Chapter One

Mobility and Economic Opportunity: The Role of Intermediaries

Many Americans work in low-wage jobs at some point in their lives. For many of them, low-paid work is only a temporary situation and they are able to move over time to higher-paid positions with better career opportunities. A substantial number of people, however, remain in low-paid jobs for long periods of time. Indeed, some seem to be caught in an endless cycle of moving from one low-paid job to another, all with poor working conditions, few benefits, and limited opportunities for advancement. Why do some people seem to be stuck in low-wage work while others eventually are able to take advantage of better economic opportunities?

In trying to answer this question, most researchers focus on two things: who you are and where you work. An individual's educational and personal background, skills and work experience, motivation and personality, race, gender, and age, all clearly shape the kinds of work that person can do, his or her value to employers, ties to certain kinds of work opportunities, and opportunities for advancement. Similarly, characteristics of where individuals work—the size, competitiveness, organizational structure, and human resource practices of their employer, the industry they are in, their location—clearly shape wage levels, career advancement opportunities, and vulnerability to layoffs. Together, people's personal characteristics and the nature of their workplaces go a long way toward explaining their economic success or failure in the labor market.

In recent years, however, many researchers and policymakers concerned with career advancement have been paying increasing attention not just to the characteristics of workers and employers but also to the third-party organizations that help match people looking for work with employers looking for employees. The impact of some of these third-party organizations on advancement opportunities may be increased by the additional assistance they provide, including training, management assistance, technical support, and career services. Such organizations are not a new phenomenon: public-sector employment services for unemployed workers, union hiring halls in the building trades, and for-profit temporary placement agencies have existed for a long time. The number and variety of organizations involved in job-matching activities, however, seem to have increased significantly since the 1980s. Moreover, at least some of these organizations seem to be playing more important roles in shaping labor flows and even in restructuring the quality and quantity of jobs in U.S. labor markets. Researchers have responded by trying to understand what makes these job-matching services effective or not, while more and more policymakers have been promoting better "workforce intermediaries" as a strategy for improving job advancement opportunities for disadvantaged workers.

How do these third-party labor market intermediaries (LMIs) affect labor market outcomes? In particular, to what extent do LMIs affect opportunities for disadvantaged workers, and to what extent can a focus on improving LMIs themselves help disadvantaged workers find better jobs and build better careers? These are the questions that motivated this study.

In this book, we address these questions by combining qualitative and quantitative research to study the overall impact of a comprehensive set of intermediaries in two regional labor markets: Milwaukee, Wisconsin, and California's Silicon Valley. These regions were selected initially because we suspected that they would provide a significant opportunity to contrast the organization of work and labor markets in the so-called old and new economies. Yet, as we will see, there were as many commonalities as differences between the two regions. Furthermore, our research period, ranging from the mid-1990s to 2002, spanned both a period of very tight labor markets and the first year of an economic downturn, allowing us to investigate some aspects of the effects of absolute unemployment levels on LMI activities. Because of these cross-regional and temporal elements, we thus believe that our findings may be applicable in many different regional labor markets and conditions.

Our research found that LMIs are widespread in these two regional labor markets: more than one-quarter of all workers in both regions have held a job in the previous three years that they got through an LMI. Furthermore, while unemployed and disadvantaged workers are somewhat more likely to use intermediaries, we found evidence of intermediary use across the labor market, and among both the unemployed and employed. We found little evidence, however, that most of these organizations do much to improve economic opportunities for the workers who use them. We also found that the most widely used types of LMIs are those that provide the fewest services to workers. Given the high prevalence of LMIs, we think that efforts to develop better LMIs could have an impact on labor market outcomes. Our research suggests, however, that a key policy effort for those concerned about the experience of lower-wage workers should be not only improving LMIs but also steering people to better LMIs.

This introductory chapter attempts to set the stage for what follows. We begin with a more detailed characterization of the labor market and the policy changes that have led to an increased attention to the role of intermediaries in shaping labor flows and the structure of labor market opportunities. Then, in reviewing previous research on intermediaries, we develop a conceptual framework for our analysis of them, characterizing the wide variety of organizations involved in intermediary activity by the functions they play, the interests they serve, and the strategies they employ. We conclude the chapter by briefly outlining our empirical research and describing the structure of the rest of the book.

Why Are Labor Market Intermediaries Important?

The cover article of *Fortune* magazine on September 19, 1994, declared "The End of the Job." In an information age of shifting work tasks and online networked relationships, the author William Bridges argues, jobs are simply a "social artifact" more appropriate for an industrial era of factories and stable routine tasks. Work still needs to be done, he noted, but it is being organized in different ways that require workers to be more flexible, adaptable to change, and ready to move rapidly between different organizational contexts (see also Bridges 1994). This theme was echoed a half-decade later in *Newsweek*'s February 1, 1999, cover story, "Your Next Job." This article—which offers a new slogan for today's working class, "Workers of the world, untie"—argues that in the "new economy," if workers can acquire the right skills, get connected, and embrace risk by moving to new opportunities, the potential rewards are substantial.

These articles reflect a widely held perception that we are in a "new economy," a global, information-driven economy that is fundamentally different from our old industrial economy. In this new economy, the stable, lifetime job of the industrial era has allegedly disappeared, and workers now need simply to adjust to flexible, rapidly changing, and volatile workplaces. The popularly held vision of these changes probably exaggerates the scale of the economic transformation that is occurring; binary oppositions between old and new, industrial and informational, tend to overemphasize differences while neglecting important continuities in the economy, in the way work is organized, and in the structures of economic opportunity in the labor market, particularly for disadvantaged workers. Nonetheless, over the last three decades there have been changes in the U.S. economy that have affected the level of stability or volatility that workers can expect in the labor market. Rapid technological development, changing corporate structures and management practices, the deregulation of key industries, the decline of unions, and intensified international competition have all contributed to greater uncertainty and unpredictability in labor markets. Many older workers have experienced disruptive job losses and middle-age career changes. Workers entering the labor force can expect to hold fewer steady jobs, to not often find themselves on a within-company upward career trajectory, and to receive less on-the-job training. Many workers in contemporary labor markets face greater volatility than in the past and are more likely to move from job to job, whether voluntarily or involuntarily, over their lifetime.

The most obvious indicator of greater volatility in the labor market is the dramatic spread of temporary employment. During the last period of economic expansion, from March 1991 to March 2001, while total nonfarm employment grew by 22 percent, employment in temporary help services grew by 123 percent.[1] Though temporary help firms still account for less than 3 percent of total employment, during this period they were responsible for nearly 10 percent of net job growth. Between 1979 and 1995, employment in temporary help firms grew 11 percent annually, five times faster than the average for all nonagricultural employment (Autor 2003).

Data on job tenure also provide evidence of declining job stability, though not as dramatic a change as in temporary employment. There has

Table 1.1 Median Years of Tenure with Current Employer, by Age and Sex, 1983–2002

	1983	1987	1991	1996	1998	2000	2002
Men							
20 to 24 years	1.5	1.3	1.4	1.2	1.2	1.2	1.4
25 to 34 years	3.2	3.1	3.1	3.0	2.8	2.7	2.8
35 to 44 years	7.3	7.0	6.5	6.1	5.5	5.4	5.0
45 to 54 years	12.8	11.8	11.2	10.1	9.4	9.5	9.1
55 to 64 years	15.3	14.5	13.4	10.5	11.2	10.2	10.2
Women							
20 to 24 years	1.5	1.3	1.3	1.2	1.1	1.0	1.1
25 to 34 years	2.8	2.6	2.7	2.7	2.5	2.5	2.5
35 to 44 years	4.1	4.4	4.5	4.8	4.5	4.3	4.2
45 to 54 years	6.3	6.8	6.7	7.0	7.2	7.3	6.5
55 to 64 years	9.8	9.7	9.9	10.0	9.6	9.9	9.5

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Employee Tenure" (news release), available at: http://www.bls.gov/news.release/tenure.toc.htm

been some disagreement over the empirical findings, because of both data inconsistencies and the difficulty of distinguishing changes in employment systems from demographic changes in the labor force that also affect job tenure.[2] For instance, as more women have entered the labor force of the last thirty years, pursued careers, and taken less time out for child-rearing, their average tenure in the workforce has clearly gone up. One way of distinguishing changes in employment systems from demographic shifts is by focusing just on changes in tenure for men, since their labor force participation levels have not changed as much as is the case with women (though focusing on men does not take into account many other factors, such as changing racial composition and the impact of growing immigration). For men at all age levels and all education levels, job tenure has been declining since the 1980s. The median tenure for men age forty-five to fifty-four, for instance, declined to 9.1 years in 2002, down from 11.2 at the beginning of the 1990s and 12.8 in 1983. For men age fifty-four to sixty-four, the median tenure in 2002 was 10.2 years, down from 13.4 years in 1991 and 15.3 years in 1983 (see table 1.1).

Changes in job stability are even more apparent when we look not just at cross-sectional data on tenure but also at longitudinal data on the work experience of comparable cohorts for the recent period compared to the past. Studying the first sixteen years of work experience for two different cohorts of non-Hispanic white men from the National Longitudinal Survey (NLS), for instance, Annette Bernhardt and her colleagues (2001) find that a recent cohort (who entered the labor market in 1979) were 34 percent more likely to experience job changes than a cohort who entered the labor market in 1966. Even in traditionally stable industries, the odds of a job separation for the recent cohort were 30 percent higher. By their early thirties, the recent cohort was 21 percent less likely to hold tenures of seven years or longer, compared to the original cohort (see Bernhardt et al. 2001).

Perhaps more important than increased turnover, however, are people's changing expectations of their employment contract. Many analysts argue that employers are providing significantly fewer expectations of job security (Rousseau 1995). The rules, procedures, expectations, and norms regarding the employment relationship within firms seem to be changing, and employers are making fewer commitments to internal advancement opportunities and protection against layoffs (Osterman 1999, ch. 4). The employment relationship seems to have become a more open-ended negotiation based in large part on market power (Cappelli 1999). Firms are more willing to lay off employees for reasons other than declining sales, such as restructuring, and they are also more likely to lay off people in white-collar and management positions, not just blue-collar and service workers.

It is important not to overemphasize the scale of these changes, especially as they relate to opportunities for disadvantaged workers. As David Neumark (2000) argues, the evidence shows that the bonds between workers and firms have been weakened, but not entirely broken. Furthermore, many service and low-wage workers have always had low levels of job security and volatile employment conditions, even when many blue- and white-collar workers in core sectors of the economy held stable long-term employment. Nonetheless, job security in core sectors of the economy has eroded to some extent, and the model of a long-term stable career in a single company, which shaped economic growth and labor market policies in the post–World War II period, no longer represents the dominant employment system in this country. More importantly for the purposes of this book, with job searches on the rise and internal mechanisms for career advancement on the decline, these changes in labor markets and employment systems have created new opportunities for third-party organizations to play intermediary roles in the U.S. labor market.

Private-sector intermediaries have been most prominent in taking advantage of these opportunities, as is clearly evident in the dramatic growth in the temporary help services industry; this industry, however, is not the only kind of private-sector intermediary. Headhunters and permanent job placement firms have also become important, at least in professional and managerial sectors of the labor market. Web-based job search sites, including general job sites (for example, monster.com and hotjobs.com) and sites that specialize by industry or occupation (such as Dice.com and prgjobs.com in the information technology industry), have also become important intermediaries, though few provide more than basic information resources (Autor 2001; Crispin and Mehler 1999). Intermediary activity is not limited, however, to the private sector. Many public agencies, nonprofit organizations, educational institutions, and unions have also expanded their efforts to act as labor market intermediaries in recent years.

For federally funded workforce development programs, the interest in expanding intermediary activities has emerged along with a shift in emphasis from helping disadvantaged workers find entry-level jobs to helping a broader spectrum of people advance to better jobs. There are a variety of reasons for this policy shift. One factor was the experience with the "work-first" approach to welfare reform: many recipients were able to find jobs but remained stuck in low-paid work (Albelda 2001; Anderson, Halter, and Gryzlak, 2004; Bok and Simmons 2002). In addition, various evaluations of workforce development programs in the 1980s and 1990s demonstrated at best only modest wage increases for many users of these programs (Bloom et al. 1997; Grubb 1995; U.S. Department of Labor 1995; GAO 1994). At the core of these analyses of the weaknesses of such programs was the argument that they need to have stronger ties with employers, particularly those that provide better advancement opportunities. Thus, the Workforce Investment Act of 1998 produced a significant restructuring of these programs to make them more accountable and more responsive to the needs of employers, not just disadvantaged workers, and to encourage them to provide services relevant to a broader spectrum of employers and workers, not just those in the lower tiers of the labor market (Barnow and King 2005).

These changes in federal policy during the 1990s that emphasized the value of intermediary activities in the labor market were also being mirrored by local workforce development initiatives around the country. Many nonprofit organizations, along with a smaller number of business associations, community colleges, labor unions, and public-sector workforce agencies, began experimenting with building workforce partnerships or networks that linked economic and workforce development goals; provided a range of services, not just job placement; integrated multiple sources of funding (such as public, private, foundation, and fee-for-service); and invested in the longer-term career advancement of the workers they served. These initiatives have come to be known as "workforce intermediaries," and they are increasingly seen as representing "best practice" in the workforce development field (Fischer 2005; Giloth 2004; Harrison and Weiss 1998; Pindus et al. 2004).

Another source of interest in labor market intermediary activity has come from unions and the labor movement. Unionization levels have declined significantly since the 1960s: today less than 10 percent of the private-sector labor force is unionized. There are a variety of reasons for this decline, and the debate within the labor movement about what to do about it is intense. One important strand of analysis argues that industrial unionism—at least the form of industrial unionism that came to dominate the U.S. labor movement after the New Deal era—has become increasingly ineffective in representing workers' needs in the changing U.S. economy (Heckscher 1996; Turner, Katz, and Hurd 2001). Industrial unionism, as opposed to craft unionism, operates from an explicit assumption of long-term stable employment with a single large employer that controls the conditions of employment. Industrial unions in the United States have tended to focus on bargaining over issues of compensation and work practices, leaving to company management the larger, more strategic issues of corporate investment, technological development, and market competition. This structure of representation worked fairly well in large manufacturing industries under relatively stable competitive conditions. In the current economy, with its high levels of volatility, uncertainty, and complex networking and outsourcing production arrangements, representation based on a single work site or single employer is less effective in protecting workers' interests. For workers who move frequently from employer to employer or those whose working conditions are not primarily determined by a single employer (such as temporary workers and many workers in subcontracting relationships), there are few opportunities in the current industrial relations system for adequate representation (Friedman 1994).

In response, unions have been experimenting with a range of innovative ways to become involved in issues of labor supply, labor quality, placement, and career advancement. These initiatives are carried out through alliances with employers, community groups, and other unions, and they focus on strengthening internal career ladders as well as creating new external career ladders within industries and across industries, expanding labor involvement in job matching, and designing and delivering training (AFL-CIO Working for America Institute 2000). These initiatives create intermediaries between workers and employers that deal with a range of work- and employment-related issues (Parker and Rogers 2001). In many ways these initiatives are similar to the structure of construction trade unions, whose hiring halls and apprenticeship training programs have been common for many years. In industries where project-based employment is the norm, such as in the television and movie production industry, an active intermediary role for unions is accepted practice (Gray and Seeber 1996). The emergence of these initiatives in other industries, however, indicates the growing belief among many union leaders that standard industrial-model unionism is no longer adequate for addressing the labor market concerns of a wide range of the American workforce. The result is a growing role for unions as intermediaries in the labor market (Wolf-Powers 2003).

Thus, it is clear that for-profit intermediaries have become much more prominent in the labor market and that various unions, nonprofit organizations, community colleges, and public-sector agencies have become more engaged in intermediary activities as well. These initiatives represent a wide range of organizations, however, with a diverse set of goals. All intermediaries are, to some extent, brokers between workers and employers, but employers' reasons for engaging with, say, a temporary help agency are entirely different from their reasons for engaging with a union or nonprofit-based intermediary. Does it make sense, then, to analyze such a diverse set of activities under a single analytical category? Is it possible to make a meaningful comparison between a temporary help agency and a union or nonprofit-based intermediary, and if so, how?

Many previous studies of intermediaries have avoided these questions by focusing on specific types or subsets of intermediaries. Thus, the literature on temporary help agencies is substantial, and there have been important debates on their role in shaping economic opportunity and the structure of labor markets (Autor 1999, 2003; Autor, Levy, and Murnane 1999; Erickcek and

Houseman 1997; Gonos 1997; Houseman, Kalleberg, and Erickcek 2001; Kalleberg 2000; Neuwirth 2004; Parker 1994; Rogers 2000; Segal and Sullivan 1997b). There is a growing literature on intermediaries that focus on disadvantaged workers, particularly those rooted in specific industry sectors (Fitzgerald 2006; PEERS 2003). Case studies of particular intermediaries have provided valuable insights into "best practice"—the detailed and subtle factors that shape the effectiveness of particular initiatives (Benner 2003c; Osterman and Lautsch 1996).

Going beyond individual intermediaries or types of intermediaries to understand the very diversity of the organizations that provide intermediary services in the labor market and their broader impact provides important insights that are not possible from taking a narrower view. Perhaps the most important goal of taking this broader view is to gain a clearer understanding of how widespread this intermediary activity is in contemporary labor markets. To date, no study has tried to document the extent to which all the different kinds of intermediaries are used and their importance in shaping labor market outcomes. In addition, studying all intermediaries in a particular regional labor market provides important insights into the differences between them, such as which workers and employers use which intermediaries and why. Finally, from a policy perspective, an understanding of whether lessons from the activities of one set of intermediaries can be applied to other intermediaries is valuable in efforts to improve the functioning of intermediaries overall. All such efforts, however, require a clear understanding of what should be considered an intermediary, how best to understand the services that intermediaries provide, and how best to analyze their overall role in the labor market.

What Is a Labor Market Intermediary? An Organizational Approach

We start by defining labor market intermediaries as organizations—public, private, nonprofit, or membership-based—that help broker the employment relationship through some combination of job matching, training, and career support services. Our focus on specific organizations is narrower than some other approaches, which define labor market intermediaries as including "the set of informal conventions, public and private institutions, as well as public laws and regulations, that links individuals and communities with market economies" (Carnevale and Desrochers 2004, 170). Such a broad approach to understanding labor market mediation can be useful, but we are more focused on the extent to which particular *organizations,* providing discrete services to workers and firms, are having an impact on labor market outcomes.

For us, the sine qua non for an intermediary is job matching. Thus, we exclude many organizations that do only training, including community colleges, except to the extent that they have particular programs that provide direct training-to-job placements. Nor do we include private-sector contract training companies, which function only as the outsourced supplier of training services. By contrast, we do include temporary agencies that steer job-seekers to employment, whether or not they provide training or are concerned with workers' career advancement. We also include agencies that provide career support services, including those that seek to transform work and the labor market in ways that might benefit workers, but only if they provide active job placements. This excludes many unions and other advocacy groups—such as interfaith alliances for a living wage and community organizations pushing for local hiring requirements—that are not involved in mediating the hiring decision.[3]

What sort of agencies do fall within our definition of a labor market intermediary? LMIs could range from organized day-labor sites to headhunter firms that place top-level executives, but our emphasis on larger institutions and our interest in the experience of lower-income workers help narrow the field considerably. In our empirical work, we included public agencies that provide welfare-to-work services; private firms that place workers in temporary or temporary-to-permanent positions; unions that utilize a hiring hall model; community colleges with programs for training and immediate placement of displaced workers; nonprofit institutions that focus on assisting a particular population, such as recent immigrants, with particular job search challenges; and professional associations that help new technicians garner skills and employment.[4]

Although job placement is a key feature of LMIs, most of these organizations (but not all) have moved past simple job matching in recent years. Federal and state employment services, for example, have improved their labor market information and referral systems through the development of one-stop career centers. Many temporary agencies have moved beyond simple placement to provide a range of direct human resource management services to employers. In the context of welfare reform, nonprofits have recognized that tracking new workers beyond the first job is critical to permanent success. Seeking to address the issues of people and places left behind, community-based organizations and community development corporations have increasingly focused not just on job brokering but also on workforce development partnerships (Harrison and

Table 1.2 An Organizational Typology of Labor Market Intermediaries

Organization Type	Examples
For-profit sector	Temporary agencies, headhunters, and for-profit training providers
Nonprofit or community-based	Nonprofit employment training and placement services for disadvantaged workers
Membership-based	Union-based initiatives and membership-based professional associations
Education-based	Community colleges
Public-sector	One-stop career centers, private industry councils (PICs), and welfare-to-work agencies

Source: Authors' compilation.

Weiss 1998; Pastor et al. 2000; Wilson 1996). Noting the decline in union density, labor-based institutions have been experimenting with a wide range of new intermediary initiatives, including efforts to directly take on the circumstances of temporary workers.

Given this impressive and widening range of functions, how should we conceptualize the work of LMIs? One simple categorization would be by sector or organization, the implicit breakdown used thus far (see table 1.2). There are, of course, important distinctions between the public, private, and nonprofit sectors, especially since the financial base of an intermediary can impose a set of constraints on which services are provided and for whom. In addition, organizational structure largely determines the types and range of the different constituencies who interact with the intermediary and thus may shape their mandates or missions in important ways—as with community colleges and federally funded training programs, or union-based initiatives that are responsive to the needs of the labor movement. Moreover, these organizational markers are commonly known and accepted. This was important for the survey we conducted, since distinctions between the for-profit, nonprofit, and public sectors were more familiar to our respondents as they thought through their own use of intermediary services.

At the same time, such organizational distinctions do not entirely capture differences or represent the complexity of existing arrangements. Within the welfare reform process, for example, we find public-sector agencies contracting placement and follow-up services to private firms and nonprofit agencies. Community colleges may be making job connections, but they are often using federal funding by subcontracting with the public agencies responsible for aiding displaced workers. Nonprofit organizations, and even unions, are experimenting with creating for-profit entities, both to diversify sources of funds and to build credibility in the private sector (Carré et al. 2003). Workforce intermediaries often represent complex partnerships of public agencies, business and business associations, nonprofit organizations, and community colleges that are not easily captured in a simple organizational typology.

Similarly, a simple organizational distinction does not capture the breadth and depth of the services provided by different intermediaries. More broadly, such a distinction does not capture the extent to which intermediaries may change the structures of economic opportunity, rather than just provide services to individual workers and firms. Trying to understand this broader impact is important, since at least some intermediaries explicitly try to play a more active role in shaping the quality and quantity of jobs rather than simply taking existing supply and demand from employers and workers as given. Private temporary agencies, for example, are increasingly providing a variety of personnel and work-flow management services on top of their recruitment and placement services, thus directly affecting wage levels and labor productivity. Similarly, some workforce intermediaries, especially those organized on a sectoral basis, try to link their placement and training services with technological assistance, marketing, access to capital, and other economic development services designed to improve the competitiveness of the firms they serve, thus improving the employment and advancement opportunities for the workers they assist.

To understand the full range of outcomes for both individual workers and the market as a whole, it is necessary to develop a more complex typology that includes a fuller range of functions and considers both the relationships formed and the direct interests represented in various arrangements. The first step is to develop a deeper analysis of the market space occupied by LMIs.

A Broader View of Labor Market Intermediaries

LMIs, especially in their job-brokering role, arise in part from the imperfect information and information asymmetry that are ubiquitous in labor markets. On the employer side, it is difficult to ascertain worker quality on the basis of limited data.[5] Since a full assessment can be an expensive and time-consuming task, there is a clear rationale for LMI use: organizations that focus on assessment and placement can develop economies of scale and specialized skills that allow them to provide a better and cheaper service than employers can do for themselves in-house. Certain kinds of LMIs also offer an opportunity to minimize the cost of error: because the employer of record is often the LMI and the employment contract is explicitly or implicitly not permanent, employers can more easily let an employee go (Bartik 2001). This is particularly true of temporary agencies, but many nontemp agencies adopt this practice as well by making explicitly interim placements.

On the worker side, imperfect information and information asymmetry underlie the costs associated with discovering available employment and signaling to employers one's skills and reliability. Many workers solve this dual problem by using social networks—that is, gaining job information and trusted referrals from friends and relatives (Fernandez and Weinberg 1997; Granovetter 1995). Others find that their networks are not up to the task, particularly when they live in conditions of concentrated poverty that constrain their social circle (Jargowsky 1997; Pastor and Adams 1996). Indeed, one reason those concerned with low-income individuals are increasingly interested in LMIs is exactly for their potential to help those job-seekers who have weaker or less effective social networks secure employment (Harrison and Weiss 1998; Johnson, Bienenstock, and Farrell 1999; Massey and Shibuya 1995; Pastor and Marcelli 2000).

These information problems in the labor market not only help explain the existence of LMIs but also offer at least three reasons why there appears to be a secular increase in intermediaries. The first is simply the decline in worker tenure over time (Bernhardt et al. 2001): with job switching more common, the number of potential uses of LMIs is up. Second, as technological change leads to increasingly complex job requirements, the amount of information needed to match workers to jobs has probably been ratcheted up, and both the value of signals and the cost of a poor match have gone up as well (Benner 2003b). Third, some have suggested that social capital is generally on the decline (Putnam 2000), and if so, job-getting social networks are likely to be collateral damage; in this event, LMIs (and other institutions like Internet job services) would fill the role of a partial substitute.[6]

The increase in intermediary use is also connected to shifting employment systems and the changing economy, as discussed earlier. It is important to recognize, however, that changing employment systems are driven in part by changing market conditions and in part by specific employer strategies. Firms have certainly faced new forms of global competition, new technological conditions, and an atmosphere of deregulation, all of which tend to create variations in product demand (Scott 1998). Thus, to the extent that firms have downsized—or reduced their long-term commitment to their core labor force while increasing their use of a buffer workforce through outsourcing, subcontracting, and contingent or temporary work—it can be argued that this strategy is driven by strong market incentives and the need to promote labor flexibility in the face of increased economic risk. We think, however, that it is wrong to attribute firm and labor force reorganization entirely to these market factors; as David Gordon (1996) eloquently argues in *Fat and Mean,* firms have taken advantage of external pressures to induce shifts in the balance of power between employers and employee. After all, a buffer labor force is usually less expensive in terms of both salaries and benefits, and the heightened insecurity felt by all employees can lower wage costs. In this view, the redefinition of work and the reconstitution of the labor experience are partly aspects of the perennial struggles between capital and labor (see also Osterman 1999).

Why do the relative weights of market versus organizational (firm) factors matter? From one point of view, the increase in labor market intermediaries is connected to the rise of a new set of markets. That is, as external conditions increasingly force firms to differentiate between core and temporary employees, two things happen: workers become more likely to move between jobs, and firms experience upward pressures on their hiring costs as a share of total budget. These consequences give rise to a demand for job brokers who can meet employee needs and provide the specialized service of delivering lower-cost interviews and screening functions to firms with a churning labor force. Although outcomes for workers may be better or worse depending on the degree of training offered, the quality of employment networks, and the like, the judgment of LMI quality in this case would be largely focused on how well an agency "meets" the market by efficiently and effectively responding to the demands of workers and employers.

Suppose, however, that LMIs are actively involved in "making" the market—that is, restructuring the labor market on both the supply and demand sides. Consider, for example, the increasingly common case of temporary agencies being contracted to run whole aspects of the personnel process for some section of a company's labor force. The initial impetus for a company to outsource this function to a temporary agency may have been an external pressure

Figure 1.1 The Relational Structure of Intermediaries

		Relationship To Employers: Weak	Relationship To Employers: Strong
Relationship to Workers	Weak	• "Job bank" databases • Some welfare-to-work programs	• Temporary agencies • Contract-based training organizations • Day labor contractors
	Strong	• Professional and membership organizations • Community colleges	• Union hiring halls • Intensive community-based organizations that have employer commitments • Media unions

Source: Authors' compilation.

to reduce costs and a belief that the temporary agency could provide the service more efficiently, while allowing the client firm to focus on functions more central to its competitive success. The impetus may also have come, however, from a desire to defuse unionization efforts, to avoid the legal liability of being the employer of record, or simply to lower costs by lowering wages. Either way, the direct intervention of the temporary firm in the work site of its client firm alters relations within the firm because it goes beyond simply doing a better job of articulating job-seekers and employers in the market.

Thus, market imperfections and economic changes have given new importance to organizations that can match workers and employers and offer the more extended training and restructuring services described here. These organizations also emerge in the context of complex power relationships between workers and employers, and different organizations focus on the interests of workers and employers to varying extents. Since job brokering and training roles can be played by private, nonprofit, or state agencies, some have argued that another basis for categorization or differentiation would be the *depth of the relationship* that the intermediary has on each side of the brokering process (see figure 1.1). On the worker side, a weak relationship might consist of a visit to an employment center or website or taking a onetime course on résumé writing. By contrast, a strong relationship might involve a more intensive and probably longer-term interaction with the intermediary—for human capital development or access to health benefits and professional networks. The same logic could be used on the employer side. A weak relationship might consist of simply listing one's job openings with a placement agency. A strong relationship might entail repeated use of a temporary agency or a commitment by the employer to hire workers from the intermediary. Of course, intermediaries may also have multiple programs and therefore organizationally may fall into more than one cell.

Why is this relational approach useful? Recall the concerns that motivate this project: understanding and improving opportunities for career development, employment stability, and upward mobility for those at the bottom end of the labor market. In this regard, while the strong-employer/weak-worker relationships of many temporary agencies may provide some employment continuity for contingent workers, the nature of these ties to firms can also facilitate a two-tier wage and job structure. Thus, one possible policy strategy would be to encourage further development of "strong-strong" institutions or to disseminate information on superior practices to LMIs in order to steer them toward better worker outcomes. Research on unions in media industries, for example, shows how "strong-strong" ties in an industry rich in social capital, networks, and skill requirements can facilitate winning outcomes for both sides of the labor market (Christopherson and Storper 1989; Gray and Seeber 1996).

Putting It Together: Interests, Scope, and Relations

It is useful, but still somewhat incomplete, to conceptualize LMI activities according to the type of organization and the depth or strength of relations between actors. In our view, it is also critical to explicitly add the dimensions of interest and the scope of activity. Three possible sets of interests would be employers' desire to improve profitability, workers' desire to maximize income, and communities' desire to utilize the labor market to promote local economic development. As for scope, we add to the usual functions of LMIs—making placements and providing training—the additional function of "making markets," that is, contributing to the transformation of labor demand itself.[7] (These functions are discussed in more detail in chapter 3.)

How does this framework play out analytically? Although ultimately multiple interests must be met—workers want jobs, firms want employees, and intermediaries are one bridge—it may be helpful to see LMIs as oriented to one or another set of primary interests. LMIs that view their primary client as the employer may seek to enhance profitability by filling positions quickly and not internalizing significant costs of training. In this process, however, they may also make markets by pushing for simplifying the work process and lowering requirements, partly in order to facilitate their own brokering but also to serve employer needs. This basic outline is consistent with the profile of many temporary agencies.

Employee-focused LMIs, on the other hand, see workers as their primary client; their aim is to use the hiring process to improve employee outcomes, including in part by increasing workers' bargaining power in the labor market and with particular employers. A classic example is the union hiring hall, which can be enforced by bargaining and the threat of strikes (as with longshoremen) or by maintaining a monopoly on skills valued by employers (as with the building trades).

Community-based organizations, as Bennett Harrison and Marcus Weiss (1998) remind us, have also gotten into the LMI business, particularly with innovative training and placement programs like Project Quest in San Antonio, Texas. Many of these programs are easily classified as employee-oriented, but even as they target their efforts at those on the bottom end of the labor market, their ultimate objective is to translate the gains to particular geographic communities. Moreover, such efforts have also generally been wrapped in the language and practice of community development and have sometimes borrowed broad business retention goals from that framework; witness, for example, Cleveland's Westside Industrial Retention and Expansion Network, founded by three community development corporations to support industrial clusters that could provide employment for residents of lower-income communities (Indergaard 1997). Thus, recognizing that intermediaries may have a community orientation in addition to an employee orientation seems warranted.

It is important, however, to stress one cloudy facet of this prism of interests: LMIs are more successful to the extent that they serve multiple interests. Thus, even an agency primarily oriented to one set of actors must solve problems faced by another set of actors. A ready example is a temporary agency that focuses primarily on employers' needs but must also offer help to workers by quickly placing them in jobs and working toward longer-term job matches for them. Likewise, community college programs may see their primary clients as students, but to work effectively for these clients they must be viewed by employers as a key resource.

Securing acceptance from employers poses a special challenge for worker- and community-oriented programs. They are able to meet this challenge most effectively, we argue, when they solve a key problem that employers may face. Even union hiring halls, which one would suppose to be anathema to employers because of their control over wages, can reduce search costs for firms and ensure the quality of work executed by craft workers, particularly when the union also takes on training to guarantee a certain quality. Labor and community-driven workforce development strategies can also help solve industrywide problems that employers may face. If an industry has high levels of turnover, for instance, individual employers may be reluctant to invest in the training of their own workforce for fear they will lose the value of that human capital investment to competing firms. This problem can be solved by an external agency organizing collective commitments to train for nonfirm-specific skills, thereby lifting up the general level of investment in workforce training in the industry as a whole (Herzenberg, Alic, and Wial 1998; Parker and Rogers 2001). Such solutions sometimes allow employee- and community-oriented intermediaries to exercise greater influence over the demand side of the labor market, potentially increasing wage levels and benefits.

Putting together the relational, interest, and scope frameworks may offer analytical clarity and policy change. Our qualitative and quantitative work suggests that those LMIs that hold the most promise for improving outcomes for disadvantaged workers are those that hold worker and community interests as central, maintain strong relations with both workers and employers, and seek to expand their scope of operations to improve the structure of work, thus altering the demand side.

The Content and Structure of the Book

As our analysis makes clear, we were not simply interested in a quantitative assessment of the distribution of intermediaries in the labor market, though this was an important and central part of the analysis. Instead, we wanted to engage in a deeper analysis of the operation of intermediaries throughout regional labor markets, the structure of their relationships with workers and employers, the impact of these different relationships on the activities of workers and firms, and ultimately the impact of these relationships on labor market opportunities for disadvantaged workers. Thus, we collected three types of data, using both qualitative and quantitative methodologies, which together provide a far-reaching overview of the role of LMIs in the regional economies we studied (see the appendix for a detailed discussion of the methodology).

First, we used existing public data sources to analyze the similarities and differences in labor market and demographic patterns in Milwaukee and Silicon Valley. Our selection of Milwaukee and Silicon Valley as comparative regions for analysis was based on a hypothesis that there would be important differences between the scale and types of activities of intermediaries in these two regions, whose economies could be thought of as proto-typical "old industrial" and "new informational." Since we had a particular interest in the relationship between the use of intermediaries and volatility in labor market conditions, we also conducted a detailed analysis of the patterns of volatility as evidenced in unemployment insurance wage record data for California and Wisconsin for the years 1992 through 1999—the period immediately prior to our survey and field research. The analysis of this data and of the similarities and differences in labor market conditions in the two regions is presented in chapter 2. Although we found important differences between the two regions, particularly in industrial structure and demographic characteristics, the differences in volatility in labor market conditions were not as profound as we might have expected.

Our second major data-gathering exercise was a qualitative study of labor market intermediaries in Silicon Valley and Milwaukee. This began with a series of five focus groups with representatives of intermediaries in each region to probe how participants conceptualized their intermediary work, how they related to both workers and employers, and how they related to other organizations in the region providing intermediary services. These focus groups helped us select 23 "typical" intermediaries that we studied in-depth in both regions by conducting 146 lengthy interviews (one to two hours each) with intermediary staff and both their worker and employer clients. This research helped us understand the broad landscape of intermediaries in each region and the factors shaping their activities. The in-depth case studies also allowed us to reach a deeper and more nuanced understanding of the specific services provided by intermediaries in both regions, the challenges they faced in marketing and providing those services to their clients, and the reasons why workers and employers used particular intermediaries.

Our analysis of this qualitative research is presented in chapter 3. In addition to presenting a picture of the overall landscape of intermediary activity in each region, we categorize those activities as follows: (1) services that are part of the basic job-matching process, which we term *market-meeting,* since they take the preferences and characteristics of both workers and employers in the labor market as given; (2) services, such as training, industry research, and facilitating networking opportunities, that we term *market-molding,* since they try to influence workers' characteristics and aspirations or the economic trajectories of individual firms and regional industries; and (3) *market-making* activities, which seem to play a more critical role in structuring the jobs themselves, such as by providing incumbent worker training or acting as the employer of record following placement services.

Finally, incorporating many of the insights gained in our qualitative research, we developed a detailed survey designed to analyze workers' use of intermediaries and their impact on labor market outcomes. The survey, which we administered by phone between August 2001 and June 2002, received 1,346 responses (659 in Milwaukee and 689 in Silicon Valley) from individuals between the ages of twenty-five and sixty-five who had worked sometime in the past three years, including both users and non-users of LMIs. Our analysis of this survey is presented in chapters 4, 5, and 6.

Chapter 4 focuses on the incidence and type of intermediary use, workers' reasons for using intermediaries, and the services and satisfaction workers got from intermediaries, with a special emphasis on the experiences of disadvantaged workers in the two regions. We show that intermediary use was widespread: 29.8 percent of workers in Milwaukee and 26.3 percent of workers in Silicon Valley had held a job in the previous three years that they obtained through an LMI (our broadest measure of intermediary use). The proportion of workers who used different types of intermediaries was remarkably similar across both regions, with private placement agencies providing roughly half of all intermediary placements in all of our measures of intermediary use. Furthermore, while disadvantaged workers were more likely to use intermediaries than other workers, we show that more advantaged workers (whether measured by income, education, or race), made significant use of LMIs in the labor market as well. We show that workers used intermediaries not just to find jobs when they were unemployed but also to find better jobs. Finally, we show that the most widespread type of intermediary, the private-sector temporary agency, also provides the fewest number of services to workers. This is reflected in workers' generally lower levels of satisfaction with the assistance provided by these intermediaries, including the quality of the jobs in which they were placed.

Chapter 5 examines the impact of intermediaries in more detail, looking at job outcomes based on occupation, industry, wages, and benefits. We compare outcomes based on whether or not workers used an LMI and which kind of LMI they used, as well as how these outcomes differed for disadvantaged workers. Although there are many important subtleties to the interpretations, our survey finds that in both regions temporary agency use was consistently associated with lower hourly wages and less access to both employer-provided pensions and health insurance. This holds true even after controlling for detailed worker and job characteristics and after separating the effect of temp agencies from temporary job placements per se.

Moreover, because of the nature of the survey, these are not just contemporaneous effects, and thus temp use may not be beneficial to labor market outcomes for disadvantaged workers. Significantly, we find few other clear relationships, in both regions, between outcomes and the use of other types of labor market intermediaries, such as professional associations, community and vocational colleges, unions, and nonprofit or government agencies. This lack of apparent relationship may be due to either too few observations in these groups or inadequate precision in defining these categories. Of course, a few very well structured programs can make a difference for many disadvantaged workers, and particular disadvantaged workers may benefit from using many different types of intermediaries, a pattern revealed in our qualitative analysis. But the broad organizational categories we used in the survey were unable to distinguish such impacts. This finding is different from the more optimistic picture of the long-term effects of temp use offered by Fredrik Andersson, Harry Holzer, and Julia Lane (2005). To try to explain this anomaly, we spent some time reworking our data to more closely parallel theirs. This helped us resolve the apparent inconsistency: it seems that, in the medium term, temp use may increase the number of hours worked but lower hourly wages, with the net welfare effect a judgment to be rendered by researchers, policymakers, and clients.

Finally, we explore in chapter 6 how individuals sort into the different LMIs. Paying particular attention to the role of social networks, we explore the idea that since most people find jobs through their social networks, LMI use may be negatively related to the strength of social capital. We thus construct a measure for social capital from people's responses to the survey and analyze how this relates to intermediary use. Our central finding is that labor market participants with higher levels of social capital were indeed less likely to be LMI users. Similarly, when distinguishing among different types of LMI use, we find that people with higher social capital were less likely to use the temporary agencies that yielded the problematic outcomes we document and were more likely to use other, "higher-quality" LMIs.

As the first study to try to measure systematically the incidence and impact of all types of intermediaries within regional labor markets, our findings must be treated as suggestive rather than conclusive. But these findings, particularly about the widespread use of intermediaries, do reinforce the need for further research on intermediaries, and they have important implications for future research and policy initiatives. We discuss these in chapter 7, where we highlight a further set of questions related to the incidence and impact of labor market intermediaries rooted in geographic differences and the ways in which industrial structure and demographic dynamics shape intermediary use. We also highlight a set of questions related to the effectiveness of intermediaries in influencing the worker outcomes unearthed by our study, focusing in particular on the connections between social networks and intermediary use and on the features that shape "best practice" in placement activities. We conclude the chapter with a brief discussion of the implications for labor market policy, especially the importance of developing intermediary policies, including ways to steer workers toward better intermediaries and to improve the dissemination of best practices across and between different types of intermediaries.