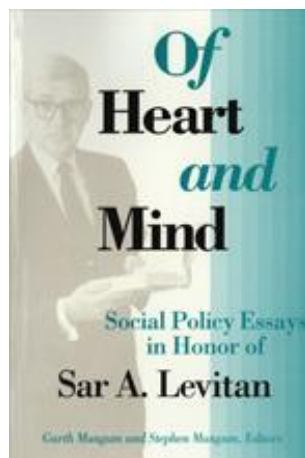

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CHAPTER 8

Contingent Work and the Role of Labor Market Intermediaries

Audrey Freedman

This chapter describes the rising incidence of contingent working arrangements, business incentives to adopt such practices, and the labor market intermediary function of temporary help firms. Workers who lose a secure job perch, as well as those who are new to employment, must fend for themselves. Under such circumstances, contingent work is preferable to unemployment because it provides income, experience, and training; enhances occupational and industrial mobility; and increases future employability. The least-cost way of finding such work is through labor market intermediaries such as temporary help firms.

What Does “Contingent Work” Mean?

The term “contingent” was first applied to employment relationships in 1985.¹ It was intended to describe ways in which firms could staff their activities to fit the current needs of the business. Intense competitive pressure during the early 'eighties was forcing large U.S. corporations to cut payroll cost, which had become more fixed than variable during the post World War era of comfort and economic hegemony. At the beginning of this drive, in 1982, imitative wage patterns were the first tradition to be broken. Next, greater scrutiny of bureaucratic overhead cut away some of the rungs in corporate hierarchies. Then person-

nel departments began to be pushed into thinking and performing in a more enterprise-oriented way.

Step-by-step, companies came closer to realizing that conventional management practices also contributed to the cost problem by maintaining a stable, fixed workforce within an inertial administrative pyramid. Large firms were anchored to a costly operational base that was not able to respond nimbly to new opportunity or to withdraw quickly from failed strategies. Under pressure to regain flexibility, companies began to shift their labor strategy toward contingent employment.

The term described a working relationship that was to exist only when needed by an employer. It was not a description of the qualities of individual workers, but only a relationship arising in the duration and strength of the company's needs. The contingent arrangement could include temporary employees, self-employed freelancers, and part-time workers. Contracting-out might also be arranged to supply services on a contingent basis: much of the business services sector (such as advertising, data processing, or security services) is included in the concept.

In the late 1980s, labor market analysts suggested terms such as "peripheral workers," "just-in-time employees" in Europe, or "irregular workers." (These adjectives implied some characteristics of the workers, yet less about the reason for their use.) Another term, "managed services," began to define many business service companies that provide complete facilities staffing, or outsourcing. More recently the term "staffing industry" has been applied to those firms that create a labor market for such assignments.

In the foreseeable future, we will probably continue struggling to find stable terminology for an unstable concept. It might be possible to ignore the question, except for one major problem: in order to count the number of people working in this fashion, one must have a highly specific definition. Everyone, both employers and workers, must have a clear-cut idea of what that definition contains. Most important, all "observations" of workers and employers must remain stable for a long enough period of time for counting, categorizing, and comparing. There is little chance of this for an activity so fluid and inchoate as contingent work.

This chapter will concentrate on temporary workers as the most easily identifiable example of contingent employment. It discusses the

reasons for the growing trend toward using temporary help suppliers, as well as some social needs that must be met in new ways.² It includes critical evaluations of the trend. Using the temporary help industry as an example, the chapter suggests long-term effects on job markets, employer-employee relationships, training, and careers in the next century.

Why Have Employers Changed Their Personnel Practices?

Cost Escalation and Loss of Market Dominance

The decade of the 1970s produced two shock waves for U.S. business that pounded comfortable companies into new shapes during the next fifteen years, and continue to affect the survivors today. The Arab oil embargo of 1973 and the price increases of the oil cartel in 1973-4 and 1979 had profound effects on the world economy. In the United States, energy price inflation affected commodities; next it caused a wage spiral through the intensifying mechanism of escalation clauses in union contracts and imitative wage setting in nonunion industries. Unit labor costs rose because there were less than compensating increases in productivity. Cost-push inflation stayed with us for an entire decade, and U.S. business became less competitive in world markets.

The second major development was increased competition from foreign producers of both consumer and producer goods. This broke the market power of U.S. companies in such basic industries as steel, autos, rubber, machinery, and electrical and electronic equipment. Beginning in 1979, a series of deregulations added competitive pressure in airlines, telecommunications, trucking, railroads (and later banking). Most of these industries had been characterized by secure jobs, regularly rising wages, and (with the exception of banking) a high degree of unionization. Their slow-moving personnel policies had been based on market power, with unions able to capture some of the oligopoly premiums for their members.

The pressure to use workers in a more flexible way had already begun, but was not yet fully recognized. Layoffs began with the reces-

sions of 1981-82, but recalls were expected with recovery, as had usually been the case. Unions tried to stave off permanent workforce cuts and management promised to trade some amount of job security in exchange for wage moderation. Political response brought a plant-closing law that required advance notice of major layoffs. Government contracts and a defense build-up were also used to prop up job security in industries such as aerospace and electronics.

Ultimately, companies were forced to devise ways of using labor on a contingent basis (Golden and Applebaum 1992). Intensified competition also brought mergers, buyouts, and other forms of restructuring that undermined employee expectations of a long-term career with one stable corporation. This was particularly shocking to white-collar employees, both support staff and managerial ranks, because of its novelty to them.

Unpredictability

As U.S. corporate giants lost market power during the 1970s and 1980s, they were less able to tolerate unpredictable change. At the least, they became painfully sensitized to their lack of control over sudden market changes. Cyclical business upswings and recessions continue to require fast business adjustment. The more uncertainty there is, the more employers would like to avoid becoming caught in a difficult position. For example, if demand suddenly spurts, a company can call upon temporary help companies to provide additional labor quickly. The temporary help firm has capability to recruit, screen, and place qualified workers on the job almost instantaneously, or "on demand." Particularly when a company is not sure how long the good times are going to last, it is unwilling to make commitments to hire its own regular workforce.

If the strong demand continues, a company may begin to add to its own payroll, perhaps by hiring those who worked in temporary positions. By then, the use of outside contractors for supplying supplemental workforces may have become a permanent part of the company's personnel strategy. On the other hand, if the added business opportunity quickly disappears, the company is not obliged to lay off its own workers, pay severance and other downsizing penalties, and undergo

the difficult decisions involved in selecting which of its own workers will be retained.

Business cycles are not the only cause for uncertainty. Within a firm or an industry segment, unpredictable developments can require immediate adjustment of the workforce. Major new contracts may suddenly change the strategy of a division or an entire corporation; a merger can open new technology and market paths. Shifts in government policies suddenly remove some opportunities while creating others.

Two decades ago the term "manpower planning" was fashionable. It reflected a corporate sense that their business was a relatively closed system, in which they could manage smoothly if they got the planning right. So, companies devised elaborate five- or seven-year plans for the entire business and its divisions. This was turned over to personnel departments for their parallel manpower plan. Workers were to be purposefully steered through a series of assignments and redeployments, career ladders, transfers, and training. During slack periods companies tended to hoard personnel, or at least to keep excess levels on the payroll. The cost of such a slow-moving strategy is greater today, and business is less smug about its ability to control every situation. The term "manpower planning" has fallen into disuse. Contemporary language is more like: "it depends on what we need right now."

Loss of Union Power

Unions would, in nearly every situation, try to restrict the employment of contingent workers. The only exceptions to this general union policy might be in cases of a union-run hiring hall system or in the entertainment industry. However, during the past fifteen years, while temporary help has had its strongest growth, union power has been waning. Golden and Applebaum (1992, pp. 483, 485) conclude that "a shift in relative bargaining power has increased the ability of employers to implement core-periphery strategies that involve expanding stocks of temporary workers."

In reality, there is a more circular process at work. Unions have lost power for the *same* reasons that pushed employers toward more contingent employment practices: intensified competition and loss of market dominance (as described above). A second set of reasons why unions have lost power has to do with the rising cost differential that priced

unionized employers out of the competitive market: spiral-causing wage formulas, accumulation of seniority rules, restraints on workforce redeployment, and high-cost benefits. Ultimately, this led to new scrutiny of the cost of employing.

The pressure described in the sections above drove large and middle-sized U.S. corporations into a much more careful examination of their payroll costs and long-term obligations. Business survival required change.

New Scrutiny of the Cost of Employing

Comparison of Internal Wage Scales with Current Labor Market Rates

As larger companies experience the disruption of their market power and are jostled by competition, they start to discover how much higher their wage and benefit levels are, in comparison with the local labor market. In many cases, this discrepancy has developed inadvertently. Through inattention, their wage scales might be double or triple the local custom due to slow accretion: long-standing tradition of wage leadership, lifetimes on the seniority ladder, bloated hierarchies, automatic maintenance of historical wage differentials, union contract premiums—all of the standard conventions of compensation administration.

The biggest gaps between market wages and corporate salaries have often been found in numerically large groups: support staff and production workers. For example, a major corporation may be paying its senior executive secretaries around \$60,000, and giving them benefits that (with high tenure) are about 40 percent more, for a total package that costs the company \$84,000. Comparably generous pay-and-benefits packages for lower-level support staff will have been pegged to this scale.

Then a new chief executive arrives who is charged with cutting costs, bringing new competitive life to the company, and starting up new ventures in several potential markets. What are his choices? Hiring the “next” office worker at the current local rate of \$25,000 with typical local benefit packages would be quite disruptive to corporate personnel policies, to say nothing of morale among the existing workforce. Probably illegal, too, in the case of some benefits. So what

does his human resources manager begin to consider? One of the options might be to staff at least one of the new ventures with a temporary workforce, using a supplier firm that will train the temporaries exactly as required. As the new operation gains its footing, it may put some of those temporaries on its own payroll, selecting those who best fit the company's need. In the meantime, temporary office staff is being supplied as needed, at a cost that is close to the local going rate. If any are put on the company's payroll, it will also be at the market rate.

Fixed-Cost Payrolls Inconsistent with Uneven Labor Needs

There are many more occasions for labor demand to be variable, yet predictable, in today's economy. For example, when a software company is introducing its newest product it may need a large quality assurance staff for a short period of time; a mammoth shipping department for two weeks; and then specially trained help-line staff for the next six months. For a nonprofit example: a membership organization may set up a three-month fundraising drive or membership enrollment that will require major short-term supplements to their tiny core staff. As an example from political campaigns: the election season may require everything from canvassers to mailroom workers, with staff growing rapidly until election day, after which none are needed. Consumer product industries often face fickle buyers, or operate in markets that are highly seasonal, with peak demands of relatively short duration. Service industries such as entertainment and tourism have idiosyncratic peaks and deep valleys.

Organizations will not be able to carry the burden of a fixed payroll when their needs are so variable. They will move generally to a core-plus-contingent workforce as their only effective labor strategy.

Make-or-Buy Decisions

Corporate human resource departments are being held accountable for costs in this more stringent atmosphere. Recruitment expenses, search time, applicant pools, even screening costs are being closely watched. Training expense is weighed against its benefits in the short term. All of the in-house activities that devote resources to acquiring, developing, and maintaining a workforce are under scrutiny.

After considering the cost of managing various parts of its workforce, a large company may contract for the workers, handing over the

whole job to a few selected suppliers or to just one firm. A temporary help company that has been designated sole supplier will supervise some or all of these functions on the customer's site. Such a contract may mean dozens of on-site temporary help managers in many plants and offices of a large customer company. This kind of large-scale contracting (sometimes currently called "staffing services") is a growing trend in the mid-1990s.

On a much smaller scale, new enterprises and smaller companies may decide to focus their business in highly specialized ways. They will deliberately choose to offload the administrative burden of recruiting and maintaining a workforce beyond the core entrepreneurial and technical group. The strategy seems to be particularly attractive to advanced technology ventures. As a result, the fastest growing part of the temporary help industry is supplying technical staff such as computer specialists, engineers, designers, and scientists, as well as other highly trained workers such as systems analysts, medical technicians, and lawyers.

From the Worker's Point of View

The trend toward contingent employment shifts responsibility to the individual. Working in an explicitly short-term relationship puts greater burdens on individuals for their own training, career development, and general morale. The psychic benefit of identifying with a corporation is unavailable. Also missing is the reward of promotion (and status) within a company's administrative hierarchy.

On the other hand, a contingent employee is more likely to be judged in terms of what he or she can do. This is because a company that wants to contract for contingent workers will define the job precisely, seek bids from outside firms to fill it, and price it according to expected performance. Often the temporary help firm will itself evaluate the job content and skill requirements before it gives a price. As a result of this objective, spot market process, each temporary worker knows what is expected. He or she will be less exposed to vague selection and assignment, "office politics," subjective judgements, and interpersonal power plays. (Obviously, a temporary help firm that

characteristically relied on personal favoritism in issuing assignments would not long retain its clientele) Contingent workers are thus able to operate in a more businesslike atmosphere of arm's length, contractual relationships.

Workers Will Need a Better-Functioning Labor Clearinghouse

In today's massively fluid labor market, workers are going to need new forms of "hiring halls," employment agencies, temporary help firms, and other labor market intermediaries.

Comprehensive Job Information

With relatively frequent job changes, workers will have to choose more often and will need immediate information about jobs that are open. This means computerization that is sufficiently user-friendly to tell workers of all capacities about the available jobs. The job posting must be interactive to the extent of permitting a certain amount of maneuvering to take place in order to produce a good fit between a potential worker and the listed job. The number and variety of listings should be comprehensive in all skill categories and levels. Of course this means that potential employers must be strongly attracted by the chief benefit of their participation—the possibility of locating good workers, quickly.

Worker Credentials

Experience, references, background characteristics, training and other applicant information will have to be available and standardized so that they are usable by employers. Most of this cannot be produced by a potential employee alone. Moreover, the growing trend toward outsourcing also implies that corporate personnel offices are doing less of their own recruitment, verification of applicants' credentials, and hiring. This leaves an opportunity for outside suppliers to fill the role of making a match.

Employment Continuity and Security

Temporary help firms are able to offer a certain amount of security to workers in a labor market where short-term employment relationships are an increasing proportion of all hiring. They provide access to

job assignments and the potential for steady employment, although the wages for assignments are likely to be more variable than those in a permanent job. Using a temporary help firm gives an employee maximum choice among possible jobs within his or her skill capabilities. Moreover, that choice will include the option to change assignments at will, or to take time off for short or extended periods. The temporary will often be entitled to holiday pay, perhaps also to vacation pay. Many large temporary firms also provide health benefits, usually with employee contributions.

Workers may also use the temporary route to look for more permanent jobs. Short-term assignments give an individual increasing knowledge of labor market realities, including pay rates and conditions of employment; greater exposure to many different job situations; and frequently, offers of permanent employment. Temporary help firms estimate that about a third of their employees move into permanent positions—that is, they are hired onto the payroll of one of the firms where they were assigned.

Workers Will Need to be Responsible for Their Own Training

In the fabled days of lifelong career employment, the company provided training and development opportunities according to its needs and philosophy. Formal training was more of a reality for managerial, executive, and some professional employees. But informal apprenticeships and short job-specific training was available to the ranks of production, materials handling, and maintenance workers. A firm's willingness to make such investments was greater if it planned to keep that employee in the same job, or "develop" that employee for promotions, over many years.

As this stable outlook fades, employees are beginning to sense that their training and career progression must become their own responsibility. It is not safe to expect the firm to guide and subsidize one's career development. However, there do not seem to be any new institutional trends in education, training, or the job market that can be identified as possible solutions. The best advice has been: keep busy, keep moving, always look for opportunity on your own. New pressure for self-development has resulted in rising levels of self-employment, small-firm start ups, and other forms of individual self-determination.

Workers Will Need Portable Benefits, or Self-Financed Benefits

Many of the benefits associated with long tenure are unavailable to temporary and other contingent workers. Estimates suggest that only a quarter of temporaries have access to health plans, two out of five have paid holidays, three quarters get paid vacations, but nearly none have pensions.³ One of the solutions proposed in the early 1990s would have required employers to provide pro-rata contributions for various benefits to part-time, temporary, and other contingent workers. This would have been almost impossible to administer because of the fluid nature of their employment relationships and the difficulty of identifying the responsible employer over any period of time. Perhaps for this reason the proposals have faded from the liberal agenda.

The most serious problem for workers involves benefits that provide security against risk: health and pension plans. It seems clear that these worker needs will not be met for years to come, while contingent employment affects a higher proportion of the population. A national policy designed to accomplish universal health coverage failed in 1993 with so painful a crash that another attempt may not take place before the end of the century. Without some form of universal health care, the fragmenting of employment relationships will continue to cut access, because “private” plans will seek every opportunity to cut off potentially high-cost risks. Temporary employees must continue to cope by obtaining dependent coverage from a spouse’s employer when it is possible.

Pension and savings plans are the kind of benefit that is easy to forget until mid-life; they are also most likely to be neglected when it is up to the individual to provide for retirement. Tax-favored retirement accounts might be given even more favorable terms and instituted for self-enrollment by lower-paid temporary workers.

The Temporary Help Industry

The temporary help industry has been growing rapidly, especially during the 1990s.⁴ Even more remarkable, however, has been its protean ability to shift and change its service “product” according to

demand and market conditions. That adaptive behavior is making the industry a leading indicator of business cycles, and possibly other new developments in human resource use and practice. A description of some trends in the service product of the industry follows.

Expansion of Types of Service Provided by the Industry

Screening, Testing, and Evaluating

Customers of the industry have pressed for continual improvements in the screening process, to ensure that an assigned worker is fully qualified for the job. A temporary firm would not last long if it regularly sent inappropriate workers to its customers. In fact, firms may seek competitive advantage over the other suppliers by doing a superior job of testing and screening; that is, sending better workers to fill assignments. Moreover, as a result of equal opportunity pressure starting in the 1970s, there are requirements for professional validation of various tests and other screening instruments. Both developments have moved the temporary help industry to high standards in evaluating employee skills and experience. It has a broader concern than any individual corporate personnel office, and a particularly acute need for cost-effective “intake” tools.

During the last decade and a half, the industry has replaced many subjective rules of thumb with innovative tools for measuring worker characteristics. It sponsors test development for skills both manual and intellectual; and it can identify personal preferences for style of supervision, work content, and workplace atmosphere. One company has determined that a critical factor in assignment success is finding out what an individual “likes to do,” as well as his or her skills—and assigning that individual appropriately.

Training

As a means of increasing the value of their service, many temporary help companies are offering training of several types.

Technical Skills. Large firms have developed computer-based courses in computer programs, primarily to gain competitive advantage. Manpower, the largest temporary help company in the world, began in the late 1970s to build alliances with various computer and software companies. The object was to have training programs ready to

administer the moment a new program or new computer system was introduced. Customers switching to the new system could use Manpower's temporaries to run their system from the first day and also use Manpower to teach their regular employees. In the past decade most of the larger temporary help firms have provided training in computer use, and the idea has now spread to many of the smaller local companies.

It is possible to imagine that the more vocationally oriented schools, such as community colleges, will expand their training by developing similar partnerships with technology firms, and then add enough job-placement capability that they also will be in the temporary help assignment business.

Company-Specific Skills. A second type of training might focus on the procedures and standard practices of a large customer (e.g., a bank). The temporary help firm would work with the bank to develop standards so that an assigned temporary would be job-ready and productive anywhere in the first hour. Training might involve everything that is particular and peculiar to that bank: formats used for letters, memos, background papers; accounting or other record-keeping methods; forms of address and other language usage; the organization structure and perhaps the geographic aspects of a far-flung business; even the office dress code. With this knowledge a temporary might fit into the bank seamlessly, without wasting time and resources learning how "things are done here" at a level of minor and annoying detail.

Personal-Relations Skills. For their regular employees, companies sometimes provide this type of training, but it is most often learned by observing others or as one of the lessons of life—in other words, informally. Those who do not develop the required behavior are winnowed out of regular employment. This informal training may grow weaker as the proportion of permanent long-tenure employees shrinks. People who are always on the move may, in fact, develop poor habits of dealing with others because they do not expect to be around to deal with the consequences.

Add to this problem the growing recognition that mechanical and technical skills are insufficient for productive performance in nearly every job today. Consequently, there is a growing need for systematic training in interpersonal relations. It seems likely that temporary help firms will move first to fill this gap.

Manpower has begun a quality training program that focuses on customer service, personal relationships and communication in the workplace, and work attitudes. When temporaries arrive at an assignment with positive skills in dealing with supervisors and other employees, they become an influence for higher productivity in their work group. Similarly, temporaries who have been trained to deal effectively with external and internal customers are ready to provide high-quality service. This represents a competitive advantage for the temporary help firm, possibly even in comparison to the in-house training of a customer company.

Occupational Specialization

There have been specialized temporary help firms for many decades providing engineers to aerospace industries or running nurse registries. Recently companies that focus on niche occupational groups have expanded rapidly and their specializations now include many scientific fields, legal services, finance and managerial functions, and health care. Another trend is the movement of the biggest general temporary help companies into the specialty fields. A general temporary help supplier might purchase a niche company, making it a separate technical division; or it might form a working alliance with several specialized technical suppliers (e.g., of paralegals, or of home health aides). In some cases, a large general temporary help company may add technical worker specialties to its marketing in order to provide full service to its corporate customers.

In the highly specialized and technical occupations, temporary firms operate quite differently. First of all, their best competitive advantage lies in the perfection of the “fit” between the customer’s requirements and the individual assigned. The match may be accomplished solely on credentials and resumes. Assignments are likely to be for half a year or longer; few or none are short-term substitute or fill-in arrangements. For a staffing firm providing scientific, technical, or professional workers, there is very little competition based solely on price of the service.

Ancillary Personnel Services

Companies seem to be finding that temporaries are the best source for new permanent hires. A firm can “work-test” people and select the most productive. About a third of temporary workers are hired into per-

manent positions (and they have discovered, in fact, that temporary work is the best way to get such exposure). Temporary suppliers often charge their customers for such a transfer because it diminishes their inventory of skilled employees and cuts the number of positions being filled by the temporary agency. Recently a few customer companies have explicitly contracted with a temporary supplier to include the service of referring temporaries for regular placement. There is also a form of service identified as temporary-to-permanent.

Large-scale customers are usually provided with on-site temporary managers, generally where there is a sole source contract. They will be placed in every location where the company is using substantial numbers of the temporary help firm's employees. Their major responsibility will be to keep every position filled at all times with fully qualified and trained people.

Large user companies increasingly ask for customized reports on temporary performance and other aspects of the service, as well as cost breakdowns and usage reports covering their entire organization, sometimes by division and department. Productivity measures, where possible, may be added. This kind of full operating report is being provided already by large temporary help firms.

Temporary help firms may begin to offer complete project teams. For example, a team might work within the customer company to evaluate and help design a completely new information system. Computer cutovers might be staffed by a project manager and several groups of specialists. These teams might prepare the customer's existing system for transfer, make the transition, and begin operations under the new system—while also training the customer's regular employees in the new software. Or, a company might ask a temporary help firm to provide the designers, engineers, and project leader for the development of a new product. One-time events like marketing drives, product introductions, or geographic relocations are all possible activities that might be outsourced. In fact, many of them are already outsourced, but to one or more specialized business services firms. Thus the temporary help firms are starting to blend and penetrate other types of business services.

Among the technical staffing firms, it is possible to foresee the possibility that subcontracting, combined with narrow specialization, might create a hybrid kind of service firm. For example, a pharmaceuti-

cal company might contract for the entire clinical trials of a new drug. A transportation company might contract for the design of a new operating grid, or a completely reworked computerized package-tracking system.

Some temporary help firms have recently begun to market their training programs independently. Skills assessment tools and computer-based training are used to make temporaries more valuable, but they can be sold to other companies as well. In many cases, a trainer can go into the package, as well as customized training modules.

Some employers have begun to search for technical and professional workers by posting job openings on the Internet. Individuals can list their resumes on the Internet, and employer searches can be carried out through keyword matching and other instantaneous search techniques. As this capability becomes well-refined in the next two years, it will begin to shrink the business opportunities of temporary help firms that specialize in resume-using occupational groups: technical, professional, and managerial workers.

Consequently, the technical temporary firms are going to feel rising pressure to develop new services, rather than see their business disappear. One possibility has been mentioned above: the provision of already-assembled project teams, rather than individuals, and teams that have long experience working together. Another possible new service that the technical firms can offer, in the Internet-mediated labor market, might be a necessary credential: checked references and experience, verified educational qualifications, and guarantees that the electronic match is a "real" person with the called-for background. The new service might be a sort of national bureau of standards credential, a Good Housekeeping Seal of authenticity.

Possible Public Role of the Temporary Help Industry

Operating as a Parallel Employment Service

The federal-state public employment service has been burdened by greater social service responsibilities over the past three decades. It must authorize individuals for income supplement checks and for entry to many kinds of support services, inventory the available openings in training and social programs, and interact with various other agencies and joint programs administered by private and public "partnerships."

In short, the employment service, or Job Service as it is starting to be called, is a social welfare agency that considers its clientele to be unemployed persons.

Thus there is no public labor market intermediary that views *employers* as the true clients who need service. Employers are the ones who identify the job titles and skill mixes that they need. An employer-oriented intermediary would search on their behalf, develop valid assessments for screening job seekers, and make on-the-spot referrals. Traffic at such a recruitment center would be very heavy. Therefore, an intermediary can accrue vast information about wage offers, market-clearing wage rates, unfilled vacancies where labor demand is strong, and opportunities that require relocation. It can steer training for high-demand situations, anticipating the skills needed under changing economic and technology environments.

An employer-serving intermediary would provide substantially improved assistance to job seekers. It would likely attract large numbers of job orders from potential employers. The biggest job listings, organized in the most easily-used way for job seekers, is a needed and important public service.

If there were such a client-directed intermediary there would be an overall reduction in job search time. Employers have an incentive to list jobs quickly, and referrals would be accurately aimed. Daily referrals would be heavy and fast-moving. Such an improvement in job search effectiveness cuts the public loss in two ways: it lowers unemployment compensation and reduces search time. The unemployment rate, a function of search time, would be marginally lower. Time lost in nonproductive activity would be reduced, a gain for the entire economy.

There may have been an era when the public employment service was imagined to function in this way, but it never did. The social service demands of the past few decades have steered it farther afield. At a time of receptiveness toward privatization, the Labor Department might consider whether temporary help agencies could be enlisted to help operate the public employment service.

Assisting Welfare and School-to-Work Transitions

Temporary help companies are experts at job counselling. Their technique is informal and realistically tailored to individual behaviors.

This kind of customized attention might be effective in putting welfare recipients to work—and also in helping with school-to-work interning and apprenticeship.

A temporary help agency might alter its normal procedures only slightly. Individuals can be guided toward appropriate dress, manners, and speech. Jobs can be found in which their characteristic behavior is an asset rather than a misfit. The company may already be using sophisticated tools to discern personal preferences: whether an individual likes to work alone or in groups, with close supervision or independently, with customers or with “things,” in an orderly and paced fashion or under some stress.

Critiques of Contingent Work Arrangements

The critics have focused on differences between “regular” payroll employees and contingent workers, often implying that any arrangement other than a long-term payroll attachment to a single employer is a blot on the American economy. Some have said that employers have been trying to escape government regulation of labor standards, or are trying to block union organizing drives. Others merely note that traditional employer-funded benefits are seldom available to contingent workers.⁵ Legislation has been proposed, over the years, to meet these criticisms. It probably will not move to enactment because of the difficulty of regulating such a fast-changing practice.

More general (and rhetorical) criticisms have speculated that loyalty will decline, insecurity will rise, and the overall morale of American workers will deteriorate. These comments usually imply an ideal past time in which employee loyalty and employer paternalism assured American economic hegemony. There is no answer to such romanticism, nor a remedy to the loss which it laments.

Benefits

A February 1995 survey by the Bureau of Labor Statistics (U.S. Department of Labor 1995) showed that contingent workers have a much lower rate of health insurance coverage, and that “contingent



Yocheved Rappaport Levitan,
mother of Sar Levitan



Left: Rabbi Osher Nissan Halevi
Levitan, father of Sar Levitan
Right: Rabbi Shmuel Kuselewitz,
uncle to Sar Levitan and
father of Bluma (Blossom)
Kuselewitz Neushatz



Levitan borthers
Left: Abraham (Sar)
Right: Nathan
Middle: Meyer

Sar Levitan as student at
City College of New York, 1937





Brita Ann Buchard Kohle Levitan
about the time of her 1946 marriage to
Sar Levitan

Captain Sar A. Levitan,
1944 or 1945



Sar Levitan during Wage
Stabilization Board period,
1951-52



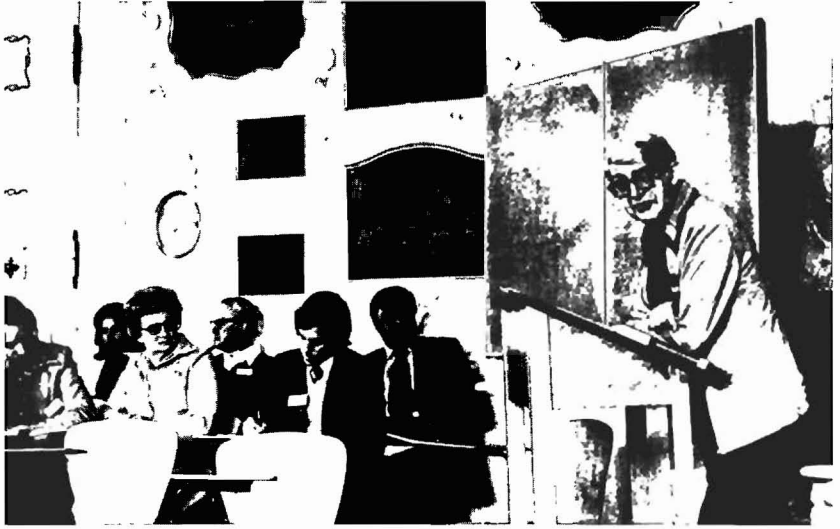
Sar Levitan as Assistant Director
of Presidential Railroad Commission,
1960-61



Presidential Railroad Commission staff, from left to right, Sar Levitan, Charles Rhemus, Beatrice Burgoon, unidentified, Robert Ables, Philip Arnow, unidentified



Levitan at Leopoldskron, headquarters of the Harvard-connected American Seminar at Salzburg, Austria, 1975



Levitan lecturing at Leopoldskron, 1975. From right to left, Levitan, Philip Randolph, unidentified, Marion Mangum, unidentified, Garth Mangum in customary repose.



Sar Levitan at Berchtesgaden, 1975

Sar and Brita Levitan at
home of Seymour and Ethel
Brandwein in 1980s



Sar Levitan and
Seymour Brandwein
at latter's 1985
retirement from
DOL



Brita Levitan in 1970s
or 1980s

Professor Levitan in Center
for Social Policy Studies office, late
1980s



workers with insurance were much less likely to receive it from their employers.” For those employed by temporary agencies, 44.9 percent had health insurance, but only 5.7 percent received it through their agency. In contrast, 82.2 percent of noncontingent workers had health insurance, 53.9 percent of them through their employers. Although some temporary employees probably were covered by the health plans of working spouses, a major difference in coverage is apparent.

Job loss in the United States means loss of health insurance coverage, and job insecurity is probably most frightening for this reason. Rising political attention to health care reform might ultimately result in dissociating health benefits from the individual’s employment (an absolute linkage unique to the United States). In the meantime, more job mobility—of any kind—will mean less health care access. Employers will continue to find ways to reduce their benefit burden even though health care cost inflation has been remarkably low in the mid-1990s.

Pension benefits are nearly nonexistent for contingent workers. There is limited tax relief for establishing one’s own retirement fund for those who are self-employed. However, no contingent worker is protected in old age by a company-paid, defined contribution or defined benefit plan.

Employment Security

Job security has seemed to be self-evident for permanent employees and nonexistent for temporary and other contingent workers. In its recent survey, in fact, the Bureau of Labor Statistics defined contingent workers as those “who do not expect their job to last.” But then the clarity begins to dissolve: a third of people who work for temporary help agencies *do* expect their jobs to last, and so do about 62 percent of “on-call workers and day laborers.” One might imagine that thousands of employees at Chemical Banking and Chase Manhattan Bank, merged in 1995, did expect their jobs “to last” on the day before the merger announcement. That expectation can be dashed in a moment.

These sudden reversals have characterized the past decade. Corporate reorganizations and other drastic responses to heavy competition have affected the security of nearly all employees. Even government workers are less protected. There is no longer a bright dividing line

between having a berth in a corporate bureaucracy and having to piece together a career of one's own.

Individuals must rely more upon their own skills and on their savings. Job search is a major personal investment, and more so when it occurs several times during a working life. Temporary help firms acting as labor market intermediaries probably increase, rather than reduce, the amount of security an individual can achieve. They can recycle people into other assignments providing income, increased "exposure," and additional skills and experience.

Training, Experience, and Development of the Workforce

Companies have little incentive to train workers who will not be with them for very long. Even when they do train permanent employees, it is usually job-specific and narrow; only high-level managers get developmental training. *The Economist* cites an OECD study that found "in America only 10 percent of young recruits had any formal training from their company, compared with about 70 percent in Japan and Germany."⁶ The difference was attributed mainly to the fact that U.S. companies did not expect their employees to stay with the firm.

Therefore, whatever training American employers have provided in the past is going to be diminished by rising employment flexibility. Contingent workers will have to be their own career developers and seek their own training and experience. In the case of temporary employees, the agencies have increasingly provided training (particularly for computerized office operations) as a form of investment in their own inventory.

Loyalty to the Company

Loyalty is said to be a valuable aspect of corporate culture. It is popularly assumed that an employee's long-time identification with a company will enhance his or her performance, energy, and willingness. This has never been proved.

Just the opposite might occur, in fact. Long-time identification with a company may simply be passive, generating nothing more than inertia. If an employee at any level has the idea that "the company will take care of things in its own way," that employee will not be creative or

self-directed. Individual initiative may have been squelched by years of handing over decisions and actions to a superior. In fact, he or she may also have learned not to question the traditional ways of the hierarchy. Exploratory thinking is rarely found in loyal ranks.

Current management literature has been calling for more team self-management, more independent thinking all around. In fact, corporate command-and-control systems are being criticized by nearly all business school experts. By implication, they also disapprove of the blanket of loyalty that covers the inertial corporate bureaucracies.

Contingent workers would have no reason to develop emotions of identification or loyalty toward those for whom they are working. Instead, a contingent worker is likely to think in terms of a customer relationship: the employer is his or her client. Expectations have been made concrete; the work to be done is carefully defined and has been priced on the open market. The relationship is an arm's length, businesslike one, neither emotional nor comfort-seeking. Both parties have directed their minds toward a finite product of the work, often within a finite time period.

If it were possible to compare the real productivity of loyalty-attached employees with workers whose services are explicitly purchased in a business transaction, the latter would be the more efficient.

Benefits to the Labor Market and the American Economy

The flexibility of our labor force must be included in any list of potential competitive advantages that are available to America. We have a relatively unregulated labor market compared with other industrialized nations, and one that is not much burdened by tradition. The geographic and occupational mobility of our workers has been the highest in the world. As a result, labor moves to activities where it is most productive. This fluidity is mostly the result of individual responses to incentives in a fairly free labor market.

Now, in response to greater competition, American companies have found new ways to make their labor costs more flexible. This pressure will not recede and will lead to an even greater variety of work practices. We will need various intermediaries to help workers and employ-

ers make the best adjustments at the least cost to individuals, the general public, and business. The temporary help industry is already equipped to offer some help with day-to-day adjustments in labor market opportunities, training and development, and melioration of unemployment. It continues to help business enterprise be more adaptive.

Individuals' responsibility for their own working careers will probably increase, while social policy should address the problems of rising wage inequality and a predictable growth in old-age dependency during the next decade. As the idea of corporate community fades, the society is less likely to expect business to provide social welfare. Nor is the public likely, if present trends continue, to expect much of large government. The best source of security may, in the end, be small communal organizations.

NOTES

1 Speech by Audrey Freedman to the American Productivity Center, published in the *Daily Labor Report*, July 18, 1985, pages A-4 through A-6.

2. As early as 1981-82, there was an employer survey identifying reasons for using temporary workers. Its conclusions remain true today (Mangum, Mayall, and Nelson 1985)

3 1987 data from U.S. Bureau of Labor Statistics

4 For a careful analysis of this growth, see Segal and Sullivan (1995)

5 See, for example, the transmittal letter at pp 1-11, of "Workers at Risk" GAO Report HRD-91-56 on Contingent Workers, March 1991

6. "Musical Chairs," *The Economist*, July 7, 1993, p 67.

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