a new flexible form of employment, especially from 2011 year December when temporary employment law was accepted.

Article provides temporary employment legal conditions, situation analysis and how it reflect labor market unemployment rate. This research leads to understand that temporary employment become necessity of labor market that helps to reduce unemployment rate. In the future well presented temporary employment services can strongly decrease unemployment rate but at the same time raise the lack of permanent job places.

References


Contact address

Erika Svedaitė

JSC „Darbintera Lt“, Tilzes str. 124. Siauliai, Lithuania

Siauliai University, Vilniaus str. 88, Siauliai, Lithuania
E-mail: erika.svedaite@gmail.com
Phone number: +370 674 90573

Teodoras Tamosiunas
Siauliai University
Vilniaus str. 88, Siauliai, Lithuania
E-mail: teodoras@cr.su.lt
Phone number: +370 685 95804

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