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An Alternative to Temporary Staffing: Considerations for Workforce Practitioners

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As the national economy inches toward recovery, risk-averse employers are increasingly turning to temporary workers to fill their hiring gaps.¹ In fact, the temporary staffing industry has been a fixture of the US economy for decades. But the industry added a striking 557,000 jobs from June 2009 to November 2011—more than half of the jobs created during that period.² Growth is likely to continue: A 2011 McKinsey survey of 2,000 firms of differing sizes and across various sectors found that more than a third foresaw their companies increasing their use of temporary workers over the next five years.³

The bulk of these temporary workers⁴ are employed by for-profit temporary staffing firms that recruit and screen candidates for assignments, as well as handle payroll and a few supervisory duties.⁵ These firms supply workers for a sizable share of the low- and semi-skilled, entry-level job openings⁶ across many diverse sectors, including blue-collar manufacturing, office/clerical, healthcare and IT.⁷

Workforce development practitioners—who aim to help those with barriers to employment get and keep jobs—have been struggling to make sense of what this growth in the temporary sector means for their clients. While research examining the effects of temporary jobs on subsequent employment and long-term earnings is mixed,⁸ such jobs are likely here to stay.

It seems clear that temporary staffing firms will play an increasingly large role in filling the type of job openings that workforce programs often target for their participants. How can program staff navigate this labor market phenomenon? This brief describes the work of “alternative staffing organizations” (ASOs), which seek to mitigate some of the more troubling shortcomings of the temporary employment industry (see “Opportunities, Risks and Dangers of Temporary Jobs” on the next page) with the goal of improving the employment prospects of the most vulnerable job seekers.

Opportunities, Risks and Dangers of Temporary Jobs

Opportunities. For workers who have significant barriers to employment, temporary jobs can offer “a foot in the door” with employers who might view them as too risky for a permanent hire. Temporary work may also provide on-the-job experience for those who want to maintain or increase skills, or could use extra income as they complete more intensive education or training. In addition, these jobs can help workers gain exposure to employers who may be hiring later on—or, in the best-case scenario, find a temporary position that turns into a permanent one.

Risks. Some worry that temporary placements may displace more stable, “permanent” jobs. Temporary jobs are also very unlikely to provide access to employer-provided health insurance, paid time off and other benefits that come with full-time employment.

Dangers. Temporary workers may be vulnerable to workplace abuse. In the most egregious cases, “day-labor firms” (companies that specialize in placing workers in short-term manual labor jobs, such as landscaping and construction) have subjected their temporary employees to such abuses as unsafe working conditions and reductions in wages to cover tools, transportation to the worksite and other costs.⁹ Similar allegations have been made about temporary staffing in the warehousing industry.¹⁰

The Alternative Staffing Demonstration

This brief draws on the findings of the Alternative Staffing Demonstration (ASD), funded by the Charles Stewart Mott Foundation. The ASD was launched in 2003 in an effort to learn more about this adaptation of the staffing business model—specifically, the ASOs’ objectives, operations and services— as an approach for assisting job seekers with barriers. A first wave of the demonstration sought to gain a better understanding of these issues and document how ASOs serve both job seekers and employer customers. The research was conducted through a partnership between the Center for Social Policy at University of Massachusetts Boston and Public/Private Ventures.

The four participating ASOs were First Source Staffing in Brooklyn, NY; Goodwill Temporary Services in Austin, TX; Goodwill Staffing Services in Boise, ID and EMERGE Staffing in Minneapolis, MN. They varied in size, populations served and the structure of their parent organization. They staffed entry-level, temporary assignments ranging from general labor, grounds maintenance and light assembly jobs, to work in building services (including private security), customer service, and clerical and administrative support in offices and mailrooms.

P/PV’s report *A Foot in the Door: Using Alternative Staffing Organizations to Open Up Opportunities for Disadvantaged Workers* discusses the role that ASOs’ flexibility may play, when combined with the provision of appropriate support services, to open doors for populations that would otherwise have difficulty accessing these opportunities. This flexibility involves making adjustments to whom they serve to meet employer needs and identifying businesses that are a good match for job seekers.

For example, an ASO might identify businesses accessible by public transit for job seekers without driver's licenses or access to cars, and provide bus passes to make sure workers can get to the work site.

The Center for Social Policy conducted research aimed at understanding how each ASO structured the services it provided, how it handled day-to-day management issues, and how it sold its services. This research also reported on the perspectives of the ASOs' employer customers and documented how ASOs relieve the administrative costs of job brokering with staffing revenues. These findings are discussed in *Brokering Up: The Role of Temporary Staffing in Overcoming Labor Market Barriers*.

The Center for Social Policy has conducted a second phase of the ASD to describe the job opportunities participating ASOs have secured, the profile of their workers, their work experience with the ASO, and their job status after leaving the ASO. These findings can be accessed in: *Finding the Right Fit: How Alternative Staffing Affects Worker Outcomes*.

How Did ASOs Come About?

The first ASO was founded in 1970 in Chicago. Now named Harborquest, its primary goal was to create access to temporary manufacturing jobs for inner-city African American workers who were being shut out of mainstream staffing industry assignments. Its market approach and range of strategies have evolved over time, but the commitment to this population has remained. A handful of other ASOs were founded in the 1970s, but the bulk of these organizations were established in the 1990s. According to the Alternative Staffing Alliance (the ASO industry association), there are approximately 50 ASOs operating today in the US and Canada. Individual ASOs place from 35 to over 2,000 job seekers per year; the "average" ASO places 300 to 500 individuals annually.¹¹

ASOs have been created for a range of reasons, from helping participants access jobs and trying to remedy the worst excesses of local and national day labor operators (particularly for homeless service organizations), to facilitating access to jobs for workers with disabilities by tapping into state programs that "set aside" government contracts. Most ASOs are affiliated with a larger social service or workforce development agency, with the ASO complementing the other services this parent organization provides. For example, some ASOs are only one component of the parent organization's broader economic and workforce development activities. Other ASOs are housed within organizations that provide a larger spectrum of services to a specific population (e.g., homeless individuals) and function as the employment assistance arm. However, a small number of ASOs are free-standing agencies, created by collaborations of several community organizations. While the large majority of ASOs have a nonprofit tax status, a small number are for-profit companies—though often affiliated with nonprofits.¹²

How Do ASOs Differ from Conventional Staffing Agencies?

Like conventional temporary staffing businesses, ASOs charge employers a fee—in the form of a markup on the hourly wage—for finding candidates to staff their openings, and the worker is on the payroll of the ASO. However, unlike conventional staffing businesses (though much like traditional workforce development programs), ASOs’ primary goal is to help job seekers with barriers to employment gain entry into the workforce and build experience.¹³ While conventional staffing businesses generally seek to recruit candidates to fit assignments without commitment to a specific population, ASOs aim to improve their job seekers’ odds of employment by:

- Gathering extensive information about the skills, capacities and barriers of each job seeker to find him/her the “best fit” assignments.
- Gathering information about the assignments, workplace norms and duties, so the worker is prepared.
- Offering supportive services, either within the program or through referrals, to help job seekers with barriers retain their jobs. Examples include: on-the-job coaching about workplace norms; mediation of conflicts between workers and their supervisors; and assistance with, or referrals for, transportation, emergency financial assistance, childcare, and housing subsidies.
- Committing to workers’ success. For example, an ASO may offer those who are not successful in initial placements a “second chance” along with appropriate support or coaching. A conventional staffing firm would likely not deem it worth the effort for entry-level workers.¹⁴

In focus groups conducted by the Center for Social Policy as part of the Alternative Staffing Demonstration (see “The Job Seeker Perspective” on the next page), workers who were placed through ASOs cited the quality and detail of the information they received from ASO staff about their work assignments—ranging from their assigned tasks to the company’s dress code and culture, to the supervisor’s communication style and expectations. The focus group members described the ASO staff as accessible, unlike their experience in conventional staffing firms, and available to offer them ongoing support and advice about navigating the workplace, securing needed services, and mediating misunderstandings with supervisors.

Given that many temporary staffing workers are looking for permanent employment,¹⁵ it is also important that ASOs remove the barriers to converting temporary employees to permanent hires that are common among most conventional staffing businesses. For instance, ASOs may conduct drug screenings or other hiring tests for free, and they often don’t charge “conversion fees” (fees paid by

the employer to the staffing firm to permanently hire a temporary worker prior to the end of their contract). During the focus groups, workers noted that the ASO staff advocated energetically on their behalf for a better job; one participant remarked, “You start out at low entry, but she [the staffing specialist of the ASO] pushes and pushes to [a job] where you are best suited; other staffing companies don’t push.”¹⁶

The Job Seeker Perspective

In focus groups conducted by the Center for Social Policy between 2002 and 2009, as part of the Alternative Staffing Demonstration and a 2003 study, ASO workers and job seekers weighed in on their experiences with workforce development programs, conventional staffing businesses, and the ASO.

The first difference participants noted was the intensity of job placement services. “[The ASO] actually places you into a job, rather than just helping you look...Here you fill out an application, go to the job, then they support you...” Another worker emphasized: “The biggest thing to me... is that [the ASO] places you in a job...A lot of job placement places aren’t really job placement—they’re like job searchers; they help you look for a job.”

At the job application stage, workers noted that the ASO staff made the time for in-person contact and focused on providing access to jobs. While this stance may not be unusual among workforce development providers, it is not common in conventional staffing businesses, with which many participants had experience. One worker noted: “Here they are more efficient about getting people jobs. They don’t like seeing people out of work... They are not in it just for the dollar, but [to] help this person to succeed.” One commented that with conventional staffing businesses, “you have to call every week, and if you don’t get through, you don’t work that week.”

For workers with limited experience, even seemingly negative situations—misunderstandings with supervisors or difficulty translating workplace norms—once addressed, sometimes ended up playing a vital role, even if it meant being removed from an assignment. One noted: “They will scold you and pull you out, but they will give you a second chance.” Workers who participated in a 2003 focus group also emphasized the importance of not being penalized with fewer job assignments if they raised a workplace safety issue or problem with a worksite supervisor to the ASO.

Nevertheless, ASO workers voiced concerns about the limitations of temporary work, such as not being covered by employer-provided health insurance and the frustration they experienced when assignments they had hoped would lead to a direct hire did not do so.

Excerpted and adapted from Carré et al. (2009) and Carré et al. (2003).

Where Do ASOs Fit Into the Workforce Development Landscape?

ASOs occupy a unique space among the array of strategies available to organizations that help job seekers with barriers find employment. While ASOs provide supportive services, they do not tend to offer intensive training, like sectoral or community college programs, and though they assist with soft skills, they do not

invest in extensive instruction in this area either. Instead, ASOs operate as social-purpose enterprises, driven by the needs of both job seekers and paying employers. ASOs' revenue structures reflect this difference: philanthropic and public dollars—rather than making up the bulk of their funding—are used to fund supportive services aimed at helping workers get and keep jobs. Costs associated with making job placements (e.g., job matching, payroll) typically come from the fees collected from employers.¹⁷ The reliance on employer fees means that ASOs must cultivate an entrepreneurial mindset for successfully selling their services, often in stiff competition with traditional staffing companies.

One way ASOs aim to stay competitive is to identify and market their job brokering services to local employers in particular sectors that are likely to have recurring entry-level needs. They collect detailed information about these employers and the work assignments they are asked to fill—such as the professional climate and culture of the workplace, the functions and skill requirements of the assignments, and the temperament of the supervisors—to select and prepare appropriate candidates for these openings. For instance, the employers interviewed as part of the Center for Social Policy's research for the Alternative Staffing Demonstration in 2009 consistently underscored the ASOs' in-depth understanding of the employers' business priorities, their intensive efforts to match the “right” candidate with the job assignment, and their provision of on-the-job supervisory follow-up. (See “The Employer Perspective” on the next page.)

Where Do Transitional Jobs Fit?

Workforce providers may question how the ASO strategy differs from “transitional jobs”—time-limited, wage-paying jobs at a real work site—which are currently offered by many workforce development organizations across the country. Typically, transitional jobs combine work and a paycheck with complementary skill development. This approach, like alternative staffing, focuses on providing disadvantaged job seekers with immediate work experience and access to income, while on the payroll of the workforce program (not the employer). In transitional jobs programs, the payroll is subsidized by grants. This allows workers the opportunity to build a current work history and pay taxes (and become eligible for tax credits).

Transitional jobs can last between two and six months. During this period, like in ASOs, program staff work with clients to address on-the-job performance and to troubleshoot any issues outside of work that might prevent them from succeeding (e.g., childcare, transportation, etc.). And, like ASOs, the end game is to work with participants to transition and support them into stable, long-term employment.

Because operating a transitional jobs program involves a significant financial investment to pay subsidized wages, they may be a better fit for those who would have trouble securing unsubsidized jobs, even temporary ones, on their own. Transitional jobs strategies also tend to be utilized as part of longer-term programs that provide training or other types of skills development. ASOs are often one of many workforce development programs offered by their parent organization, but participation in them isn't generally a formal part of another program.

The Employer Perspective

In interviews conducted by the Center for Social Policy with employers who use the services of ASOs, employers indicated that ASO staff understood their specific needs. For example, one employer noted that “they understand our environment, [we are] not just going to a placement agency,” and “[they] tailor the situation to us individually,” “[they] customize.” Employers also felt that ASO staff invested in acquiring knowledge about their employment setting and job needs and found the right people to satisfy their requirements.

On the whole, however, employers felt the real difference between ASOs and traditional firms lay in the supervision and support that came with ASO services (including addressing tardiness, absences and workplace conflicts). Companies indicated that they were willing to pay a little more to get a lot more in terms of quality of screening and matching.

Excerpted and adapted from Carré et al. (2009).

Nowhere is the market-driven orientation of ASOs more evident than in the measures they use to define success. The following output and outcome data categories underscore this difference. Most workforce development programs track services provided to job seekers and other data mandated by their public and private funders, while ASOs track data that reflects their business approach and reliance on revenues from employers.

Workforce Development Program (per quarter)	Alternative Staffing Organization (per quarter)
<input checked="" type="checkbox"/> Number of jobseekers enrolled/served	<input checked="" type="checkbox"/> Number of new employer customers
<input checked="" type="checkbox"/> Percent of enrollees placed in jobs	<input checked="" type="checkbox"/> Number of staffing assignments
<input checked="" type="checkbox"/> Reporting requirements of public or private workforce development grant	<input checked="" type="checkbox"/> Hourly bill rate to charge employers for staffing services
<input checked="" type="checkbox"/> Rate of spending for public or private funding	<input checked="" type="checkbox"/> Sales revenue
	<input checked="" type="checkbox"/> Number of workers placed

Adapted from Carré et al. (2009).

Is Starting an ASO a Viable Option?

During these lean times in workforce development funding, starting up an ASO may seem like an attractive option. Workforce development programs and their funders might see an opportunity to diversify placement options for job seekers while generating revenue to finance their operations. However, like starting up any business, launching and operating an ASO is challenging, and requires careful deliberation and considerable resources. Foremost, an ASO is market-driven, with priorities and staffing needs that are often a significant departure from the organizational culture and administration of traditional workforce development programs. For example, organizations thinking about starting an ASO must consider:

- How can an ASO complement—rather than compete with—our existing workforce development programs (for instance, for job openings)?
- Do we currently have the financial and administrative structure to support an ASO (for instance, to administer the payroll and workers' compensation insurance for the ASO's temporary workers)?
- Will the local economy support an ASO, given the level of competition from other staffing businesses?
- Does an ASO fit within our mission?

In all cases, organizations should seek legal advice for employment and tax matters as they consider launching an ASO.

How Can Workforce Development Programs and ASOs Work Together to Meet Their Goals?

In regions where ASOs are already operating, workforce development programs can collaborate with them to ensure that temporary positions are stepping stones, rather than detours or dead ends. Workforce development programs might refer certain job seekers to an ASO, particularly those who are job-ready but have barriers to employment that might make employers hesitant to hire them. These job seekers will likely also benefit from the ASO's intensive on-the-job support and post-placement follow-up. Workforce programs might also refer job seekers who are interested in supplementing their earnings while they are engaged in longer-term training programs.

To find existing ASOs, check the Alternative Staffing Alliance's website (www.altstaffing.org), which includes information about member ASOs—including their locations and the sectors in which they specialize.

This points to the potential for workforce development programs that target specific industries or sectors to partner with ASOs in a more systematic way—for instance, by using the ASO placements to help participants gain work experience in the targeted industry while enrolled in longer-term, sector-focused training. Alternatively, in some industries, employers are increasingly turning to staffing agencies to fill positions. In this case, the workforce program may seek out a partnership with an ASO to provide staffing services tailored to the needs of their graduates.

In return, ASOs can increase their impact by collaborating with workforce development programs and their social service partners. For example, given that ASOs focus most of their energy on job brokering, workforce development partners can supplement their services by providing initial job readiness and basic skills preparation, as well as further training and education. In fact, ASOs typically need to partner with another program to provide education and training (unless these services are offered by the ASO’s parent organization).¹⁸ In addition, workforce development and other community-based programs may be able to augment the supportive services ASOs provide for workers.

Some ASOs and workforce development programs have gone further to create an integrated model that capitalizes on the strengths of both types of programs to meet the needs of specific local employers. In these cases, the ASO and workforce development program identify an employer’s need. The workforce program develops and customizes training, while an “apprenticeship” component is administered through the ASO. In return, the employer commits to considering the apprentices for permanent positions before other candidates.

Conclusion

Employers are increasingly relying on temporary staffing firms to fill entry-level and low-skilled jobs. For those concerned with the quality of these jobs (including access to health insurance, paid time off, or other employer-paid benefits typically offered to full-time employees), as well as the long-term potential for advancement for job seekers with barriers to employment, this is a significant shift. As the workforce development field explores a range of strategies for helping these job seekers navigate this changing labor market, ASOs represent a promising option—one that capitalizes on the shift to temporary staffing, while aiming to provide job seekers with the additional supports they may need to be successful.

Endnotes

1. US Department of Labor (DOL) does not track temporary hiring by individual companies or companies that downgrade positions from permanent to temporary. DOL does, however, track workers sent on job assignments by temporary staffing agencies (personnel supply services). It is this data that is typically utilized to estimate the size of temporary employment in the US, given employers' heavy reliance on staffing agencies to fill their temporary positions. For more information see Olson, Elizabeth G. May 5, 2011. "The Rise of the Permanently Temporary Worker." *CNNMoney*. Accessed 2/16/2012 from <http://management.fortune.cnn.com/2011/05/05/the-rise-of-the-permanently-temporary-worker/>.
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4. The Bureau of Labor Statistics characterizes temporary workers as individuals in "alternative work arrangements," and includes independent contractors and on-call workers.
5. Profile America. 2009. "Employment Agencies, Temporary: Industry Overview." Englewood Cliffs, NJ: Profile America. Accessed 2/16/2012 at <http://www.immediate.com/images/Employment%20Agencies%20Temporary.pdf>.
6. Bureau of Labor Statistics. 2005. "Contingent and Alternative Employment Arrangements, February 2005." USDL-05-1433. Washington, DC: US Department of Labor.
7. The American Staffing Association reported from a 2011 membership survey that 55.5 percent of temporary staffing workers (as well as contract workers) were employed in industrial jobs, 35.1 percent in commercial jobs, 20.4 percent in office/clerical jobs, 15.7 percent in IT positions, and 7.8 percent in healthcare. See Dey, Matthew, Susan Houseman, and Anne Polivka. 2006. *Manufacturers Outsourcing to Employment Services: Upjohn Institute Staff Working Paper No. 07-132*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Also, Dey, Matthew, Susan Houseman, and Anne Polivka. 2007. "Outsourcing to Staffing Services: How Manufacturers' Use of Staffing Agencies Affects Employment and Productivity Measurement." *Employment Research Newsletter, 14 (1)*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Also, Berchem (2011).
8. A 2005 study by Autor and Houseman examined individuals leaving welfare in one city in Michigan, using a quasi-experimental design that compared the labor market outcomes of those whose first job after leaving welfare was through a temporary agency with those of individuals whose first job post-welfare was a direct hire. While there were no short-term differences between the two groups in terms of leaving welfare and escaping poverty, over the long term only direct-hire placements received any labor market benefit. Other research suggests that temporary jobs may offer a benefit to those who use them to connect them to firms likely to pay higher wages after their temporary assignments are complete. Using data from the Longitudinal Study of Employer Household Dynamics, Andersson et al. (2007) built on previous research to show persistent positive effects on earnings over time for low-wage workers—not just individuals receiving TANF, as was the focus of Autor and Houseman's study—who utilized temporary-staffing firms. See Autor, David H. and Susan N. Houseman. 2005. *Temporary Agency Employment as a Way out of Poverty? Upjohn Institute Staff Working Paper No. 05-123*. Kalamazoo, MI: W. E. Upjohn Institute for Employment Research. See also: Andersson, Fredrik, Harry J. Holzer and Julia Lane. 2007. *Temporary Help Agencies and the Advancement Prospects of Low Earners*. Washington, DC: Urban Institute.
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13. The hourly billing rate for a position is comprised of the hourly wage plus a mark-up covering mandatory payroll taxes, insurance, and an ASO margin. See Carré, Françoise, Brandynn Holgate, and Helen Levine. 2011. *Finding the Right Fit: How Alternative Staffing Affects Worker Outcomes*. Boston, MA: Center for Social Policy,

University of Massachusetts Boston.

14. For more detail, see Carré, Françoise, Brandynn Holgate, Helen Levine and Mandira Kala. 2009. *Brokering Up: The Role of Temporary Staffing in Overcoming Labor Market Barriers*. Boston, MA: Center for Social Policy, University of Massachusetts Boston.
15. Bureau of Labor Statistics (2005) found that the majority (56 percent) of temporary staffing workers preferred a traditional, permanent job arrangement.
16. Carré et al. (2009).
17. Ibid.
18. As ASO staff in the Alternative Staffing Demonstration noted, often many of their organizations' workforce development clients did not meet the needs of their employer-customers and these applicants were referred to programs with more intensive services.



Public/Private Ventures (P/PV)

P/PV is a national nonprofit whose mission is to improve the effectiveness of social programs, particularly those that aim to help young people from high-poverty communities successfully transition to adulthood. Working in close partnership with organizations and their leaders, P/PV aims to:

- Promote the broad adoption of appropriate evaluation methods;
- Advance knowledge in several specific areas in which we have long-standing experience: juvenile and criminal justice, youth development (particularly out-of-school time and mentoring) and labor market transitions for young people; and
- Enable practitioners and organizations to use their own data, as well as evidence in these fields, to develop and improve their programs.

Ultimately, we believe this work will lead to more programs that make a positive difference for youth in high-poverty communities.

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