STAFFING AGENCIES AND THE HARD-TO-EMPLOY POPULATION

A REPORT TO THE CHARLES STEWART MOTT FOUNDATION FROM THE NATIONAL ECONOMIC DEVELOPMENT AND LAW CENTER

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NED & LC

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The National Economic Development and Law Center, established in 1969, is a non-profit public interest law and planning organization that specializes in community economic development. It works in collaboration with community organizations, private foundations, corporations and government agencies to build the human, social, and economic capacities of low-income communities and their residents. NEDLC helps to create strong, sustainable community institutions that can act as "change agents" and an effective local infrastructure for their support.

CENTER FOR URBAN ECONOMIC DEVELOPMENT, UNIVERSITY OF ILLINOIS AT CHICAGO

The mission of the Center for Urban Economic Development at the University of Illinois at Chicago (CUED) is to address the economic needs of urban areas, emphasizing the retention and expansion of the economic base and improving conditions for low- and moderate-income communities. CUED has a specific website for the "Contingent Work Research Clearinghouse". With the generous support of the Rockefeller Foundation, CUED provides research, data, and analysis on nonstandard and contingent work for the North American Alliance for Fair Employment (NAFFE).

TABLE OF CONTENTS

TABLE OF CONTENTS *(continued)*

INTRODUCTION

The purpose of this report is to provide the Charles Stewart Mott Foundation with the means to understand and evaluate the present and potential future role of the staffing industry in assisting the "hard-to-employ" population secure permanent jobs that pay decent wages, have a career ladder, and offer benefits.

The target population of interest is the "hard-to-employ" which includes people with: physical, mental, developmental or learning disabilities; chronic health problems; substance abuse problems; ongoing (criminal or civil) legal entanglements; and very low basic skill levels. It also includes homeless people, survivors of domestic violence, ex-offenders, and non-English speakers.

The short-term value of offering job training and placement to the hard-to-employ population is that it helps them establish a work history, it assists them in beginning to acclimatize back to the work environment, and it enables them to begin paying back into the unemployment insurance system. The long-term value is that transitional employment can help people eventually move into full-time permanent jobs that lead to higher wage jobs with benefits.

Staffing agencies are part of a larger transitional jobs program strategy, which also includes direct hire arrangements. Staffing agencies[1] can potentially be the missing link for people who are unemployed and seeking a job with a long-term career path that will enable them to become economically self-sufficient over time. Staffing agencies offer job placement, and sometimes offer other services such as job training. However, most staffing agencies are for-profit whose main goals do not usually include investing in the long-term future of a worker. Over time, agencies have competed for employers based purely on the cost per worker, which has led to the proliferation of a number of staffing agencies which subject their workers to low wages and dead-end jobs. The national average wage of staffing workers is very low. In 2002, the annual payroll per employee of the staffing industry is $22,157, which is only 63% of the annual payroll of equivalent private sector jobs secured outside temporary employment agencies. This creates a low-wage economy. This emphasizes the need for a socially responsible staffing agency with a double bottom line: one for profit, the other for social outcomes.

Alternative staffing agencies (ASAs), which are usually not-for-profit, fee-for service agencies, typically operate with this double bottom line, charging companies a competitive mark-up rate for their workers while also helping the hard-to-employ to secure permanent jobs with self-sufficiency wages and benefits. ASAs engage in creative approaches to temporary work

[1] The terms "staffing agencies" and "temporary employment agencies" are used interchangeably in this report. They are not intended to signify different meanings. Staffing services can include temporary help, permanent placement; temporary-to-permanent placement; managed services [outsourcing]; training; human resources consulting; and professional employer organization arrangement" (assuming responsibility for tasks such as payroll and benefits). This report does not focus on day labor or contract workers. For practice and policies addressing day labor economic and social issues, see www.primavera.org/hire_primavera.php and www.economicintegrity.org/nlabor.htm.

placements that distinguish them from traditional staffing agencies.[2] First, they may make extra efforts to place "hard-to-employ" workers who typically have trouble securing employment assignments through for-profit staffing agencies. Second, they typically attempt to pay workers a higher rate than these workers would receive from other staffing agencies. Third, ASAs make pointed efforts to eliminate the problematic workplace issues often associated with private staffing services, such as forcing workers to wait long times for work assignments in the morning and failing to secure an adequate number of regular weekly employment hours. Fourth, many of these alternative agencies attempt to couple job placements with day care, housing assistance, educational assistance, and other supportive services that can help marginal workers maintain employment. Fifth, ASAs often undertake political advocacy in order to directly challenge the adverse working conditions many in their service population face. Sixth, ASAs attempt, with mixed success, to offer a package of benefits that compares favorably with those available from private staffing agencies.

Although alternative staffing agencies fill a needed role, with the current level of funding, many ASAs face challenges in sustainability and scalability[3]. Some ASAs have embraced creative approaches to workforce development, such as cooperative agencies, non-profit agencies in high-mark-up niches, and for-profit agencies using the cash from tax credits to assist the hard-to-employ. These models could be restructured to address sustainability and scalability, and merit further investigation. While many ASAs may still be in the exploration stage, with enough infusion of public and private dollars in setting up socially responsible temporary employment agency models, they have great potential to be successful and capture a larger percentage of the market. Presently, the market is not dominated by just a few players; the *combined* market share of the top three private staffing agencies, Manpower, Kelley, and Adecco, is less than 13% of the US temporary employment agency market.[4] Thus, there is room in the market to support and grow smaller alternative staffing agencies with socially responsible missions.

If alternative staffing agencies are to go to scale with placing the hard-to-employ in good jobs, the industry needs funding from the federal government. Rather than just spending public money on public cash assistance, homeless shelters, public housing, supplemental security income, etc., the government benefits from also investing in job training and job placement that enable the hard-to-employ population to get good jobs and become economically self-sufficient. It would be valuable for the government to invest more in successful alternative staffing agency models. The U.S. Workforce Development System has been experimenting in partnering with private staffing agencies to further the public goal of placing the hard-to-employ in jobs. It is unclear, however, if the private staffing agencies are held accountable to any national standards. It would be useful to create national standards for the outcomes of such partnerships as well as to evaluate the results of existing partnerships.

Certain alternative staffing agencies for the hard-to-employ population can be economically self-sustaining over time and can produce strong social benefits. In short, we recommend in the short term that the Charles Stewart Mott Foundation support further research, learning, and

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[2] See Françoise Carré et al. (2003).
[3] See Appendix B Literature Review of Françoise Carré's 2003 article.
[4] See Peck and Theodore (2005)

the dissemination of information about socially responsible staffing agencies, and in the long term that they consider building momentum for the creation of policies that support staffing agencies targeting the hard-to-employ population.

NEDLC commissioned the Center for Urban Economic Development (CUED) at the University of Illinois at Chicago to develop a literature review and provide information about the use of staffing agencies by state entities. Their research is incorporated into this report.

This report consists of 5 sections. The first section presents our findings consisting of a survey of states about formal contracts with staffing agencies, a survey of some alternative staffing agencies, a description of staffing industry involvement in workforce development to date, and a literature review. The second section consists of trends in the field. The third section addresses gaps and challenges in the field. The fourth section provides some potential roles for philanthropy to significantly advance the field. And the fifth section consists of concluding remarks. The appendices provide more detailed information on issues raised in the body of the report.

I. FINDINGS

NEDLC and the University of Illinois, Chicago conducted research on the relationship between private temporary staffing firms and public agencies.

A. SURVEYING STATES ABOUT FUNDING FOR STAFFING AGENCIES

NEDLC scanned 21 states to find evidence of State level agencies that use public funds to partner with temporary staffing firms. None of the states contacted currently use Workforce Investment Act (WIA) or Temporary Assistance For Needy Families (TANF) funds to contract directly with staffing agencies on an on-going or permanent basis.

Florida, however, is something of an exception. Following last year's devastating hurricane, the State of Florida began using National Emergency Grant dollars (a grant derived from WIA sources) to create contracts with staffing agencies. These contracts require that the staffing agencies place specifically people affected by the recent hurricane. For more detailed information, see Appendix A.

Additionally, although the state-level agency staff-members contacted during the course of our research had no knowledge of current relationships between staffing agencies and public dollars, the research did find that relationships do exist, to varying degrees, on the local level between public agencies and staffing firms. This is discussed below in greater detail.

B. A SAMPLE OF ALTERNATIVE STAFFING AGENCIES

1. SURVEYING NON-PROFIT STAFFING AGENCIES ABOUT FUNDING

NEDLC also contacted a sampling of major national staffing agencies to determine the extent and type of formal relationships they have with states and local WIA offices. These agencies do not currently receive federal funding (TANF or WIA), but have received federal funding in the past. The following details other funding streams:

- **Experience Works** has offices in 38 states. The Arlington, VA office receives money from the Small Business Association to create employment assistance programs for seniors. From 2000 to 2003 they operated TANF funded programs in Price Georges County, MD placing timing-out TANF recipients into permanent positions. Additionally, until September of 2004, the Texas office received WIA funds that allowed them to staff a One Stop center in the Texas Panhandle.
- **First Source Staffing of Brooklyn, NY** receives New York State Department of Labor funds, but this money is used strictly for permanent staffing.
- **Suburban Job-Link in Chicago, IL** at one point received TANF funds. However, this money was not used directly for temporary staffing, but instead for case management.
- **Project Hired in Santa Clara, CA** receives money from the Federal Department of Education to provide employment services for people with disabilities.

Five of the nine organizations contacted rely mainly upon fees charged to client companies. They are:

- **Chrysalis Labor Connection**
- **First Source Staffing**
- **Suburban Job-Link**
- **New Unity, Incorporated**
- **GoodTemps**

According to many of the interviewees, the cost of running such an operation is relatively low and so programs can actually be self-sustaining by charging a relatively slight fee to their company clients.

Interviewees who did not state that their programs are self-sustaining said that they relied on private funding to maintain their staffing programs. The majority of interviewees stated that programs in addition to job placement such as training were very much dependent upon philanthropic support. Based upon our preliminary research, there appears to be a funding opportunity to (a) seed new non-profit temporary staffing programs and (b) help expand existing staffing programs housed within or associated with non-profit organizations.

2. For-profit Staffing Agency Based on Tax Credits

We also contacted a for-profit staffing company, Employ America, which targets the hard-to-employ population (approximately 75% of their clients), offering them incentives to improve job retention, financial tools to become self- sufficient, and limited benefits. They fund their services by hiring the existing workforce and new hires of non-profit and for-profit organizations as well as government entities, and claiming tax credits for qualified individuals. As explained on their website, "the Federal government offers incentives to employers for hiring economically disadvantaged individuals and individuals living in low income communities. These incentives are in the form of tax credits which are earned by the employers of certain individuals."[5] These include:

- Work Opportunity Tax Credit;
- Welfare-to-Work Tax Credit;

[5] www.employamerica.org

- Empowerment Zone Tax Credit; and
- Renewal Community Tax Credit.

Employ America takes on the responsibility for providing workers with benefits, unemployment insurance, and worker's compensation and by doing so adopts any potential risks, rather than the companies whose workforce is administered by Employ America. As a result, companies are more willing to hire individuals with barriers to employment. Over time, as stronger employees prove their reliability, this agency tries to find them permanent jobs with benefits. Employ America uses some of the profits to subsidize some of the employee benefits as well as shares some of the profits with non-profit organizations. Initially started four years ago in Chicago, IL, this company is expanding rapidly to other states.

3. Worker's Cooperative

Another for-profit model for a staffing agency targeting low-income workers is a limited liability cooperative. The Rhode Island Labor Co-op, though in its infancy, is demonstrating the advantages of an employees' agency functioning as a worker cooperative. The co-op model grants workers full ownership of the business, provides more equitable distribution of profits among worker partners, and enables workers to avoid being exploited by low-road temporary employment agency bosses. There are currently temporary agency cooperatives in Newark, NJ; Washington DC; Boston, MA; and Brooklyn, NY. A new agency is being created in Providence, RI in the Spring of 2005.

C. Staffing Industry Involvement in Workforce Development

While NEDLC did not find any states in our survey that currently contract with staffing agencies, there does appear to be activity occurring on a more local level. The Federal Department of Labor has encouraged regional workforce investment boards to partner with private for-profit temporary staffing agencies, and has made particular mention of Manpower, Inc. and Express Services, Inc. The following is information gathered from the Center for Urban Economic Development (CUED) at the University of Illinois, Chicago.

The following four sections present documentation and analysis of the growth of staffing-industry partnerships with local workforce development agencies. It provides both case studies of the programs which individual workforce development agencies have developed with staffing agencies, and an analytical framework practitioners can use to evaluate other workforce development-staffing industry collaborations.

Background

In April 2003, the U.S. Department of Labor (DOL) announced an ambitious partnership with Manpower, Inc., the largest U.S. temporary staffing agency. Although the particulars of their agreement to "develop joint employment and training strategies" are vague, both organizations emphasized their shared goals and interests.[6] According to the DOL and Manpower, the agreement represented not just a public-private partnership, but the coming together of "two of the largest names in workforce development."[7]

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[6] U.S. Department of Labor (2003).
[7] Ibid.

Stressing the positive implications of the partnership for at-risk workers, Secretary of Labor Elaine Chao explained that "by partnering with Manpower, we leverage our ability to reach unemployed and under-employed workers."[8] In Chao's view, the benefits of the partnership spread to the economy as a whole. Partnering with Manpower meant putting more job-seekers to work. And "more working Americans," Chao asserted, "translates into greater economic growth and personal prosperity."[9]

In many ways, the DOL-Manpower collaboration represents the formalization of recent trends in workforce development and the staffing industry. Through its TechReach program, which has trained disadvantaged workers for employment in well-paid high-tech jobs,[10] and through more recent efforts to place physically disabled workers in information technology (IT) jobs,[11] Manpower has established its interest in contributing to workforce development programs led by the public and not-for-profit sectors.

At the same time, local workforce development agencies have incorporated staffing agencies into their programs. For example, the St. Louis Regional Jobs Initiative screened trained workers for placement with the local Adecco staffing agency as part of its initial welfare-to-work program in 1997.[12] Similarly, public-sector job-placement services in New York City have referred TANF recipients whose benefits were about to expire to the TempForce Staffing Agency.[13] By the time DOL and Manpower announced their affiliation, the staffing industry's involvement in workforce programs was no longer a novelty, and the industry itself was publicly declaring its positive role in producing economic growth and employment.[14]

But beyond the Department of Labor and Manpower's enthusiasm for their affiliation, little is known about the workings or outcomes of the partnership. The DOL-Manpower relationship has proceeded primarily through Manpower's participation in the Department of Labor Employment and Training Administration's Business Relations Group, which connects individual workforce development agencies with the local branches of multi-state firms, including Manpower. This approach has led to the creation of hundreds of local partnerships between the workforce development system and Manpower. Because they proceed at the local level, these partnerships are idiosyncratic. Outcomes are not reported by the Department of Labor, and no comprehensive list of the different partnership plans and strategies exists.

Nearly two years after its inception, the formal partnership of the U.S. Department of Labor with Manpower, Inc. and Express Personnel Services has produced hundreds of partnerships between those staffing agencies and local workforce development centers, but no formal record of the policy specifics and employment outcomes of those partnerships.

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[8] Ibid.
[9] Ibid.
[10] Manpower, Inc., (2004a).
[11] Manpower, Inc. (2002).
[12] U.S. Conference of Mayors (1998).
[13] Lane et al (2003).
[14] Brogan (2001); Lenz (2000).

In many ways, this results directly from the organization of the workforce development system and these partnerships. Just as the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 was designed to generate local-level experiments in practice and policy,[15] the Workforce Investment Act (WIA) and the Department of Labor's partnerships with staffing agencies by design prod individual Workforce Investment Boards and One Stops to form and test a multitude of new relationships with the staffing industry.[16] Given that these relationships are formed and carried out at the local level, understanding the impact of the staffing industry's collaboration with the workforce development system means *understanding the policy details and outcomes of individual local-level workforce development programs*. Because the emerging partnerships between workforce development agencies and the staffing industry are too numerous and too heterogeneous to accurately catalogue, it is also important to develop a typology capable of identifying the operating goals and labor market functions of new programs as they are discovered.

To achieve these goals, CUED researched nine local workforce programs in which the staffing industry has played a part. Because neither the total number of partnerships nor their geographical distribution or basic program architecture is known, it was not possible to construct a random or stratified sample of programs on which to focus. Proceeding from the observation that DOL-staffing industry partnerships are developed in large part through the efforts of both groups to publicize and encourage the replication of past successes, this case selection is instead based upon materials in which the Department of Labor and Manpower advertise the outcomes of past collaborations. Six of the cases below (Medina, OH; Long Beach, CA; Broward County, FL; Willamette Valley, OR; Philadelphia, PN; and Oakland, CA) were identified directly from DOL materials.[17] One was identified through Internet searches (Olympia, WA). The remaining two cases (Bellingham, WA and Chicago, IL) were identified through related interviews with workforce development officials. Below are brief capsules of these workforce development programs, based on interviews with workforce investment officials and publicly available materials.

D. Locally Initiated Partnerships Between Workforce Development Agencies and Staffing Agencies

1. Willamette Valley, OR Workforce Development Agencies

Several One-Stops in Northern Oregon's Willamette Valley have joined together to form a formal partnership with the Mid-Willamette Staffing Association, a group of 14 staffing agencies in the area. Like other partnerships between the workforce development system and staffing agencies, the Willamette Valley partnership has used a declaration of common interests between various workforce development agencies and staffing agencies to produce

[15] See Theodore and Peck (1999); Theodore and Peck (2001); Peck and Theodore (2001). For a more in-depth analysis of the mechanics and implications of creating and publicizing local policy and program experiments, see Peck (2001).
[16] See Barnow and King (2005); Fremstad and Parrott (2004); U.S. General Accounting Office (2002).
[17] United States Department of Labor Employment and Training Administration (2004a).

a series of experimental programs and partnerships. Since entering the partnership in 2002, Mid-Willamette Workforce Network members have:

- Screened and qualified workers for area staffing agencies. This has included sharing the results of publicly purchased worker-screening programs.
- Transferred the work of advertising the availability of One-Stop workers to staffing agencies. As a result, they have substantially reduced their advertising costs.
- Used the labor market information provided by staffing agencies to replace case-management models for One Stop workers with training programs more directly customized to worker needs and local labor market conditions.

Staffing agencies have:

- Conveyed information on employer hiring needs to the workforce development agencies.
- Received access to workers screened in line with staffing agency preferences.
- Placed One-Stop and Youth Program participants with seasonally and cyclically fluctuating jobs in the area's unstable manufacturing sector, as well as jobs in the medical and clerical sectors.

2. Philadelphia, PA Workforce Development Corporation

In 2000, the internally operated staffing agency of the international vending services firm Aramark Corporation opened a branch office in the Philadelphia North (One Stop) CareerLink center.[18] Under the current partnership, the Philadelphia Workforce Development Corporation has:

- Seen One-Stop graduates placed in Aramark positions viewed by the Workforce Development Corporation as competitively paid and capable of providing access to career ladders.
- Received $3,000 in matching funds from Aramark for the training of each One-Stop graduate ultimately employed by Aramark.

Aramark has:

- Been given access to up to $3,000 in WIA-authorized training funds per employee, contingent on its ability to supply equivalent matching funds.
- Received customized worker screening from the CareerLink center.
- Been granted final authority over which of the screened and trained workers it hires.

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[18] Source for Philadelphia Workforce Development Corporation information: Philadelphia Workforce Development Corporation (no date).

3. Long Beach, CA Workforce Investment Board

The Long Beach (One Stop) Career Transition Center has leased on-site office space to the local staffing agency Apple One.[19] Although no formal partnership exists between the two, the Apple One agency has expressed its enthusiasm for being located near a good source of labor supply.

4. Whatcom County, WA WorkSource & Bellingham, WA One Stop

The Partners in Employment program, founded in 2004, combines multiple One-Stop services with Manpower job-placement programs and assorted tax credits in order to entice employers to hire One-Stop graduates.[20]

Under Partners in Employment, the Bellingham, WA One Stop has formed formal partnerships with five local employers. The program bundles together public and private resources in order to generate low-cost, low-risk job placements at these employers. The One Stop begins by screening job applicants and aligning its training activities with eligibility requirements for Welfare to Work and Work Opportunity tax credits. The WorkSource then sends the most highly qualified candidates to the local Manpower agency. Manpower places the workers – at cost – at a designated business for a 90-day period, waiving the placement fee if the worker is hired full time. If the training and hiring practices are eligible, the partner business then claims the applicable tax credits.

Due to Whatcom County's low unemployment rate and the small supply of eligible workers, the number of job placements recorded by Partners in Employment is low. However, other workforce boards and the Washington Employment Security Department have shown interest in replicating the program elsewhere.

5. Medina, OH One Stop

Working under its own initiative, Medina County's workforce development system has developed an extensive, informal partnership with the local Manpower agency.[21] The partnership revolves around Manpower's rental of office space in Medina's central One Stop:

- The One Stop uses the rental fees collected from Manpower to help fund training and other programs.
- Prospective Manpower applicants who come through the One Stop's doors count towards the One Stop's WIA service targets.

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[19] Sources for Long Beach One Stop information: Telephone interview with One Stop administrator (April 2005); Telephone interview with Apple One office manager (April 2005).

[20] Sources for WorkSource Whatcom information: Telephone interview with WorkSource Whatcom official (April 2005); Telephone interview with Washington Employment Security Department official (April 2005); WorkSource Whatcom advertising materials for employer services programs (no date).

[21] Source for Medina One Stop information: Telephone interview with Medina One Stop official (April 2005).

- "Desperate" job-seekers who visit the One Stop are referred to the Manpower agency with the intended goal of securing an immediate placement.
- Manpower routinely refers prospective workers to the One Stop's training and screening services.
- Manpower recruits workers for many placements directly from the on-site pool of registered One Stop participants.

6. Olympia, WA WorkSource (One Stop)

Thanks in part to the urging of the Washington Employment Security Department, the One Stop in Washington's capital city formed a loose partnership for job placements with a local Manpower agency.[22] Now three years old, the partnership consists primarily of Manpower making weekly recruitment visits to the One Stop. Additionally, Manpower provides one-on-one screening and skills training for workers whose needs the One Stop cannot otherwise meet. Due in part to its efforts to place workers through Manpower, the One Stop won a 2004 Washington State governor's award for the large number of former welfare recipients it has moved into the labor market.

7. Oakland, CA Workforce Investment Board

Where most workforce development institutions have used their staffing industry partnerships primarily to pursue job placements or training goals, the Oakland Workforce Investment Board (WIB) has focused on its economic development activities writ large.[23] In 2002, the WIB, which also functions as the City's economic development department, outsourced portions of its business services and economic development programs to Ultimate Staffing. "Their job is to fill job orders, not place people," explains a WIB official. "They get involved whenever businesses are looking to move to Oakland," he adds. Under the terms of its contract, Ultimate Staffing assembles tax credits, fills employee orders, and coordinates job-training programs for businesses seeking economic development assistance from the City. Ultimate Staffing looks to Oakland's One Stops for candidates to fill its staffing orders, but is not obligated to place them.

More notable than the basic mechanics of the Oakland WIB-Ultimate Staffing partnership are its contractual specifics. Ultimate Staffing's contract with the WIB stipulates that it must pay workers placed in economic development-related job orders at a level equal to, or above, Oakland's living wage ($11.11 per hour without benefits, $9.66 with benefits, and scheduled to be adjusted for inflation shortly).[24] Additionally, the WIB receives 5 percent of the fees charged by Ultimate Staffing for market-rate placements made at a firm within six months of filling a WIB-related job order for that firm.

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[22] Sources for Olympia WorkSource information: Telephone interview with WorkSource official (April 2005); Telephone interview with Washington Employment Security Department official (2005).
[23] Sources for Oakland Workforce Investment Board Information: Telephone interview with Oakland WIB official (April 2005); Oakland Workforce Investment Board (2004).
[24] Job placements conducted outside of WIB/economic development business are free from this stipulation.

E. Partnerships Based on Manpower's TechReach Program

When the technology boom of the late 1990s led to a shortage of qualified technology workers, Manpower developed TechReach, a job-training program in which the agency's Manpower Professional division, along with CBOs and local workforce development systems, were to train low-income and disadvantaged workers for placement in hi-tech jobs. As promoted by Manpower, TechReach would produce successful job placements for the staffing industry, well remunerated employment for disadvantaged workers, and a qualified workforce, as well as a positive public image, for hi-tech employers. Although the 2001 recession and the restructuring of the high-tech sector undermined the labor market conditions on which TechReach was based,[25] a handful of local TechReach programs still went forward.

1. Broward County, FL Workforce Investment Board

When approached by a local customer-support employer suffering from high turnover rates and recruiting problems for its 'contact center' workforce, Manpower used the resources of Broward County's One Stops to develop a customized job-training and -placement plan. Acting as the chief recruiter, the One Stops enrolled jobseekers and made available classroom space for Manpower to assess, test, and train the prospective employees in the computer-literacy and customer-service skills necessary for the job. After training, the job-seekers worked eight weeks on paid internships, then moved to the employer's contact center through the employer's contract-to-hire (colloquially known as 'temp-to-perm') agreement with Manpower. More than 350 job-seekers have been placed in contract-to-hire agreements at the employer, which has subsequently requested 400 additional employees from Manpower and the One Stops. Figures on the conversion of contract-to-hire workers to direct employment are unavailable.[26]

2. Chicago, IL Mayor's Office of Workforce Development

In contrast to the employer-driven TechReach program launched in Broward County, Chicago's TechReach program was initiated by the not-for-profit Civic Committee of the Commercial Club of Chicago. The division of labor in Chicago's TechReach program was different as well. Under the Civic Committee's oversight, two additional Chicago not-for-profits recruited eligible workers and managed their training. Manpower provided training materials and committed to offer six-month paid mentorships to graduates of the TechReach training. The workforce development system – which took a central role in other TechReach programs – played a less integral role here, supporting TechReach primarily through a grant from the Mayor's Office of Workforce Development. Chicago TechReach was initially intended to run through four pilot training cycles and place 60 workers. However, due to changing labor market conditions in the Chicago IT sector and

[25] See Srivastava and Theodore (2005).

[26] Manpower, Inc. (2004c); United States Department of Labor Employment and Training Administration (2004).

the 2001 recession, the program only succeeded in securing employment for six job-seekers.[27]

F. Partnerships in Perspective: Trends and Limitations in the Collaboration of Workforce Development Agencies with the Staffing Industry

The cases presented above clearly illustrate that while the collaborations between local workforce development agencies and the staffing industry may be unstructured, they are hardly random. For individual One-Stops, experimentation with staffing agencies is shaped by the restrictions and requirements of TANF and WIA, by the U.S. Department of Labor's encouragement of partnerships between One Stops and staffing agencies, and by the presence of staffing agency personnel on many WIBs. It is also shaped by the structure of the Department of Labor's partnerships with Manpower and Express Services, which, like WIA and TANF, impose a framework for local-level partnerships rather than a set of top-down rules to follow.

In telephone interviews about the program innovations catalogued above, One-Stop managers and other workforce development officials repeatedly told different variations of the same story. Charged with serving unemployed and often marginal workers, but hampered by scant knowledge of local labor markets, unsteady connections with local employers, and substantial limitations in their ability to deliver training, One Stops have seized upon partnerships with the staffing industry in order to extend their limited capabilities. In these interviews, four main aspects of the workforce development-staffing industry relationship became clear:

1) Workforce development officials view the staffing industry as an expert on local labor market conditions. "They fill niches that we don't fill," says one state-level workforce development official in a typical response. Many One-Stop administrators are optimistic about the industry's ability to fill the gaps in their labor-market knowledge. One administrator enthusiastically endorses the industry's ability to connect her One Stop with a rapidly changing local industry characterized by many ups and downs. Another points to the role the staffing industry can play in brokering labor-market connections between hard-to-employ job-seekers and employers who may otherwise ignore One Stop participants as a labor source.

These impressions are buttressed by the technical-assistance manuals the U.S. Department of Labor distributes to local workforce agencies. For example, a September 2004 DOL Employment and Training Administration bulletin, entitled "Guide to a Win-Win Partnerships for the Public Workforce Investment System and the Staffing Industry," emphasizes that "temporary agencies play a positive role in improving the access of low wage earners to better jobs at better firms."[28]

2) Scarce resources make the staffing industry an attractive partner for One Stops. In interviews, One-Stop officials confirm what many researchers have suggested:

[27] Sources for Chicago's TechReach Program: Personal Communications with Program Personnel (April 2004).
[28] Win-Win Partners (2004).

that limited WIA funding restricts the options available to local workforce programs. Accordingly, many local workforce administrators view the staffing industry as both a direct and indirect means of augmenting their limited resources. For example, One Stops in Long Beach, CA and Medina County, OH have supplemented their WIA funding by renting out space to temporary staffing agencies. For the Medina One Stop, this tactic carries the additional advantage of preserving WIA funding by increasing the total number of jobseekers who enter the One Stop.

In most cases, partnership with a staffing agency delivers not revenue, but rather operational flexibility and access to external training resources. Without exception, the local workforce development agencies surveyed for this study gained free advertisement or access to staffing-agency training programs and funding through their partnerships. Additionally, some One Stops use staffing agencies to provide customized or specialized job training for workers with hard-to-employ needs.

3) Workforce development officials view the staffing industry as having the same interests as the local workforce development system. One of the One-Stop administrators interviewed for this study concisely delivers the nearly unanimous view of her contemporaries: "We [the workforce development system and the staffing industry] have a common goal of ensuring that businesses have the best workers they can." Another matter-of-factly states that staffing agencies are interested in forming relationships with the workforce system "because of the similarity in what we do." In fact, one local workforce official viewed the goals of the workforce system and the staffing as so similar that partnership represents a necessary step to avoiding the problem of government competing with the private sector. Pointing to the short operating histories and limited institutional experience of many workforce development agencies, the same official asserted that partnerships with the staffing industry should also be valued for their ability to teach the workforce development system how to form partnerships with business and place workers in the private sector.

In its technical-assistance manual, the Department of Labor makes these points even more directly, explaining that "Consistent with the public workforce investment system, staffing firms seek to expand economic opportunity for workers and jobseekers as well as enhance the competitiveness of firms and local areas by identifying the needs of a variety of stakeholders."[29]

4) One-Stops believe the staffing industry improves the labor market outcomes of job-seekers. Consistent with the view that the workforce development system and staffing industry share the same goals, local workforce officials argue that partnership with the staffing industry enhances the long-term earnings of the population the One Stops serve.

One of the more aggressive One-Stops initiated its partnership with a local staffing agency after encountering a report that suggested jobseekers receive higher wages when initial

[29] Win-Win Partners (2004).

employment is secured through a staffing agency rather than directly with a worksite employer. As is documented above, other One Stops have strategically used staffing agencies to gain access to specialized skills training and to job-placement opportunities they believe could not be otherwise obtained.

The Department of Labor has made these points with particular emphasis, devoting multiple pages of its technical assistance manual to the results of studies that find positive labor market outcomes to temporary employment,[30] and providing several examples of workforce development-staffing agency partnerships that led to job placements.

In sum, no single factor drives the partnerships between local One-Stop centers and the staffing industry. But the broader factors shaping and constraining these partnerships are clear. At a basic level, limited resources and limited experience make many local workforce development agencies predisposed to forming partnerships with private-sector organizations. In principle, these partnerships can be (and often are) formed with many types of private-sector organizations. But thanks to both its perceived experience in labor market intermediation and the U.S. Department of Labor's stamp of approval, the staffing industry is often the private-sector partner of choice.

Despite its rapid growth and burgeoning cooperation with the public sector, relatively little is known about the staffing industry and its impact on labor markets at either the local or the national level. Nevertheless, the agenda for future research is clear. First and foremost, the growing linkages between the staffing industry and the workforce development system at all levels must be explored. While typologies of the relationships between staffing agencies and government – like the one provided in this report – help to define these relationships, they cannot substitute for empirical knowledge of the specific, and unpredictable, forms the staffing agency-workforce development partnership can take.

G. Literature Review

To remedy the absence of reliable data on the results of myriad partnerships described in the preceding pages, the literature review presented in Appendix B summarizes and evaluates academic research on the long-term employment outcomes of temporary workers. Since this research is severely limited in scope, the literature review turns to a summary and critique of research on policy and not-for-profit initiatives designed to improve training and compensation for temporary workers.

The literature review by CUED addresses two major areas in the staffing industry. The first section analyzes articles that evaluate the long-term outcomes to temporary employment for low-income or low-skilled workers. Any attempt to evaluate the relationships between the staffing industry and the workforce development system (discussed above in sections II D, E, and F) requires research on the *outcomes* to temporary employment *under current labor market conditions*. Despite the limitations of the studies which are summarized in the literature

[30] These studies – Andersson et al (2003) and Houseman (2001) – qualify their findings much more than the Department of Labor literature suggests.

review, they suggest fruitful ways in which this research might be conducted in the future: with great sensitivity to local labor market conditions, to long-term outcomes (over a three-to-five year period), and to efforts, regulatory or otherwise, to improve pay and working conditions for the marginalized workers who take these jobs. The second section examines articles that evaluate efforts to challenge low wages and poor working conditions for temporary workers. The key findings highlight the positive impacts as well as the potential pitfalls of growing temporary staffing agencies within the non-profit sector.

II. TRENDS

Unscrupulous practices. A fair number of unscrupulous staffing agencies have arisen that pay workers extremely low wages, force workers to wait for long periods of time for work assignments, not provide workers with regular work, and exploit immigrants, sometimes not paying them or paying them below the contract amount if they are undocumented.[31] These "low-road" agencies charge low rates for their workers, driving down the wages of their competitors.

Gross margins have fallen across the market. There have been no market leaders to set high prices in the staffing industry. Instead, the big companies have been lowering the mark-up rates. In the past, their mark-up rates were between 30 – 40%. Now, mark-up rates have diminished to lower than 20%.

Vendor on premise. Due to increased staffing agencies now provide a "vendor on premise" to provide staff management service. This leads to a lower gross margin due to additional staffing costs. It also severely limits the opportunity for workers to go from temporary to permanent positions because all the contact with the management is done by the on-site vendor.

Standards. There are no national standards to which to hold staffing agencies accountable who receive federal funding to secure permanent jobs with career ladders and benefits for the hard-to-employ population and to prevent them from simply creaming the easiest to employ into low-wage dead end jobs.

Outcomes. There are no publicly stated performance criteria and tangible socially responsible outcomes for private staffing agencies partnering with DOL.

Appearance vs. reality. According to the Bureau of Labor Statistics (BLS), 90% of staffing companies provide free training to their temporary employees. However, this training is usually not sufficient to address the needs of the hard-to-employ population.

Dependence of staffing agency's economic success on overall economy. Much of the staffing agency is pro-cyclical now, having difficulty when there is an economic downturn.

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[31] This practice of underpaying immigrants is what led to the formation of a temporary employment cooperative in Providence, RI.

There are about 2 million temp workers. Between 2000 – 2002, the staffing industry itself lost 400,000 jobs. During this time, the staffing industry performed a buffer role for the economy. The number of jobs in the staffing industry only started to increase at end of 2003. Generally, it is more effective to invest in the staffing industry while the economy is strong. However, there are some high-markup-rate niches which are the exception to this rule.

Model Staffing Agency practices that demonstrate they can yield dual bottom line. As presented in the Literature Review (Appendix B) there are many alternative staffing agencies that aspire to a dual bottom line, aiming to be economically successful as well as serving the hard-to-employ in a socially responsible way. There are three models that look particularly promising:

- A for-profit staffing agency, like Employ America, that captures tax credit benefits and uses them to subsidize social benefits for the workers;
- A staffing agency cooperative, that offers residents ownership and provides a more equitable distribution of profit sharing; and
- A high-markup niche market, whose success is not as dependent on the strength of the economy.

III. GAPS AND CHALLENGES

Despite the fact that there appears to be opportunity to develop alternative means for workforce delivery systems through alternative staffing agencies, the research conducted indicates that there are numerous challenges to be faced along the way. Though there may indeed be a place for non-profit staffing agencies to create viable workforce systems that focus on the hard-to-employ and challenge the inequities in the current temporary staffing industry, these challenges will have to be addressed with creativity and on multiple levels.

1) Policy environment allowing the proliferation of unscrupulous staffing agencies. The unscrupulous practices (described in the preceding "Trends" section) adopted by many private staffing agencies is placing downward pressure on wages and benefits across the industry. Without a significant policy shift and institutionalized standards, this behavior will continue to make the temporary staffing industry model a difficult option for organizations tasked to move the hard-to-employ into the workforce. This indicates a challenging aspect of the industry overall and, if it is indeed widespread, calls into question the relationship between Department of Labor and or-profit staffing agencies.

2) Traditional for-profit staffing agencies leaving behind the hard-to-employ population. Because the industry has become markedly more competitive over the last two decades, the issue of "creaming" or selecting more skilled temporary workers over less skilled is worth noting. The developing relationship between Department of Labor and for-profit staffing agencies makes this issue more pressing simply because the success of this model from the perspectives of all partners depends upon the success of each individual temporary worker. Those who may require more support may also, on the face of it, appear to be less likely to succeed within this new workforce system.

3) Wage growth. An increase in wages, which is often touted by staffing agencies as a measure of success, does not necessarily reflect the reality of worker compensation in the industry. When it appears that there is an increase in wages, it is important to examine what is causing it. Staffing agencies typically hire a worker at a low wage for a multi-month probationary/screening period, after which a pay increase is granted in order to maintain access to the worker. Accordingly, wage growth can reflect the mechanical component of the staffing agency's hiring process, rather than the worker's placement on a career ladder or her acquisition of valuable skills. Also, an individual is often placed at a job which requires lower skills than what they have. The worker then advances quickly up to the level of their skills, but then the advancement stops. On the face of it, it appears that each worker is advancing quickly both in terms of pay and job responsibility. However, given this practice, it would be a mistake to assume that this is an indication of movement towards permanent job placement or career advancement.

4) Alternative Staffing Agencies and Scale. As discussed above, the Federal Department of Labor is encouraging increased partnerships between local workforce investment boards and large-scale for-profit staffing agencies. Though there may be an opportunity for ASAs to generate similar partnerships, it is quite difficult to assess exactly how these partnerships would operate. At this point, the precise relationships between the participating for-profit agencies and Department of Labor are developed on numerous local levels and, therefore, vary dramatically from one another in terms of operations and outcomes. What is clear, however, is that Department of Labor has encouraged partnerships with specific for-profit staffing agencies because ostensibly they operate on a scale that could move large numbers of people into the workforce. This raises several critical questions in regards to ASAs, however. Firstly, since the intricacies of these partnerships are developed on the local level, is scale necessarily a limiting factor for ASAs? Because of the scope of our research, we have not investigated the numbers of people served by for- and non-profit staffing agencies on the local level, and therefore cannot assess the validity of the scaleability claim. The top three for-profit staffing agencies combined command less than 13% of the entire industry. It is possible that if standards were created on the Federal level, ASAs could potentially compete with the for-profit agencies based on their outcomes, and the ability to offer an enormous number of jobs would not be the criteria for excluding ASAs. Secondly, if scale is truly significant, could ASAs reach a level that approximates that of large for-profits such as Manpower? Because financial support is presently limited, without a change in funding policies, it is unlikely that ASAs would be capable of reaching a competitive scale while maintaining their overall missions of serving select populations. Thirdly, though significantly smaller by nature, could ASAs develop a specialized relationship with Department of Labor that focuses on moving hard-to-employ populations into the workforce? The answers to this question is not readily available, in part because the exact nature of the existing partnerships is fairly murky. However, it may be an area worthy of further investigation.

5) ASAs and public funding. Though public dollars appear to be available to non-profit staffing agencies, it appears that few are being presently accessed. Moreover, non-profits do not appear to develop on-going public funding streams to buttress their programs. Based upon our brief research, there is no clear explanation for the disconnect between programmatic need and federal or state funding.

6) ASAs and sustainability. Lastly, though the majority of non-profits interviewed by NEDLC stated that their temporary staffing agency programs are self-sustaining, when taking the research covered in the literature review into account, it is not clear how these programs are defining self-sustaining. If the industry as a whole is indeed becoming far more competitive, it is unclear how ASAs are able to maintain service to populations in need and still remain financially solvent. Key questions must be investigated in this regard in order to gain a more accurate portrait of ASA success. Firstly, how is success defined from one program to the next? Secondly, are key gains, such as increased wages or benefits, being cut back to maintain program viability? Thirdly, how is competition from for-profit staffing agencies being addressed? Fourthly, when the market drops, as it has in recent years, are ASAs able to maintain a focus on their targeted populations? Adequate answers to these questions are needed, though the answers may well present additional challenges to the alternative staffing agency model.

IV. Recommendations

Job placement is a valuable strategy which can be economically self-sustaining. It can provide social goods by increasing wages, and placing people into permanent positions with job benefits and career ladders.

A. Learning and the Dissemination of Information

We recommend that the foundations begin by supporting further research, learning and the dissemination of information about staffing agencies geared at the hard-to-employ population.

1. Exploring Current Initiatives

Before trying to create something new, it would be useful to first assess the existing initiatives in more detail. By having an initial convening of people who are already working in the field, foundations could determine the scope of their work and ascertain which issues foundations could most appropriately address.

2. Convening / learning community

In the long-term, it would be valuable to initiate relationships between people from various organizations that offer job training and job placement services. The exchange of information could increase each program's ability to address the needs of low-wage people trying to make ends meet. Foundations could:

- Support organizations that bring together staffing agencies focused on low-wage workers and the hard-to-employ population, providing models including training, principles, assessing needs, procedures, tracking, services, and capacity to evolve over time.
- Convene representatives from such agencies to find out what some of the challenges are in running socially responsible staffing agencies as well as gather and share innovative approaches, notable practices, or key components, encouraging individual agencies to adapt as needed to the local population they serve.

- Convene both *(non-profit)* agencies that serve the low-wage population as well as *(for-profit)* agencies that do not explicitly focus on that population.

3. Information clearinghouse

In non-profit agencies, often, job training and job placement are part of a larger suite of services. There are agencies that have the capacity and interest to offer these services, but do not yet have the information needed to expand their current services. Information is a key component in helping organizations, assisting practitioners in improving their projects, educating law-makers about the issues, and enabling organizations to secure funding to make the field sustainable. Foundations could support the creation of a website to serve as an information clearinghouse[32] which would provide vital knowledge, forms, links to resources, lists of potential funders, and updates with the latest news related to job training and job placement for low-wage workers.

4. Technical Assistance to Alternative Staffing Agencies

Many non-profit organizations are recently becoming involved in offering staff placement services. The convening mentioned above could be used as a platform to determine what the needs are for technical assistance to non-profit staffing agencies.[33] This could lead not only to more efficient programs, but would also facilitate the implementation of:

- wage standards
- employment standards
- jobs leading from temporary to permanent placement standards

5. National Network of Alternative Staffing Agencies

The convening mentioned above could be used as a platform to determine whether or not staffing agencies assisting the hard-to-employ would be interested in some trade association in the form of a national network of staffing agencies, similar in structure to the National Network of Sector Partners.

6. Research

The convening mentioned above could be used as a platform to determine what additional research would be most helpful. Potential research topics might include:

- Challenges in trying to secure federal funding and additional public funding streams.[34]
- The notable practices of alternative staffing agencies[35] as well as their start-up costs and break-even costs.
- The viability of going to scale with training and placing the hard-to-employ population in jobs with income mobility and benefits.
- The growing linkages between the staffing industry and the workforce development system.

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32 CUED has a specific website for contingent work, however it presently addresses research.

33 The ICA Group (Industrial Cooperative Association) has offered technical assistance to four temporary employment agency cooperatives.

34 Although there is a history of non-profit agencies accessing public funding streams, in our small 2005 sample, many are currently not receiving public funds.

35 The Carré study (2003) included young alternative staffing agencies. Additional research could influence conclusions about the viability and long-term outcomes of these agencies.

- How long it takes to move from a temporary position to a permanent position as well as from low-wage to high-wage jobs.
- Whether or not it would be strategic for non-profit agencies targeting the hard-to-employ population to collaborate with for-profit agencies.[36]
- What sectors in various regions would be a good fit for the hard-to-employ population and would provide a high gross margin for staffing agencies.
- How much public money is going to private temp agencies.

B. Policy Change

In the long term, we recommend supporting the following policy changes to enable staffing agencies to better serve low-wage workers, especially the hard-to-employ.

- Support organizations to develop and advocate a long-term policy where all staffing agencies that receive federal funding would have to meet national standards for:
    1. Training;
    2. Providing jobs that lead from temporary to permanent positions;
    3. Seeking jobs that have a career ladder; and
    4. Providing jobs that offer a living wage.
- Evaluate whether agencies partnering with DOL are meeting the goals of DOL legislation.
- Advocate for the Dept of Labor to provide financing for non-profits to start up temporary employment agencies.

We need to continue restructuring the staffing industry over time through policy and practice, focusing on two aspects of the industry. On the demand side of the equation, certain employers need to meet the condition of not just hiring workers short-term, but rather, having a hiring strategy that can allow reliable workers (who were considered part of the hard-to-employ population) to be incorporated into their permanent workforce. With publicity campaigns that emphasize the need for a socially responsible employer, as well as national standards that make practices of low-road temp agencies illegal, employers may change from just shopping on price (which has led to the proliferation of low-road staffing agencies that harm temp workers) to having a double bottom line. The first bottom line is profit. The second bottom line is being socially responsible. One of the mottos of temp agencies is “Try before you buy”. Employers, when provided with incentive, will take a chance on hard-to-employ workers.

On the supply side of the equation, public funding needs to be more accessible to Alternative Staffing Agencies that provide wrap-around services for the hard-to-employ population. ASAs need to develop long-term relationships with work site employers.

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[36] Non-profit agency is more likely to assist someone with barriers to employment to become a stable, reliable worker. For-profit agencies may have access to specialized sectors or may offer better benefits. They could potentially share a “finder’s fee” if a client is successfully place in a long-term position.

V. Concluding Remarks

Job training and job placement are key steps for many people to be able to make ends meet, and over time, to advance on a career ladder. Alternative staffing agencies that address both job training and job placement are emerging as an important field in the effort to rebuild distressed communities. Our research reveals the opportunity for philanthropy to assume a leadership role in the multi-faceted field of staffing agencies to further their welfare-to-work and job training projects. Our recommendations show some potential areas in which foundations can engage to foresee and meet the challenges facing the field.

APPENDIX A:

STATE FINDINGS ABOUT CONTRACTS WITH THE STAFFING INDUSTRY

NEDLC scanned 21 states to find evidence of State level agencies that use public funds to partner with temporary staffing firms. None of the states contacted currently use Workforce Investment Act (WIA) or Temporary Assistance For Needy Families (TANF) funds to contract directly with staffing agencies on an on-going or permanent basis. Florida, however, is something of an exception. Following last year's devastating hurricane, the State of Florida began using National Emergency Grant dollars (a grant derived from WIA sources) to create contracts with staffing agencies. These contracts require that the staffing agencies place specifically people affected by the recent hurricane.

Below are the specific states surveyed along with information that resulted from phone call interviews.

Alabama
WIA- The State does not use WIA funds to directly contract with temporary employment agencies.
TANF- The State does not use TANF funds to directly contract with temporary employment agencies.

Arkansas
WIA- The State does not use WIA funds to directly contract with temporary employment agencies.
TANF- The State does not use TANF funds to directly contract with temporary employment agencies.

California
WIA- The State does not use WIA funds to directly contract with temporary employment agencies. However, as is discussed in Part I, Section D, the Oakland One Stop has developed a relationship with Ultimate Staffing.
TANF- The State does not use TANF funds to directly contract with temporary employment agencies.

Florida
WIA FUNDS- Florida does receive Federal fund to contract with temporary employment agencies. The National Emergency Grant (NEG) was given to Florida to aid in the post-hurricane recovery. This grant comes out of WIA funding streams and is directly related to disaster recovery. Employment generated by NEG funds must be part of an effort to clean-up, repair or provide relief to those people affected by the hurricane.

The funds are directed to local government agencies or CBOs who then either directly employ individuals or contract with temporary staffing agencies, which would in turn employ individuals. To simplify the process, the agency Workforce Florida has contracted with the National Professional Employer Organizations, an association of temporary employment agencies. (State law directly states that staffing agencies are to be included in the operations of One Stops.)

Temp workers cannot work more than 6 months or earn more than $12,000. NEG funds cannot be used for job training, though other WIA funds are used to train those in need. All temporary work funded by NEG must be for direct recovery work. Temporary employment agencies receiving NEG funds must first target those who can demonstrate a direct connection between the loss of their jobs and the hurricane. They must then target those whose jobs have been lost indirectly because of the hurricane. They must then target those who are chronically unemployed. NEG expire at the end of September 2004 and will be subject to renewal.

Additionally, as is discussed in Part I, Section D, Manpower has developed a relationship with the Broward County One Stop.

TANF- No single state agency uses TANF funds to contract with temporary employment agencies. Instead, a certain percentage of TANF fund are appropriated by the Agency for Workforce Innovation and Workforce Florida, Inc. that then fund the 24 Regional Workforce Boards (RWBs). These RWBs are private non-profit entities that have been tasked with increasing employment around the State. Certain RWBs do contract with temporary employment agencies, though not all.

Hawai'i
WIA- The State does not use WIA funds to contract directly with temporary staffing agencies. There is cursory investigation underway at the state level to look into the possibility.
TANF- The State does not use TANF funds to contract directly with temporary staffing agencies.

Idaho
WIA- The State does not use WIA funds to contract directly with temporary staffing agencies.
TANF- The State does not use TANF funds to contract directly with temporary staffing agencies.

Illinois
WIA- The State does not use WIA funds to contract directly with temporary staffing agencies.
TANF- The State does not use TANF funds to contract directly with temporary staffing agencies.

Kansas
WIA- The State does not use WIA funds to contract directly with temporary staffing agencies.
TANF- The State does not use TANF funds to contract directly with temporary staffing agencies.

Michigan
WIA- The State does not use WIA funds to contract directly with temporary staffing agencies.
TANF- The State does not use TANF funds to contract directly with temporary staffing agencies.

Mississippi
WIA- The State does not use WIA funds to contract directly with temporary staffing agencies.
TANF- The State does not use TANF funds to contract directly with temporary staffing agencies.

Nebraska
WIA- The State does not use WIA funds to contract with temp agencies.
TANF**-** *The State does not use TANF funds to contract with temp agencies.*

New Jersey
WIA- The State does not use WIA funds to contract with temp agencies.
TANF- The State does not use TANF funds to contract with temp agencies.

New Mexico
WIA- The state does not currently use WIA funds to contract with temporary employment agencies. According to one contact, this may have happened in the past, though no one was certain how it may have worked.

North Carolina
WIA- The state does uses WIA funds to contract with temporary employment agencies for in-house needs only.
TANF- The state does not use TANF funds to contract with temporary employment agencies.

North Dakota
WIA- The state does not use WIA funds to contract with temporary employment agencies.
TANF- The state does not use TANF funds to contract with temporary employment agencies.

Oklahoma
WIA- The state does not use funds to contract directly with temporary employment agencies. Local One Stops do partner with temp agencies, but that is all.
TANF- The state does not use TANF funds to contract with temporary employment agencies.

Oregon
WIA- The State does not use WIA funds to contract directly with temporary employment agencies. However, as is discussed in Part I, Section D, local One Stops in Willamette Valley have formed a relationship with staffing agencies.
TANF- The State does not use TANF funds to contract directly with temporary employment agencies.

Tennessee
WIA- The state does not use WIA funds to contract with temporary employment agencies
TANF- The state does not use TANF funds to contract with temporary employment agencies.

Texas
WIA- The State does not use WIA funds to contract with temp agencies.
TANF- The State does not use TANF funds to contract with temp agencies.

Washington
WIA- The State of Washington does not use WIA funds to contract directly with temporary employment agencies. However, as is discussed in Part I, Section D, local One Stops in both Bellingham and Olympia have formed a relationship with staffing agencies.
TANF- The State of Washington does not use TANF funds to contract directly with temporary employment agencies.

Wisconsin
WIA- The state does not use WIA funds to contract with temporary employment agencies. Milwaukee's workforce board, however, has received recognition from the Department of Labor for a cooperative venture with Manpower.
TANF- The State does not use TANF funds to directly contract with temporary employment agencies. Instead, they contract with W2s, local TANF programs that may contract with temp agencies. (W2s can be public agencies, for-profits or non-profits.)

APPENDIX B:

LITERATURE REVIEW OF THE STAFFING INDUSTRY AND LOCAL WORKFORCE DEVELOPMENT[1]

INTRODUCTION:

The escalating involvement of the staffing industry in the workforce development system raises an obvious question: Is temporary employment beneficial for the workers who are served by the workforce development system? Despite the substantial amount of scholarship produced on temporary work and related issues, there is no direct and definitive answer. Nevertheless, a close reading of the available research makes several realities clear. First, under the best possible circumstances, the gains to workers from temporary employment are very limited. Second, the potential gains from temporary employment are dependent in part upon worker type and upon local labor market conditions. Third, while several not-for-profit organizations and unions have enacted programs designed to improve the wages, benefits, and job training experiences of temporary workers, these efforts are unlikely to have a broad or sustainable impact.

In addition to these observations, it must be noted that the prevailing statistical studies on the outcomes to temporary employment use data that predate both the passage of the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 and the era of minimal job growth that has followed the 2001 recession. Taken together, these two events have likely worsened labor market conditions for low-wage and low-skill workers. Welfare reform has increased the number of these workers seeking jobs; at the same time, recession and jobless recovery have held down the number of available jobs, temporary or otherwise. Accordingly, caution must be exercised in applying the findings of research conducted in the tight labor markets of the mid-to-late 1990s to these dramatically different labor market conditions.

The following synopses of research on temporary employment both summarize and critique the main arguments and findings of the relevant research. Although the list of articles discussed here cannot be comprehensive, it represents the most thorough and revealing pieces of research on the subject:

A. EVALUATIONS OF THE LONG-TERM OUTCOMES TO TEMPORARY EMPLOYMENT

"Pathways to Work for Low-Income Workers: The Effect of Work in the Temporary Help Industry."[2]

by Julia Lane, Kelly S. Mikelson, Pat Sharkey, and Doug Wissoker

1. Outline

Lane et al's research asks a question of direct relevance to evaluating the role of staffing agencies in the workforce development system: does temporary employment, compared to full-time employment or non-employment, improve the long-term earnings and employability of at-risk workers? Framing the question this way sets up a highly relevant quantitative research project in

[1] Research conducted and presented by the Center for Urban Economic Development at the University of Illinois at Chicago.
[2] *Journal of Policy Analysis and Management* 22(4):581-598 (2003).

which longitudinal data (i.e., data tracking the same individual workers over multiple years) from the Survey of Income and Program Participation is used to evaluate the impact of different employment arrangements on the wages, benefits, employment status and other related characteristics of similar job-seekers after one year.

2. Methods

Using a propensity-matching technique to assemble comparable groups of workers from the 1990-1993 Survey of Income and Program Participation data sets, the authors essentially create a set of natural experiments within the data set, comparing the labor market outcomes for job seekers 'at risk' of welfare receipt. The research proceeds through two sets of comparisons. In the first set, workers moving from unemployment to temporary employment during a one-month period are compared, after a year's time, to unemployed workers who remain unemployed and to unemployed workers who move to traditional employment. In the second set, workers moving from 'traditional' to temporary jobs are compared to traditional employees who move to unemployment and traditional employees who remain employed in traditional jobs. Although laborious, and difficult to understand for the lay reader, this orchestration of the data controls for the multiple alternative outcomes (movement to full-time work, movement from full-time to temporary work, etc.) possible for the workers of interest.

3. Findings and Critique

Overall, Lane et al find that at-risk workers moving from unemployment to temporary employment fare substantially better (in terms of income and benefits) than similar unemployed workers, but marginally worse than similar unemployed workers who secured standard jobs. More specifically, workers moving into temporary jobs during the one-month period are almost twice as likely to be employed one year later as those who remain unemployed (69% vs. 35%), and less likely to receive public assistance (22% vs. 28%). Interpreting their findings, the authors argue that "temporary employment results in labor market outcomes that are better than not working at all" and that "few significant differences can be found between the subsequent outcomes" of unemployed workers who move into temporary jobs, as compared to those who move into standard jobs.[3]

Although this thorough piece of research is persuasive on the surface, several caveats must be attached to its findings. One of these caveats – that the authors cannot fully control for work history as they divide workers into treatment and control groups[4] – is important, concerning the subject matter, but common for a study of this kind. A far more substantial problem is the researchers' use of the Standard Industrial Classification Code for the staffing industry to identify temporary-worker status. As other research has documented, temporary workers often mis-report – out of confusion – their employer as the employer to whom they are assigned, rather than the staffing agency for which they formally work. As a result, identifying temporary workers by SIC code produces a picture of temporary employment that is not just incomplete, but also

[3] Lane et al (2003), p. 293.

[4] Lane et al (2003), p. 290. The authors explain that "Although we were unable to fully control for work histories, it is likely that our efforts allow a better match than would be possible using cross-section data." While this is certainly accurate, a more important issue than the drawbacks of the cross-sectional method is whether, and how, the limitations of the method used qualify the findings.

distorted with respect to industry (and thus likely wages) of employment.[5] While Lane et al's research remains applicable for workers who accurately report their employer of record, it clearly cannot be generalized to all temporary workers.

The other caveats are more specific. Most prominently, data on the outcomes to temporary employment in the early 1990s – before the temporary industry's end-of-the-decade growth surge, and before welfare reform – is ill-suited to addressing the issue of temporary employment today. Because it has moved many at-risk workers into the labor market, welfare reform has produced an at-risk workforce possessing fewer formal employment qualifications and greater need to accept any available job.[6] Both of these dynamics can be expected to intensify competitive pressures in the labor market and restrict the ability of workers to make income and security gains through temporary jobs. Additionally, the staffing industry itself has changed substantially in recent years. Low barriers to entry have contributed to a proliferation of staffing firms and a resultant downwards pressure on profit margins and wages.[7]

Finally, although Lane et al's study formally addresses long-term employment outcomes, the data themselves only examine the outcomes over a one-year period. This, too, restricts its usefulness in understanding the role of staffing agencies in the labor market outcomes of disadvantaged workers today.

"Welfare to Temporary Work: Implications for Labor Market Outcomes."[8]
by Carolyn J. Heinrich, Peter R. Mueser, and Kenneth R. Troske

1. Outline

Like Lane, et al, Heinrich et al seek to compare the outcomes of temporary employment (as opposed to standard employment) for at-risk workers. Focusing exclusively on welfare recipients, the authors use state-level welfare data collected for unemployment insurance programs in North Carolina (1997) and Missouri (1993 and 1997) to execute an econometric analysis of the determinants – including temporary employment – of employment, earnings and welfare receipt for these workers after one year.

2. Methods

Data records for welfare recipients are sorted into three groups: welfare recipients with no job; recipients with jobs in the temporary help, manufacturing, retail trade, or services sectors; and recipients with jobs in more than one of those sectors. This last group is divided into two sub-groups: those multiple-job workers with at least one job in temporary help, and those without. Controlling for demographic factors (age, education, race, number of children, etc.) and measures of past welfare receipt, work experience and prior earnings, Heinrich et al conduct a multinomial logic regression analysis of the determinants of the different types of employment outcomes into which welfare recipients had initially been grouped (see above).

[5] Estevão and Lach (1999).
[6] See Pollin (2004).
[7] See Theodore and Peck (2002).
[8] Bonn, Germany: Institute for the Study of Labor (2002).

To provide a more detailed analysis of the outcomes of temporary employment, these data are separated by employment type, with a predictive wage-and-earnings model calculated for each group of workers.

3. Findings and Critique

Controlling for demographic difference, geographic difference, and employment history, in the first three months of holding employment, temporary job-holders earned between 60% and 74% of those in standard jobs in other sectors. Over the course of the first two years of employment, that figure rises to between 84% and 93% of the earnings of standard workers. In the final three months of that two year period, the number rises again, to between 93% and 99%.

Based on this econometric work, the authors argue that "the low earnings obtained in temporary help jobs do not appear to be permanent"[9] "Overall," they add, "it is clear that those in temporary help jobs have appreciably better future prospects than those who are not holding jobs, even after controlling for all of the characteristics that we can observe."[10] Nevertheless, they argue, the merit of temporary jobs "depends on whether they supplant jobs that provide better pay and benefits and greater levels of stability."[11]

Like the Lane et al study, this research project does not address the issue of temporary employment and high-risk workers as directly as would first appear. The years of analysis – 1993 and 1997 in Missouri, and 1997 alone in North Carolina – capture labor market conditions at only a single point in time; no substantial effort is made to count for the specificity of labor market conditions. Additionally, the grounds on which these studies might be abstracted from time and place to speak to temporary employment outcomes more broadly are not clear. On another methodological note, while the statistical steps taken to control for demographic and work-history factors in the work status of welfare recipients are as sophisticated as the available data will allow, the data itself only contains broad and seemingly inexact measures of these traits (past welfare receipt, high-school education status). Accordingly, it is not clear that the study is able to adequately separate the work qualifications of welfare recipients from the impact of temporary employment on their earnings.

At a broader level, many of the critiques that applied to the Lane et al study apply here. Due to rampant mis-reporting by confused workers, the Standard Industrial Classification Code for the staffing industry only captures a portion – and a non-representative portion – of actual temporary industry employment. And, as above, the labor market conditions on which this study was based have changed substantially in the wake of welfare reform, rising competitive pressures in the staffing industry, and weakened overall labor demand.

Finally, in evaluating the evident wage progression of workers employed in the staffing industry, it is important to consider that staffing agencies likely hire a worker at a low wage for a multi-month probationary/screening period, after which a pay increase is granted in order to maintain access to the worker. Accordingly, wage growth likely reflects the mechanical component of the staffing agency's hiring process, rather than the worker's placement on a career ladder or her acquisition of valuable skills.

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[9] Heinrich et al (2002), p. 21.
[10] Heinrich et al (2002), p. 25.
[11] Ibid.

**"A Temporary Route to Advancement?
The Career Opportunities for Low-Skilled Workers in Temporary Employment."**[12]
by David Finegold, Alec Levenson, and Mark Van Buren

1. Outline

Using extensive quantitative data from staffing agency records and surveys, along with case-study interviews for specific firms, this study examines the growing presence of low-wage workers in temporary employment positions since the mid-1990s. Through survey questions, interviews and econometric analysis, the authors seek to address the reasons why low-wage workers accept temporary jobs; the labor market outcomes for these workers; those same labor market outcomes in comparison to standard workers' experiences; and, more broadly, the ways in which these employment practices reshape individual industries.

2. Methods

The investigation centers on two separate methodological components. The majority of the data is supplied by employment records from staffing agencies for the years 1995-2001. Although the number of records cannot be specified for reasons of confidentiality, the authors argue that they represent a significant portion of total staffing industry employment, and that they are geographically representative of the U.S. as a whole. In most of the data analyses performed in the report, the total number of observations is greater than 100,000. Data in the records include length of staffing assignment, type of work performed, and wages.

Because these data contain no demographic statistics, they are supplemented by the results of a survey mailed by the authors to the staffing firms that provided the data. The surveys were sent only to longer-term employees of the staffing agencies – a necessary step for producing sufficient responses, but a step that biases the sample toward more successful workers. Using the initial employment records from the agencies, it was determined that when compared to non-respondents, survey respondents, on the average, worked longer hours, had higher total income and hourly wages, and higher annual incomes.

Just 4,500 of the 27,098 surveys were returned (16.6%); this rate is low by most measures. When surveys sent to workers who have left their staffing agencies of record are excluded, that response rate rises to 21.4%.

To supplement these quantitative data, the authors also conducted three case studies of end-user firms that rely heavily on temporary workers. Data on these firms – known by the pseudonyms Office Supplies, HealthTech and We Deliver – was gathered through structured telephone interviews, on-site interviews, site visits and a survey of the firms' temporary workers. Response rates for the surveys range from 15% to 50%.

[12] In Appelbaum, Eileen, Annette Bernhardt and Richard J. Murnane, eds., *Low-Wage America: How Employers Are Reshaping Opportunity in the Workplace*. New York: Russell Sage Foundation (2003).

3. Findings and Critique

Only 10% of the temporary assignments for surveyed workers lasted 13 weeks or longer. This outcome is at odds with the stated desires of workers, more than 60% of whom sought to use temporary employment to secure a permanent job. Moving to a skills-based analysis, lower skilled workers were more likely than others to view temporary employment as a means of securing a permanent job.

Training availability and uptake rates were generally low. Fewer than half of all workers surveyed were offered training. Approximately one quarter of the workers surveyed used staffing agency-provided training. This can be attributed to several factors, including the frequent requirement that temporary workers train on their own time, frequent requirements that computer-based training be performed in intervals lasting a half day or longer, and unwritten staffing agency rules that temporary workers are ineligible for training until they have been employed for forty hours or more.

The findings for longer-range employment outcomes suggest mildly positive results for less-skilled workers. Approximately 10% of the workers surveyed reported a permanent job or wage growth for the survey year in which they worked the most total hours. On the average, less-educated and lower-wage workers were more likely to move into a permanent job (although this finding could be explained by the higher skill levels of student temporary workers who do not seek long-term employment). According to the results of a regression analysis, men, clerical workers, workers earning more than $8 per hour, and workers who received training were more likely to receive a wage increase. Low-education, low-wage, clerical female and industrial male temporary workers were slightly less likely to receive a raise. In these latter cases, the authors caution that wage-growth data are difficult to interpret accurately, as receiving a low-wage initial assignment, or a high-wage final assignment, can inflate the perception of wage growth during a temporary worker's employment year.

The case study results are necessarily less conclusive. Temporary employees at two of the three companies studied were far more likely than is average to receive training and skill development. However, these training options were not uniform. For example, Temporary workers at We Deliver were offered skills training during idle work hours, and responded enthusiastically. Approximately 80% of the entry-level temporary employees at Office Supplies received one week of training, but this training is specific to work processes at Office Supplies, and not viewed by the employees as providing transferable skills. Most of the temporary workers at HealthTech were offered and accepted training, but again, this training was firm-specific (and related primarily to HealthTech's e-mail system) and unlikely to be of use in future employment.

Survey results revealed that the temporary workers preferred wage increases to career mobility. Their experiences at the case-study firms provided a mix of both. Workers at HealthTech were converted to permanent status with relative frequency, and responded enthusiastically to high initial pay rates (between $9.50 and $15 per hour) and promises of wage increases. While 28% of the temporary workers employed at HealthTech secured permanent jobs, none did it at We Deliver, which has few permanent positions. Instead, the authors suggest, these workers used the company's well-known name to secure jobs elsewhere. Significantly, the staffing agency that placed workers at We Deliver was found to have created a transparent job ladder for these workers (and workers in similar situations) as a means of improving morale and limiting turnover related to the firm's seeming lack of opportunities for career progression. Starting wages at Office Supplies are low ($5.50 to $5.75 per hour), and wages are limited to $6.75 or $7 per hour. Temporary workers at Office Supplies reported a very low rate of conversion to permanent employment (16%).

In evaluating these case studies, the authors note that for workers in the same occupation "the variations [in outcomes] seem to be driven more by where the temp is placed (that is, the client) than by the actions of the temporary agency or the temp."[13] While all of the firms studied used temporary employment as part of a core-periphery strategy designed to provide flexibility and protect permanent jobs, the ways in which these strategies played out were highly contingent upon other factors. Labor market conditions also impacted the different employment outcomes. For example, Office Supplies, which was located in a rural area with few employment opportunities, was able to draw temporary workers from as far as sixty miles away – even though its wages were low and the overall U.S. economy was robust. By contrast, HealthTech, which was located in a metropolitan area with low unemployment rates, paid above-average wages in order to attract and retain workers. In these ways and others, local labor market conditions dramatically influence the outcomes to temporary employment.

Referring back to the initial questions with which they framed the study, the authors conclude that low-skilled workers took temporary jobs in order to gain access to permanent jobs; that temporary employment offers less wage growth for low-skilled workers than for other groups; that management and local labor market specifics substantially influence workers' potential occupational mobility; that these less educated workers have less generous benefits and fewer opportunities to develop skills than their counterparts; and that temporary employment growth and outcomes are driven by business production strategies.

Although this thorough study does not address the policy implications of temporary work per se, it does make clear many of the important issues with which future research and policy work on the staffing industry will have to wrangle. Even among this sample of more advantaged temporary workers, those who were relatively disadvantaged showed notably lesser labor market outcomes. Thus, as the workforce development system turns to the staffing industry as a means of serving and placing disadvantaged job seekers, the seeming skewing of positive temporary employment outcomes towards more advantaged workers becomes an important issue to address.

Even more important for those involved in workforce policy, the case studies undertaken in this research demonstrate that no matter what the *average* outcomes to temporary employment are, individual outcomes vary highly by firm, by local labor market conditions, by type of work, and by employer strategy. As increasing numbers of local workforce development agencies turn to the staffing industry as a partner, it is important to replace generalized portrayals of the staffing industry and its impact on low-wage workers with a more sophisticated understanding of the local contingencies and employment specifics that will shape the labor market outcomes for individual temporary workers.

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[13] Finegold et al (2003), p. 350.

B. EVALUATIONS OF EFFORTS TO CHALLENGE LOW WAGES AND POOR WORKING CONDITIONS FOR TEMPORARY WORKERS

"Alternative Job Brokering: Addressing Labor Market Disadvantages, Improving the Temp Experience, and Enhancing Job Opportunities: Report of the National Study of Alternative Staffing Services."[14]

by Françoise Carré, Joaquin Herranz. Jr., Dorie Seavey, Carlha Vickers, Ashley Aull, and Rebecca Keegan

1. Outline

This study analyzes the results of 27 interviews with alternative staffing services (hereinafter referred to as alternative staffing agencies, or ASAs). Defined as not-for-profit, fee-for-service agencies that engage in temporary work placements with the goal of providing improved wages, working conditions or social supports for workers, ASAs represent a growing effort to uncover and address the inadequacy of typical compensation and working conditions for temporary workers placed by traditional staffing agencies. Observing that "alternative models of temporary staffing are particularly relevant because temporary jobs have become an increasingly common type of employment for low-skilled and mid-level skilled workers,"[15] the authors provide an extensive analysis of the organizations providing these services. ASAs are categorized and analyzed in terms of their goals; populations served; staffing services offered; institutional challenges; and many other factors.

2. Methods

The twenty-seven alternative staffing services in the sample were selected to represent the "full spectrum" of different staffing service models.[16] Each of the 27 services was interviewed extensively via telephone during the year 2001. Additionally, eight of the 27 were interviewed on site by the research staff. In the course of the research, managers, staff, and business customers were interviewed.

3. Findings and Critique

ASAs are based in a wide variety of community-based organizations. Although these organizations – which range from the well known Goodwill Industries to local community groups – vary substantially, their basic programs and strategies are the same. ASAs compete directly with the conventional staffing industry. The majority (59% of those surveyed) provides traditional temporary placements as their main service; a minority (37%) emphasizes temp-to-perm placements. Four percent of the agencies surveyed (one of 27) specialize in day-labor placements.

Although they follow the basic staffing industry practice of charging an hourly "mark up" on the rate paid by clients, ASAs differ from traditional staffing agencies in several key ways. First, they typically attempt to pay workers a higher rate than these workers would receive from other staffing agencies. Second, they may make extra efforts to place workers who typically have

[14] Cambridge, Mass.: Harvard University (2003).
[15] Carré et al (2003), p. 4.
[16] Carré et al (2003), p. 5.

trouble securing employment assignments through for-profit staffing agencies – workers with short work histories, immigrants, ex-offenders, welfare recipients, and workers who have experienced wage discrimination, etc. Third, ASAs make pointed efforts to eliminate the problematic workplace issues – forcing workers to wait long times for work assignments in the morning, charging check-cashing fees, failing to provide safety equipment, failing to secure an adequate number of weekly employment hours, and more – often associated with private staffing services. Fourth, many of these alternative agencies attempt to couple job placements with day care, housing assistance, educational assistance, and other supportive services that can help marginal workers maintain employment. Fifth, ASAs often undertake political advocacy in order to directly challenge the adverse working conditions many in their service population face. Sixth, ASAs attempt, with mixed success, to offer a package of benefits that compares favorably with those available from private staffing agencies.

By and large, ASAs serve particularly disadvantaged workers. Of those surveyed, 37% serve "everyone," including disadvantaged workers, ex-offenders, and the homeless. Men are the primary service group for 38% of the agencies, with 31% serving men and women equally, and 15% serving primarily women. A plurality of the ASAs serves workers with a high-school level education (46%), while workers with less than a high school education also constitute a substantial focus (33% of agencies).

A majority of ASAs focus on work placements in the manufacturing sector (52%). Business services (26%) and government (11%) are also prominent destinations for workers. They pay mean wages of $9.52 per hour (median: $8.75) with none paying lower than $5.75 per hour.

However, ASAs appear to occupy a subordinate niche of the staffing industry. A majority of 27 ASAs report annual billings of less than $1 million, with nearly 40% reporting billings of less than $500,000 (although these smaller agencies were typically in the start-up stages). This compares unfavorably with private staffing agencies, 90% of which billed more than $1 million per year as of 2002. Approximately half of the ASAs interviewed earned 50% or more of their revenue from their top three customers, a statistic which indicates susceptibility to changes in demand. However, this figure is in step with the private staffing sector, in which fewer than 50% of firms derived the majority of their revenue from their three primary customers. In terms of billing premiums, the ASAs surveyed reported a mean mark-up rate of 45%, and a median rate of 42%. Both figures are in line with estimates for private-sector staffing mark-up rates.

Despite these seeming successes, ASAs face substantial barriers to continued operation and expansion. By and large, the organizations interviewed reported recurrent funding problems. More significantly, the nature of their mission puts many ASAs at a competitive disadvantage. Staffing agencies rely heavily on advertising to place workers. As the economy entered a downslide in 2001, this meant that ASAs faced the challenging task of placing disadvantaged and non-traditional workers even as labor demand tightened and staffing-agency competition for placements intensified. Although the success stories generated by the fruitful placement of ASA workers at client firms represent an alternative advertising strategy, the agencies interviewed report that this strategy is both expensive and difficult to pursue. And although many ASAs attempt to supplement their employment services with social services targeted to the specific needs of their workforce, often their ability to provide these services is limited, and their ability to intercede with clients on behalf of workers suffering from a lack of social services is minimal.

A more daunting set of structural barriers is evident as well. Competition in the staffing agency has intensified in the early 2000s, driving down staffing agency fees and instituting a more cut-throat competitive environment.[17] Several of the agencies interviewed reported that they work harder than in the past to generate the same job placements. Separate from the volume of job placements, the jobs made available to staffing agencies of all descriptions are increasingly detached from internal career ladders at client companies, a fact that dampens the prospects of workers obtaining long-term upward mobility through ASAs.

For these reasons and others, the ultimate value of ASAs is likely in their role as demonstration projects. Confined to the edges of the staffing industry, and facing a sustained uphill battle in placing their disadvantaged workers, ASAs are far less likely to register an economic impact through market share than they are through publicizing the viability of providing workers with a less perilous temporary employment arrangement.

Ultimately, this extensive survey illuminates both the potential and the limitations of alternative approaches to staffing. Although a number of ASAs have recorded real success at establishing themselves within the staffing industry and improving, if only marginally, pay and working conditions, growing competition within the staffing industry, as well as the agencies' mission of placing disadvantaged workers, seem certain to constrain their viability as solutions to the instability and low pay of much temporary employment.

"Looking for Leverage in a Fluid World: Innovative Responses to Temporary and Contracted Work."[18]

by Françoise Carré and Pamela Joshi

1. Outline

Surveying a broad range of organizations attempting contest poor working conditions and meet the needs of various types of contingent workers, the authors present a typology of institutional responses to contingent employment.

2. Methods

In 1996 and 1997, the authors conducted case studies of 31 outwardly innovative institutional responses to the growth of contingent employment. All case study materials were collected through telephone or in-person interviews with the administrators of the organizations pursuing these projects.

3. Findings and Critique

The emerging institutional challenges to contingent work come from six main groups: alternative staffing services (see above), union-led advocacy campaigns and hiring halls, community-based organizations, worker-owned firms, public-private partnerships, and information/organizing

[17] See Theodore and Peck (2002).
[18] In Carré, Françoise, Marianne A. Ferber, Lonnie Golden and Stephen A. Herzenberg, eds., *Nonstandard Work: The Nature and Challenges of Changing Employment Arrangements*. Champaign, Ill.: Industrial Relations Research Association (2000).

networks that mobilize workers and organize collective advocacy on the subject of workplace issues.

Although rooted in particular places and industries, these organizations often pursue the subject of unstable employment more broadly, seeking to improve work conditions for workers in unstable and labor-intensive jobs at the same time they seek to assist temporary and short-term workers. Because the workers they serve are typically employed in unstable segments of the labor market, these organizations typically target overall labor market conditions more than they do working conditions at any single employer.

The assistance offered by these new institutional responses falls into seven basic categories:

- Access to skills assessment
- Access to training
- Improved benefits
- Programs enhancing benefits portability
- Programs designed to offer workers negotiating power
- Access to a community of similar workers
- Access to auxiliary services that may ease the transition between jobs.

Within these broad goals, the strategies pursued by these organizations fall into six main types:

- Job Brokering. As pursued by alternative staffing agencies, this strategy seeks to replicate the role of temporary employment agencies on terms more favorable to workers.
- Sectoral Strategies. These strategies simultaneously improve workers skills and attempt to shape the demand for labor in a particular industrial sector.
- Higher Wages and Benefits. Some organizations use public pressure to raise overall wages and benefits within a sector.
- Education and Awareness Raising. Under this strategy, worker-advocacy organizations attempt to educate the public on the unfavorable conditions of contingent and unstable work.
- Raising Employment Standards. More specific than the education-and-awareness strategy, this approach applies public pressure in the hopes of achieving tangible wage and benefit improvements from specific employers.
- Expanding workers voice. Typified by the establishment of worker meeting spaces and worker organizations, this approach seeks to improve the ability of disadvantaged workers to organize with one another.

Individually, these strategies have generated a number of noteworthy demonstration projects, including a union-run temporary agency established by the Communication Workers of America; Chicago's reverse-commute Suburban Job Link program, which places city residents in temporary positions in nearby suburbs while at the same time providing transportation to the workplace; and multiple union-organization campaigns for temporary workers. One particularly notable strategy, undertaken by alternative staffing services, is to seek out high-profit-margin industries in which to place workers.

The details of these projects are important. As the authors note, many of them were new at the time of study – meaning that although they have proven to be quite promising, substantial additional research will be necessary to determine viability and long-term outcomes. For this reason, the authors repeatedly emphasize the importance – and difficulty – of securing federal-level legal changes designed to improve work and pay conditions. In addition to pointing out the preferred level for worker-serving organizations to apply political pressure, this observation puts front and center the reality that even the most innovative local responses to the growth of temporary and contingent employment face substantial difficulties in serving their target populations and expanding their influence.

APPENDIX C:

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