

# Employers in the Low-Skill Labor Market



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## Job Placement Agencies and the Low-Skill Labor Market

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Workers with limited skills and experience can have a hard time finding jobs, especially in a soft economy. And with limited knowledge about the range of jobs available to them, less-skilled workers may end up taking jobs that they cannot keep because poor pay, benefits, and prospects combined with workplace inflexibility may make it hard to balance the competing demands of work and family. Job placement agencies can play an important role in matching workers and employers, especially less-skilled workers. These organizations include private-sector recruiting firms, community nonprofits, and government employment agencies. Their knowledge of the job market and relationships with employers can help workers find a better job faster than they would on their own. For employers, placement agencies can reduce hiring costs by helping them quickly locate the best person for their job opening.

In this brief, we describe the role placement agencies play in helping employers fill noncollege jobs (those that do not

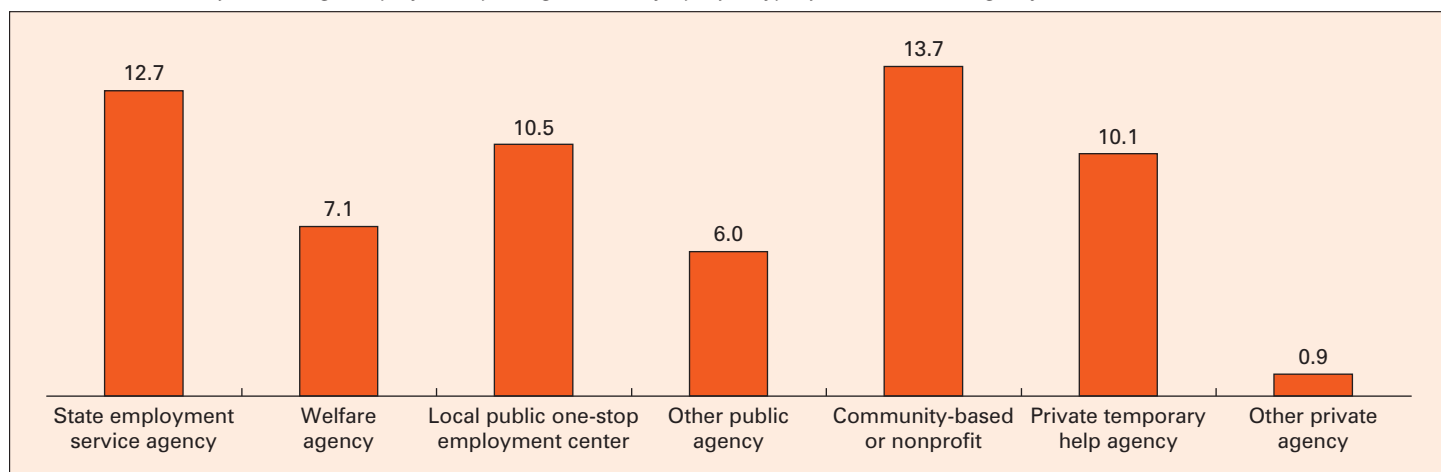
require a college degree). We report on how frequently employers are contacted by agencies and how often they use agencies to fill noncollege jobs. We also discuss the types of jobs most commonly filled using placement agencies and employers' views on their experiences with these organizations. We use data from the 2007 Survey of Employers in the Low-Skill Labor Market—a national survey of employers that have recently filled noncollege jobs. (See box for more information about the survey.)<sup>1</sup>

Job placement agencies work with a wide range of workers. Because we want to focus on agencies that are helping less-skilled workers, we hone in on employers that have been contacted by public or private agencies trying to place welfare recipients. (Welfare recipients are a subset of all less-skilled workers.) Although this approach necessarily understates total contacts by agencies trying to place less-skilled workers, it allows us to focus on an important subset of less-skilled workers.

*Almost three-quarters of noncollege employers contacted by agencies trying to place welfare recipients hired the referred applicants.*

The Survey of Employers in the Low-Skill Labor Market is a national survey of employers with low-skill jobs. Firms with four or more employees that had hired a worker into a job that did not require a college degree within the past two years were surveyed, representing about 2.1 million employers. Data were collected in spring and summer 2007, with a final sample of 1,060 employers and a response rate of 54 percent. The data in this brief are weighted to represent the job opportunities for workers in the low-wage labor market.

FIGURE 1. Percent of Noncollege Employers Reporting Contact by Specific Type of Job Placement Agency



Source: Survey of Employers in the Low-Skill Labor Market.

Note: Employers can report contact from more than one type of agency.

### How Frequently Are Placement Agencies Used in Hiring?

Almost one in five employers who recently filled noncollege jobs have been contacted by agencies trying to place welfare recipients in jobs in the past year, and the majority of those contacted have hired these applicants. Overall, about three-quarters of employers contacted by a job placement agency trying to place welfare recipients ended up hiring recipients referred by that agency.

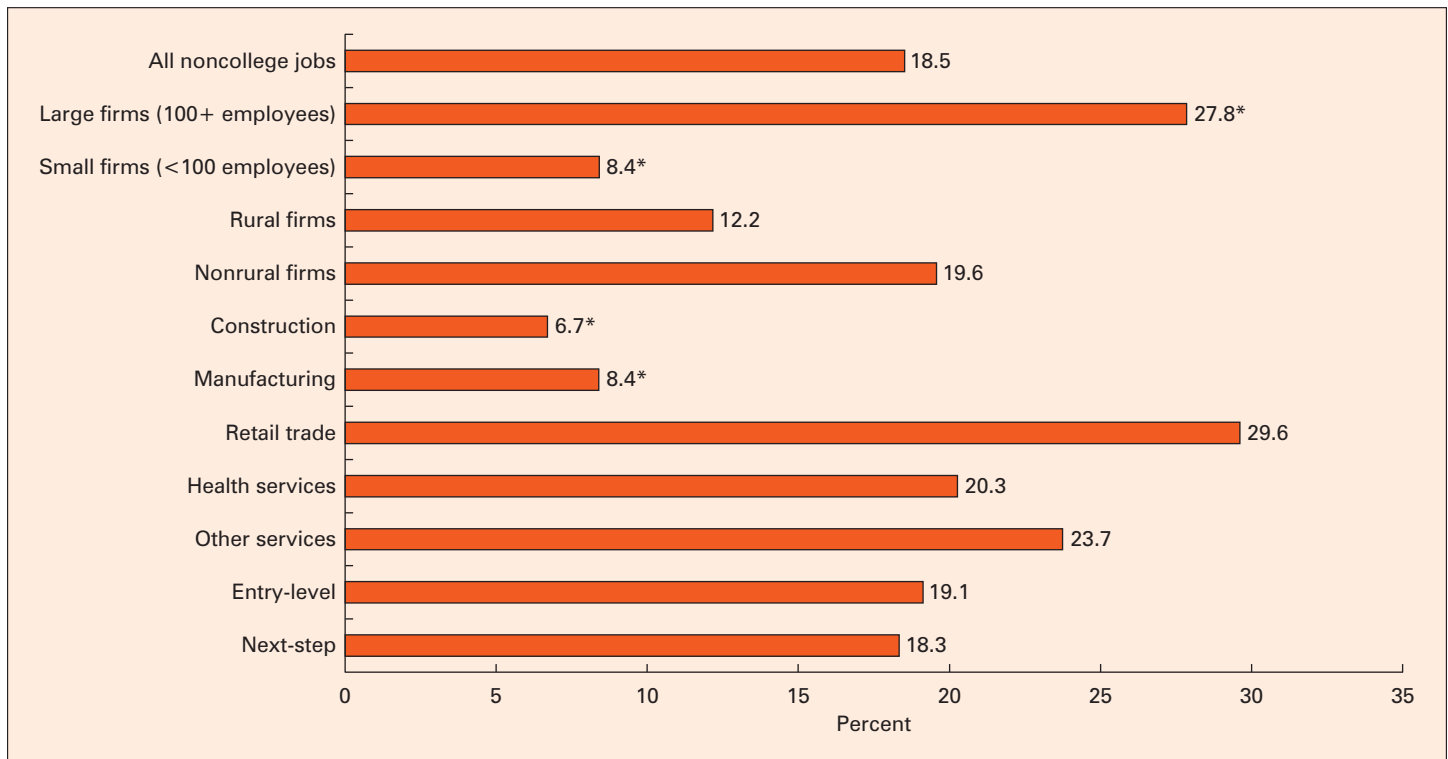
Public, private for-profit, and nonprofit agencies are all trying to place less-skilled workers. Figure 1 shows the types of job placement agencies contacting employers with noncollege jobs. The most frequent contact reported by 14 percent of employers is from community-based or nonprofit agencies. Some of these agencies may be receiving public funds to carry out job placement activities. Many employers who were contacted by a placement agency report contact directly by a public agency, including state employment service agencies (13 percent), welfare agencies (7 percent), and local public one-stop employment centers (11 percent). However, private commercial agencies are also involved in placing welfare recipients. Ten percent of noncollege employers report being contacted by private temporary placement agencies trying to place welfare recipients.

### What Type of Employers Are Placement Agencies Targeting?

Job placement agencies trying to place welfare recipients are more likely to contact some noncollege employers than others (figure 2). Twenty-eight percent of large firms (with 100 or more employees) with noncollege jobs were contacted by job placement agencies trying to place welfare recipients, compared with only 8 percent of small firms. Twenty percent of firms in nonrural locations were contacted, compared with 12 percent of firms in rural areas, although this difference is not statistically significant. A much higher percentage of noncollege employers in the retail trade and services industries was contacted than in construction or manufacturing industries.

Because noncollege jobs in construction and manufacturing tend to pay more than those in retail trade and services (Acs and Loprest 2008), the placement agency and worker may want to shift their focus to these industries. However, the difference in contact rates across industries may reflect practical concerns; the noncollege jobs in construction and manufacturing may have higher skill requirements (past experience, specific training, etc.) than those in retail and services, and the clients of these placement agencies may not, on average, meet these elevated requirements. Another possibility is that manu-

FIGURE 2. Percent of Employers Contacted in the Past Year by Agencies Trying to Place Welfare Recipients in Jobs, by Employer Characteristics



Source: Survey of Employers in the Low-Skill Labor Market.

\*Difference between contact rate for category and contact rate for all jobs not in category is statistically significant at the  $p < .10$  level.

facturing and construction are traditionally male dominated and most welfare recipients are female.

### Employer Views on Quality of Contact with Placement Agencies

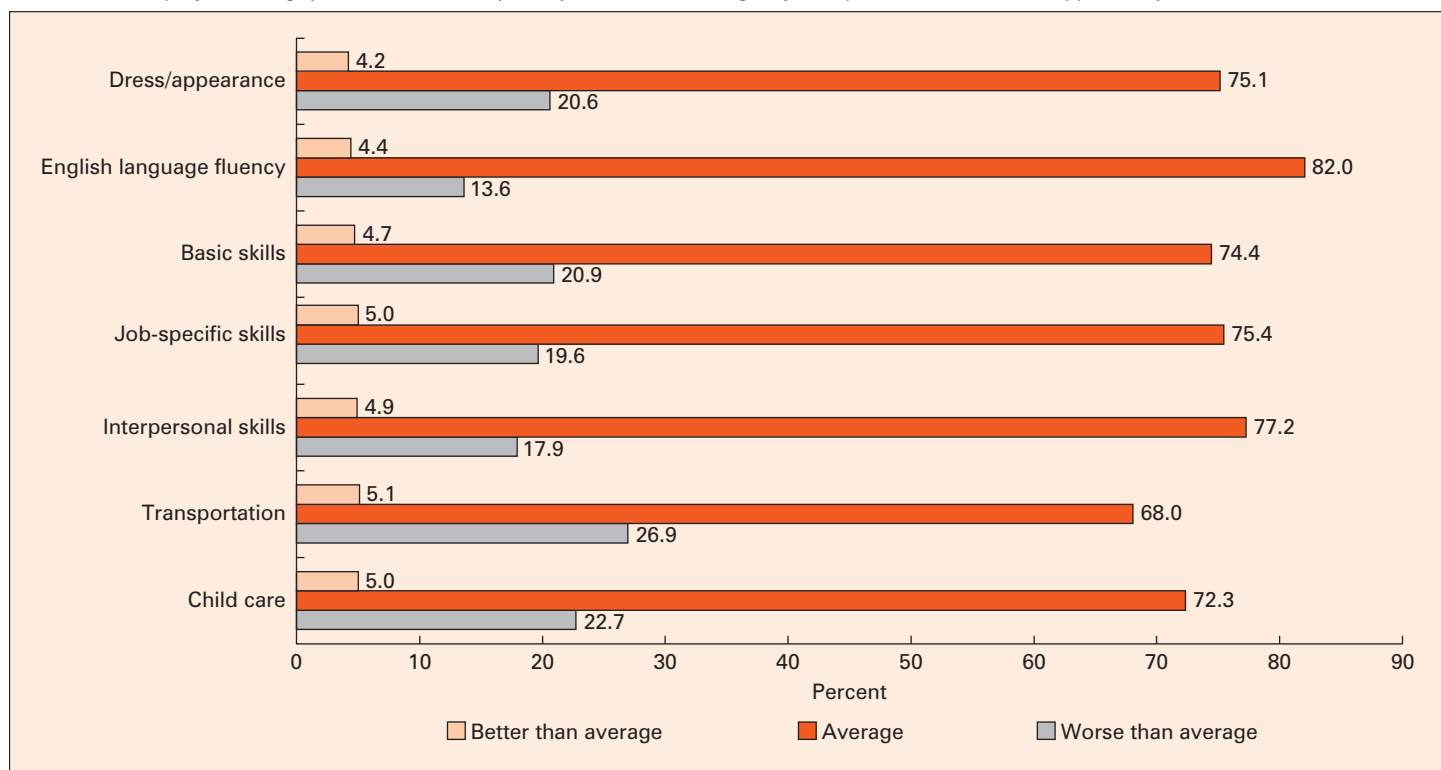
The high percentage of employers that hire welfare recipients from placement agencies suggests employers view these agencies and the applicants they refer positively. We asked employers who were contacted by job placement agencies to share their views on the responsiveness of these agencies and the quality of the candidates they refer. The majority of employers express positive views, although a significant minority report some problems.

Most employers contacted by job placement agencies placing welfare recipients report the responsiveness of these agencies is excellent (11 percent) or good (55 percent). However, about 20 percent report responsiveness is fair, and 10 percent say it is poor. In addition, most employers report the quality of the candi-

dates referred by the placement agency is average compared to other candidates for the same position across various rating categories (figure 3). However, a sizeable minority reports candidates are worse than average (between 14 and 27 percent depending on specific category). Two areas that are a particular problem for welfare recipients identified through placement agencies are transportation and child care arrangements. About one-quarter of employers report that the transportation and child care problems of candidates referred by placement agencies are worse than those of other workers.

Hiring a worker from a job placement agency is not necessarily the end of the relationship between agency and employer. Employers that have hired from an agency or the new employee can receive ongoing services. Over three-quarters (78 percent) of noncollege employers that had hired a welfare recipient referred by a job placement agency reported receiving assistance after the hire. This includes training, transportation assistance, child

FIGURE 3. Employer Rating of Job Candidates Referred from Placement Agency Compared with all Other Applicants for the Same Position



Source: Survey of Employers in the Low-Skill Labor Market.

Note: Data include only employers who report having been contacted by a job placement agency trying to place welfare recipients.

care assistance, and counseling or ongoing support for the new hire and conflict resolution, cultural competency, or diversity training for the employer.

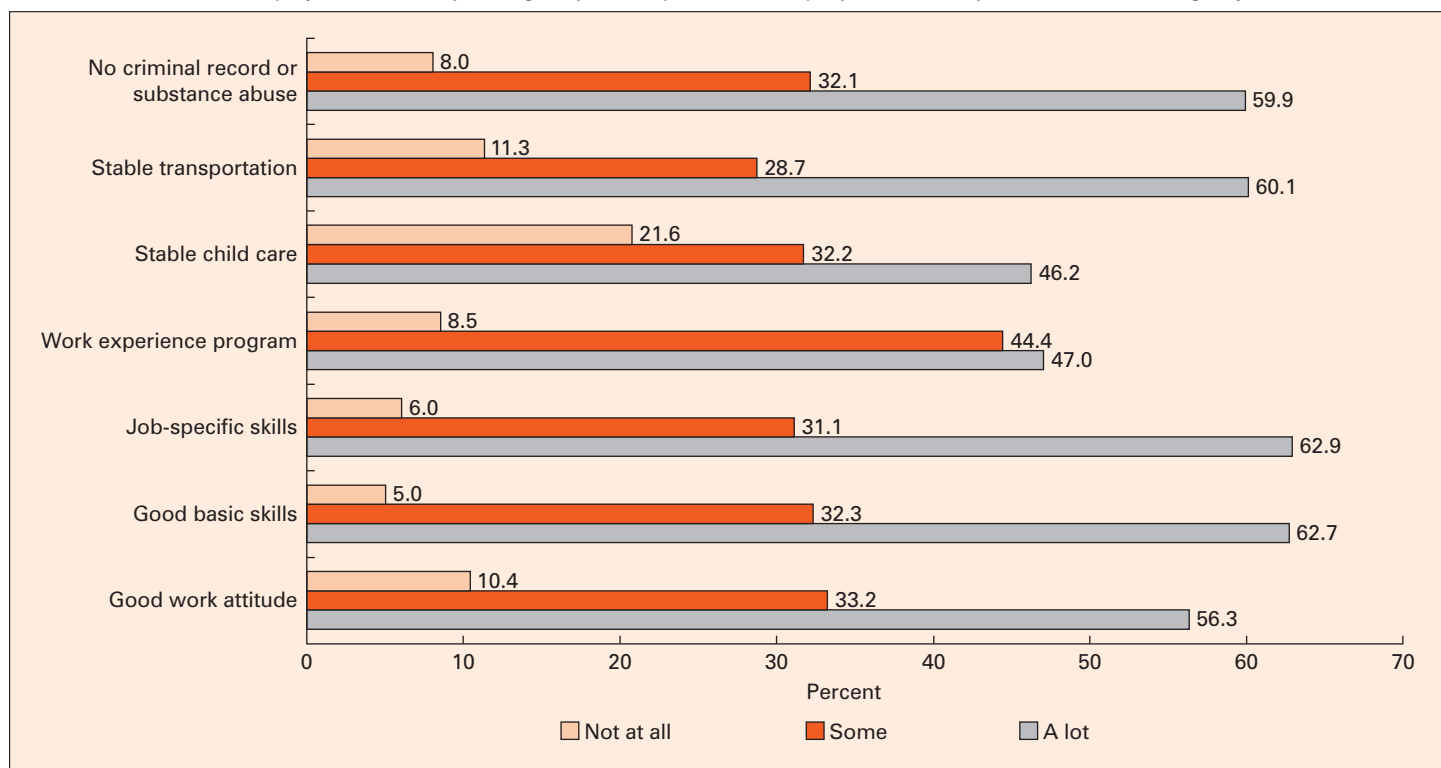
Finally, we asked all noncollege employers, whether they had been contacted by a job placement agency or not, about what job placement agencies could do to increase their companies' likelihood of hiring welfare recipients. All employers rated how much their chances of hiring welfare recipients would increase (a lot, some, or not at all) if placement agencies gave certain specific assurances about the referred applicant, such as he or she had good basic skills or stable transportation. The results for seven different specific assurances are listed in figure 4. Overall, almost one-fifth of employers say "a lot" to all these assurances, and only 3 percent say "not at all" to all of them. About 60 percent of employers reported these assurances would increase their chances of hiring welfare recipients a lot. Two exceptions are assurance of participation in a work-experience program (typically a publicly

sponsored or subsidized job) and stable child care: less than half of employers said these two assurances would increase their chance of hiring a lot. Although child care was one area where employers rated referred applicants as worse than average, assurance of stable child care would not affect hiring chances for 22 percent of employers.

## Conclusion

Job placement agencies trying to place less-skilled workers (particularly welfare recipients) in noncollege jobs are having some successes, but there is still room for expansion. Almost three-quarters of noncollege employers contacted by agencies trying to place welfare recipients hired the referred applicants. A majority of these employers viewed the placement agency's responsiveness positively and rated referred candidates similarly to other candidates considered for the same job. More than three-quarters of those who hired a welfare recipient from a job placement

FIGURE 4. Increase in Employer Likelihood of Hiring Welfare Recipients Given Specific Assurance from Job Placement Agency



Source: Survey of Employers in the Low-Skill Labor Market.

Note: Data include all noncollege employers.

agency received services after the hire. All these facts suggest that employers in the noncollege market have positive experiences with agencies placing less-skilled workers.

The downside of the story is that less than 20 percent of all employers that recently filled a noncollege job had been contacted by a job placement agency trying to find work for a welfare recipient in the past year. While this reflects agencies trying to place welfare recipients, and so may understate the true rate of contact to place less-skilled entry-level workers, it still suggests much room for expansion. In addition, small firms and those in the construction and manufacturing industries are contacted far less often than large firms or firms in other industries. Increasing contacts overall and to a broader range of firms could increase hiring for welfare recipients in particular and less-skilled workers more


generally. Also, most employers report that their likelihood of hiring welfare recipients would increase a lot if they could receive certain assurances from placing agencies. To the extent these agencies can provide adequate screening and assistance to credibly make these assurances, they can improve placements for less-skilled workers.

### Note

1. The data in this brief reflect the percentage of recently filled noncollege jobs with employers contacted by placement agencies. For ease of exposition, we refer to this as “percent of noncollege employers.”

### Additional Information

For a comprehensive review of related research and a more complete discussion of the survey and findings, see Gregory Acs and Pamela Loprest, “Understanding the Demand Side of the Low-Wage Labor Market” (Washington, DC: The Urban Institute, 2008).

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