New Labor Market Intermediaries: What’s Driving Them? Where Are They Headed?

A Background Paper

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Introduction

In recent years, there has been a surge of new organizations and initiatives designed to improve the functioning of local labor markets, primarily through greater collaboration among employers, community and labor organizations, education and training providers, and/or public agencies. The variety of collaborations, consortia, and networks frequently lumped together as new labor market “intermediaries” is both exciting and confusing.

The Task Force on Reconstructing America’s Labor Market Institutions, housed at MIT’s Sloan School of Management, organized a day-long meeting, held on June 18, 1998, to explore the nature of emerging intermediary institutions and strategies—and their potential to make U.S. labor markets more efficient and equitable. During the conference, presenters and participants addressed the following questions:

- To which labor market problems are new intermediaries responding?
- Which new approaches appear most promising?
- Can and should these efforts be encouraged? If so, how?

Written as background for the Task Force meeting, this paper provides a framework for thinking about new intermediaries, understanding their strengths and weaknesses, and assessing their ability to respond to diverse labor market challenges. The paper has three sections:

1. An analysis of the labor market challenges and opportunities driving new intermediaries;

2. A categorization of emerging intermediaries; and


I. How the Labor Market Has Changed: What is Driving Intermediary Efforts?

Four labor market trends are encouraging the proliferation of more collaborative, networked approaches to improving U.S. labor markets. These are:

1. The collapse of the post-war employment relationship, which was characterized by the internalization of labor market functions within individual firms;
2. The rise of service industries and occupations, with their particular variations in industry structure, skill requirements, and economic performance;

3. Concerns about the impact of changing skill requirements on recruitment of qualified workers for entry-level and higher-skilled jobs and on opportunities for advancement; and

4. The current economic expansion, which has raised the cost to many employers of inefficiencies in existing job matching and workforce preparation systems.

1. The Restructuring of U.S. Employment Relations

For job seekers, an efficient, fair labor market provides identifiable routes for access to employment and advancement in a chosen occupation or career. Prerequisites for an efficient labor market include opportunities for on-the-job training, accurate and readily available information about local job openings, and general agreement on the skill levels and experience needed to advance from one job to another (Dresser and Rogers, 1997).

At the same time, an efficient labor market enables employers to find qualified workers in ways that minimize recruitment, remedial training, and turnover costs resulting from poor job matches. For employers, too, accurate labor market information is critically important—about job seekers and their skills, about training providers and their quality.

For much of the twentieth century, the dominant strategy for improving labor market functioning was to develop the prerequisites described above inside individual firms. Employers and unions viewed “internal labor markets” as the best way to minimize employer recruitment costs, secure a committed and qualified workforce, and ensure career advancement. Workers with relatively few skills were hired into entry-level positions on the understanding that, in exchange for their loyalty and productivity, they would be rewarded with long-term tenure, training inside the firm, and opportunities for wage and career advancement. Customized, firm-specific training guaranteed that incumbent workers would bring relevant, tested skills to each new position. To the extent possible, American firms chose the predictability and stability of internal labor markets over the uncertainties of the external labor market.

After World War II, internal labor markets dominated, particularly in the large, unionized manufacturing firms that constituted the core of the U.S. economy. While this employment system never developed in some industries, it proved remarkably stable and consistent across the leading industries. Even into the 1990s, as Peter Cappelli (1995:23) points out, popular models for “best practices”
in personnel and human resources were essentially proposals to further internalize employment relationships and strengthen job security within single firms.

As we all know, this system has collapsed: not completely but sufficiently quickly and dramatically to pronounce it dead. Beginning in the 1970s, the costs of the traditional system’s inflexibility began to outweigh its benefits as many employers confronted increased competition, deregulation, and financial market pressure for higher profitability. Internal labor markets made it more difficult for employers to hire from outside the firm. They also limited employer discretion in hiring, compensation, and the deployment of staff. Employers gambled that they could prosper more easily if they reduced high fixed labor costs, even if that strategy reduced their ability to rely on the firm-specific knowledge and loyalty of long-term employees (Bernhardt and Bailey, 1997).

During the past two decades, employers who had been at the heart of the old system, as well as many who were always outside it, have concentrated on reducing their fixed labor costs and increasing their labor market flexibility. In the process, employment relationships that insulate workers from outside market forces have become less prevalent. Industries whose internal labor markets had remained strong into the 1970s have now undergone massive restructuring, characterized by outsourcing, geographic deconcentration, and employment downsizing. Declining union representation has made it easier for employers to abandon the costly aspects of internal labor markets and harder for workers to negotiate for their preservation or revival. The rapid growth of services and other industries with a relatively weak tradition of internal career ladders has further eroded what had been the dominant career advancement mechanism.

As a result, old patterns of job search, hiring, training, and advancement are being replaced by employment relationships that are increasingly impermanent and flexible, providing far less job security and eliciting less firm-specific loyalty and commitment from employees. While no new system has yet replaced the old, today’s employment relationships are more contingent, individual mobility is higher, and career ladders are less obvious than in past decades.

Specific elements of this sea change include:

- **More reliance on external sources for new employees.** At the low end of the labor market, employers have increased their reliance on contingent workers, including both part-time and temporary employees (Carré and Joshi, 1997). At higher skill levels, they are hiring more from outside the firm, particularly from college-educated labor pools. In both cases, employers are turning more frequently to
external labor markets to fill employment needs, which increases the
value of effective screening and matching mechanisms.

- **Weaker career ladders within firms.** Restructuring has weakened or
eliminated career ladders within many firms. Flatter job hierarchies
mean fewer rungs on internal career ladders, and, frequently, the
elimination of intermediate jobs that make incremental internal
advancement possible. Increased outsourcing, particularly of low-end
jobs, has had much the same effect. While the breadth of job tasks,
employee autonomy, and lateral mobility within firms may be
growing, upward mobility is increasingly constrained.

- **Increased likelihood of being laid off, during good times and bad.** In
the 1980s, the likelihood that a layoff would be permanent increased
significantly. This trend has continued into the 1990s economic
expansion, with the likelihood of being rehired after a layoff much
lower than in any of the previous four recoveries. Layoffs are now
more commonly related to restructuring and permanent staffing
decisions than to cyclical fluctuations in product demand.

- **Changing patterns of job tenure, as men’s stability with employers
decreases.** Although researchers disagree on whether workers are
staying in jobs for shorter periods, some trends are clear. While tenure
among women is increasing due to a growing tendency to remain in
the workforce after marriage or childbirth, men’s tenure with the same
employer has declined. The trend has been particularly marked for
younger men with less education. It runs counter to demographic
pressures, which should have led to longer job tenure in the 1980s as
the average age of working Americans rose.

- **Declining returns to job tenure with the same employer.** One of the
most telling indications of the changing reality is the collapse during
the 1980s of wage premiums that derive from staying with the same
employer for many years (Cappelli, 1995:184-85). In one study,
workers who changed employers every two years had almost the same
earnings rise in the 1980s as those who had ten years seniority with an
employer.

Employer strategies to reduce fixed long-term obligations have begun to affect
traditional patterns of finding a job and advancing into a secure, well-paying
career. Annette Bernhardt and her colleagues (1998) compared the first 16 years
of work experience for two cohorts of young white men, one that entered the
labor market in the 1960s and another that reached working age in the 1980s. The
latter group enjoyed less job stability and suffered longer, more volatile
transitions to the labor market, shorter job tenure with one employer, and more frequent job changing. Most telling, the researchers found declining wage growth for the recent cohort and greater inequality in long-term wage growth across all levels of education. From this, they concluded, it has become more difficult for young workers to find their way into decent careers. Moreover, attributes such as work experience, education, industry, or hours worked explain only about half the increased variation in inequality.

This is consistent with other research indicating that the greatest increases in income inequality in the 1980s occurred within industries, occupations, and demographic groups rather than across them. As old employment relationships break down, luck, personal connections, and the fortunes of individual employers have become increasingly important determinants of employment, earnings, and economic success. In other words, the uncertainty and risk of the open labor market are increasing.

2. The Growing Centrality of Services

The growth of service industries and occupations also contributes to interest in labor market intermediaries and multi-employer networks. Internal labor markets were never as strong in the services as in manufacturing—due to smaller firm size, less unionization, and different ways of organizing work within firms. Employment patterns and work organization within service industries exacerbate the labor market trends described above. In response, employers and other entities are exploring new strategies for lessening labor market inefficiencies and inequities common in the service sector.

The expiring U.S. employment system and the rules that supported it were created and negotiated in a time when manufacturing productivity drove the nation’s economic well-being. This is no longer the case. Employment in service industries reached three-quarters of all employed Americans in 1996. As Stephen Herzenberg and his colleagues (1998:3) write, “More Americans now work in physicians’ offices than in auto plants, in laundries and dry cleaners than in steel mills. Services, as a result, matter more than manufacturing when it comes to job quality. They also increasingly account for the rate at which living standards rise.”

“Services” has long been a catch-all, residual economic category (i.e., everything other than farming, resource extraction, construction, and manufacturing). Services include well-paying business services as well as minimum-wage restaurant jobs, the rapidly expanding entertainment and recreation sector, and the slower growing public administration industry. Disaggregating this large category is necessary in order to make meaningful generalizations about service employment patterns. Such efforts are beginning to emerge.
Using a new typology that groups employment by workplace function rather than by industry, Anthony Carnevale and Stephen Rose (1998) argue that office work has become the dominant feature of the U.S. economy. Office work employs 41 percent of all workers, is growing the fastest, pays the highest salaries, and employs over half of all college graduates. According to this analysis, business professionals—accountants, managers, sales representatives, and brokers—comprise the largest component of office employment, not, as many assume, clerical and support staff.

Herzenberg and his colleagues (1998:41) have identified four “work systems” that represent fundamentally different ways that firms can organize service production.¹ These ways vary by “skill requirements and pay levels, the degree of autonomy workers have in performing their tasks, and the extent to which managerial and organizational constraints discipline and pace the production process.” The authors use this scheme to differentiate among types of service jobs and ground their analysis of the impacts of service sector growth on job quality and productivity.

These increasingly refined approaches to understanding and categorizing services are important for differentiating between what is positive and what is troubling about trends within this huge economic sector. For the purpose of identifying factors contributing to growing interest in new intermediaries, we can identify several ways in which the shift toward services has had much the same impact on employment relations as has the collapse of internal labor markets (Herzenberg et al., 1998:Chapter 2):

- **Wage inequality.** While varying across service industries, wage inequality rose more steeply in services than in manufacturing in the 1980s (in both absolute and percentage terms). The wage gap has widened especially between high-skilled workers who have relative control over their work and those in low-skill service jobs. The shift toward services has also meant an overall shift from higher to lower wages, since the median wage in services is about 10 percent less than in manufacturing.

- **Job instability.** Service jobs are less stable than manufacturing jobs. Separation rates in the 1980s rose in both low-wage service industries and non-professional, non-managerial service occupations. Only the highly unionized transportation, communications, and utilities

¹ The four work systems are: tightly constrained (e.g., check processing); unrationalized labor-intensive (e.g., janitorial); semi-autonomous (e.g., insurance service representative); high-skill autonomous (e.g., management consultant).
industries demonstrated stronger worker attachment to individual employers than in manufacturing.

• **Non-standard work arrangements.** Most types of non-standard employment are more prevalent in services than in manufacturing. This includes part-time work, independent contracting, and on-call and day labor. One exception is temporary work, which is twice as prevalent in manufacturing as in services.

• **Shorter career ladders.** Service-sector employers tend to be smaller than manufacturing firms. Even when firms are large, they are often less vertically integrated and have smaller establishments, resulting in more limited, firm-specific career ladders. The trend toward outsourcing many service functions within large firms has further undermined firm-specific career ladders.

For many service jobs, an additional characteristic that may have significant implications for skill development and learning demands is discussed below. Following work by Michael Piore and Richard Lester (1994), Herzenberg et al. argue that improving performance in services depends on a different logic and set of activities than in manufacturing. In manufacturing, improvement is primarily an engineering challenge that follows product design. In many service jobs, it is difficult to define the “product” in advance or separate the process from the product. To succeed, workers must adopt a more “interpretive” model of performance improvement. A waiter must elicit and interpret customer’s needs. A service representative often tries to influence the client’s definition of the problem. A nurse’s aide must combine technical knowledge, instinct, and a customized response to each individual.

This attribute of much service employment has implications for the skills that employers seek and for expectations about learning on the job. A range of communication and interpretive skills become increasingly important to career success. The ability to transfer local knowledge to others becomes essential for significant gains in firm or individual performance. Cooperation and communication—within a worksite or an occupation or across worksites—can make the difference between mediocre and quality service delivery.

Together, these characteristics of service-sector employment exacerbate many labor market challenges facing American job seekers and employers. They deepen inefficiencies and inequities in that institutions that prepare people for jobs, match them to employers, and promote career security and advancement. In response, employers, workers, and their respective organizations are searching for ways to improve labor market information systems, create multi-employer external career ladders, and improve ongoing communication and
consultation among employers, job seekers, and education providers.

3. The Changing Demand for Skills and Education
The extent to which skill requirements are changing across the U.S. economy and in particular industries and occupations is a subject of fierce debate. There is little doubt, though, that concerns about workforce quality—perceived or real, concentrated in particular sectors or more generalized, cyclical or longer-term—play an important role in employers’ calculations about the need for, and their participation in, multi-employer consortia and intermediaries. Moreover, workers are placing greater value on training and skill development opportunities as a way to improve their options for career advancement.

For over a decade, public policy has focused on addressing a perceived “skills gap.” In this view, which dominates public discourse, new technologies, global competition, and changing work organization are ratcheting up employer demand for skills within firms and across the economy. There is evidence to support this view, including the dramatic drop in real wages of less-educated workers with fewer skills, the rising wage premium associated with college credentials (even when the percentage of young people with college degrees is increasing), employer surveys and case studies that report rising skill or education requirements, and the interpretation of particular skill shortages (e.g., technicians) as acute cases of a general problem.

The research community tends to be more skeptical than either employers or policymakers. A synthesis of existing research goes something like this. Skill demands are definitely rising across the economy, but the pace of change has been slower than the public generally believes, and it was probably faster in the 1980s than in this decade (Cappelli, 1995; Moss, 1998). By and large, firm restructuring and new employment opportunities have increased front-line worker responsibility and breadth of tasks. Employers expect more, and more varied, competencies from employees, as well as the ability to learn new tasks and adapt to changing job requirements. Job requirements at the low-end of the labor market have risen significantly: basic numeracy and literacy are expected more frequently, as are facility with basic computer use and “soft skills” such as communication, teamwork, and problem solving (Holzer 1996; Moss and Tilly, 1996). However, there is little evidence of serious skill gaps and bottlenecks across the economy outside a few specialized technical skill areas.

Still, American employers do strongly and consistently complain of skill mismatches and difficulties finding and keeping qualified workers. To some extent, this concern reflects the tight labor markets of this long expansionary period. In addition, it tends to reflect concern about the future more than about the present. Anticipating accelerated change in product markets, technology, and
firm strategy, employers are increasingly nervous about whether today’s—and
tomorrow’s—workers will have the attributes needed to contribute productively
in a faster-paced economic environment.

While pop business books invariably exaggerate trends, the title of a current best
seller, *Blur: The Speed of Change in the Connected Economy*, captures the perceptions
of many in business and outside it. Metaphors of networks, connectivity, speed,
and blurred boundaries are increasingly common in business theory and
practice. These perceptions are affecting problem definitions—and the
receptivity of employers and others to solution sets that involve networking,
consortia, and other multi-partner strategies.

4. The Long Economic Expansion of the 1990s

This decade’s economic expansion is clearly a major factor in the increased
interest in improving the quality of labor market matching. This century’s
longest (although not strongest) recovery has provided fertile ground for
strategic alliances and initiatives among and with employers, undertakings that
will become more difficult during the next downturn.

In certain cities and industries, tight labor markets for qualified workers
constrain growth. Weeding through countless unqualified applicants for every
job opening, particularly at the sub-baccalaureate level, is frustrating, time-
consuming, and inefficient. Trying to expand the pool of potential recruits to
new sources—different neighborhoods or segments of the local population—
poses other challenges for many employers, including the need to understand
the qualifications and training needs of a non-traditional workforce.

Poor job matches become increasingly costly in tight labor markets: employers
become more concerned about the costs of skill remediation and high turnover
among new employees. As the increased importance of external labor markets
coincides with a long period of low unemployment, employers and their
advocates are desperately seeking strategies for improving recruitment, job
matching, and retention.

Resulting Labor Market Challenges

The above trends are reshaping American employment relations in the 1990s.
Intertwined with tight labor markets is the reality of rising and changing skill
requirements and the perception of a growing skill gap. At the same time, the
rise of services and the collapse of the traditional post-war employment system
have together increased the vulnerability of both employers and job seekers to
less predictable, more variable labor markets.

The new employment relations that derive from the above trends have both
positive and negative impacts. They open career choices and opportunities for some segments of the workforce even as they create barriers to efficient, equitable labor market outcomes.

The positives are significant. Changes in firm structure and strategy frequently contribute to firm efficiency and flexibility, boosting performance and the capacity to adapt to changing market conditions. On average, as job definitions broaden and teams replace isolated employment situations, these trends also prompt increases in workers’ on-the-job autonomy and a rising demand for more and higher skills. For many workers, in both less- and higher-skilled jobs, the daily routine has become more engaging and demanding. As firms increase their networking and alliances with suppliers, customers, and other employers, multi-firm career pathways and job networking connections expand. For some workers, the growth of non-standard employment arrangements has increased the range of lifestyle and work-family options.

However, the post-industrial labor market also generates new challenges for workers, firms, and society. Laura Dresser and Joel Rogers (1997) characterize these problems from the worker’s perspective as follows:

- **The proliferation of dead-end, entry-level jobs**—i.e., jobs that pay low wages and offer little hope for progression into better jobs;

- **Obstacles to advancement for those in mid-level jobs** resulting from their employer’s underinvestment in training and from obstacles to an individual’s pursuit of further education and training; and

- **Lack of clarity regarding access to jobs and pathways for advancement**, especially injuring those with limited informal connections to, and sources of knowledge about, labor market options.

To these, a fourth should be added, reflecting the particular challenges facing “freelance” contractors in professional and technical labor markets who no longer have an ongoing affiliation with a firm (Laubacher and Malone, 1997):

- **Loss to independent professionals of: company-provided benefits that contribute to economic security, company supports for career development, and social connections with coworkers.**

In addition, even though the restructuring of employment relations has been driven by firms’ strategic choices and has disproportionately benefited employers, some firms are beginning to see limits to, and new costs deriving from, the increased reliance on external markets. From the employer’s perspective, then, there is a further new labor market challenge:
• **Costly and inefficient job-matching and screening mechanisms for new hires, combined with reduced incentives for individual employers to train their employees.**

For both workers and employers, changing patterns of finding work and advancing in careers are prompting interest in new approaches to improving local labor markets, particularly in this time of low unemployment. Needless to say, employer interests coincide in some ways but diverge in others from those of job seekers, incumbent workers, community development groups, and even other employers. A major challenge for new efforts is finding sufficient common ground for collaboration—“win-win” opportunities that enable employers, workers and job seekers, and other local institutions to derive value from joint efforts to improve labor market functioning.

II. New Intermediary Organizations: Making Sense of the Variation

A comprehensive strategy to address the above labor market problems will require ambitious regulatory and legislative interventions that, over time, accomplish two goals:

1. A dapt employment policies so they do not penalize individuals for less than full-time, full-year, long-tenure employment. New policies would include: revised unemployment insurance and other benefits that are now biased in favor of full-time employees; labor law reforms that extend workplace protections to contingent workers and are less linked to single firms; and pension and health regulations that promote the portability of employment benefits.

2. Promote employer strategies and behaviors that make it easier for more workers to secure decent-paying work and advance in a career. These policies, addressing problems of low wages and a weak demand for skill in firms that opt for “low road” competitive strategies, would include: a higher minimum wage; labor law reforms that encourage worker representation; and incentives for firms to adopt high-performance work-organization practices.

In today’s political environment, however, most of these legal and legislative remedies are long-range goals. In the meantime, with little encouragement from policymakers, new associational responses to the transformation of U.S. employment relations are gaining momentum and visibility. Although these “bottom up” experiments complement, rather than substitute for, new policies, their variety and vitality are impressive. Consider these examples:

• Trade associations representing firms within an industry, as well as
Chambers of Commerce and other multi-industry employer associations, are beginning to experiment with more active roles in local and regional labor markets, particularly in the design and coordination of training that is in high demand across firms.

- Temporary help and staffing firms continue to grow rapidly, as large firms have increased the outsourcing of whole activities and functions and the reliance on contingent workers has become a stable employment pattern in many industries.

- A more aggressive labor movement is looking for ways to expand its ability to recruit and represent members through activities that extend beyond bargaining over wages and working conditions to include influencing firm and industry practices related to hiring, skill upgrading, and work organization.

- Creative community-based organizations are building relationships between employers and hard-to-employ populations. Some of these organizations offer the same services as temporary help firms (e.g., assessment, pre-employment orientation, job matching, post-placement support) while providing skill development opportunities those firms generally do not offer to populations they typically do not serve. Others are experimenting with community hiring halls to connect members with quality employers and jobs.

- The federal government is promoting new “One Stop Career Centers” to streamline and coordinate employment-related services that traditionally have been balkanized across multiple agencies.

- Several national foundations are promoting experimentation with new forms of labor market intermediaries. The Casey Foundation’s Jobs Initiative constitutes an explicit attempt to test different intermediary models for helping low-income neighborhood residents gain access to employment, stay longer in a job, and advance to better-paying positions.

What does this experimentation signify? And where is it most likely to lead? To answer these questions requires differentiating among these varied institutional innovations. Two distinctions are key: the extent to which an initiative seeks to alter labor market dynamics and the effort’s intended beneficiaries and primary sponsor.
Distinguishing Among Intermediaries Based on the Extent of Labor Market Intervention

The term “labor market intermediary” typically refers narrowly to job brokering or matching activities. Individual employers and job seekers turn to a third party that helps them make the best match of skills, attitudes, interests, and needs. For decades, the U.S. Employment Service has played this role for less-skilled segments of the job market. Temporary help and other placement firms provide this service as well, usually specializing in particular industries or occupations.

In the current environment, the traditional definition is too restrictive. It fails to capture the full range of strategies and institutional arrangements emerging in response to changing labor market realities. Most important, it misses one of the most salient characteristics of intermediary innovations: the extent to which efforts do not accept the local labor market as given but try to change either job seekers’ readiness and ability to secure better employment or employers’ recruitment, hiring, training, or work-organization practices.

A more useful definition would distinguish among three approaches:

- Accept the labor market as given and try to improve the efficiency of the job matching process.
- Accept employer demand as given and work to improve the ability of supply-side workforce development institutions to meet employer needs.
- Try to change employer demand for labor in ways that reduce inefficiencies and inequalities in wages, benefits, job security, and advancement.

To some extent, these categories represent ideals. In practice, the boundaries between them are frequently blurred; organizations that initially specialized in one approach are experimenting with more varied and multi-faceted initiatives. Still, this categorization is a helpful guide to the opportunities for, and potential of, efforts to improve labor market outcomes.

Improving the Job Matching Process

Efforts to improve the quality of job matching usually focus on three areas of service:

- Labor market information and how it is collected, organized, and disseminated;
- Assessing individual skills and attitudes and employer needs and work environment; and
• Job placement.

Job brokers work both sides of the labor market, constantly evaluating the local economy and changing labor market needs while also assessing the skills, attitudes, and interests of job seekers. These services have become more important in recent years as employers look to recruit from new populations and job seekers become more likely to pursue advancement options through external labor markets.

Certain trends are clear. Intermediaries are looking for technology-intensive or relationship-rich ways to generate and disseminate nuanced and valuable information on employment trends within local industries and occupations and on the abilities and interests of job-seeking individuals. Individual skill assessments are being tied more closely to the specific needs and wants of local employers in growing industries and occupations. In addition, these initiatives are placing greater emphasis on post-placement supports and services that can encourage longer retention in a job. For low-income populations with weak work histories, post-placement case management and referral to services are critically important. For employers, these services can reduce turnover, lowering future recruitment and hiring costs.

Below are examples of expanded and new job-matching efforts that temporary help firms, labor unions, community organizations, and federal and state governments are undertaking:

Temporary help/staffing firms are taking advantage of changing market demand to expand their role as job brokers. According to industry sources, temporary employment rose from 412,000 in the 1980s to about 2.3 million in 1996 (Carré and Joshi, 1997). Although still a small segment of the workforce employed under contingent or “non-standard” work arrangements, staffing industry employment grew 16 percent annually between 1990 and 1996.

Staffing firms have targeted industries and occupations in which general skills are transferable across firms, such as clerical and administrative work, light manufacturing, warehousing, and home health care. These firms specialize in gathering local labor market data, assessing individual skills and interests, and negotiating placements with client firms. As a result, they have become an important source of low-risk recruitment and screening for employers, who use their services to attract, identify, and evaluate employees who are fit well firm needs well. The industry claims that more than 30 percent of its employees get permanent jobs through stints as temporary workers. Particularly for large customers, the most aggressive firms have simplified recruitment and hiring with added services, such as volume arrangements, sole sourcing, on-site coordinators, and payroll services (Seavey 1998:28).
Staffing firms are moving into new market niches at both the high and low ends of the labor market, typically through strategic alliances. Welfare reform has led some firms to experiment with partnerships targeting recipients of public assistance (although the industry in general appears to believe that the profit potential is too low). **Kelley Services** has partnered with Michigan Works!, the state welfare-to-work program. **Manpower** entered, but then ended, a contractual relationship with the Wisconsin Employment Service to help improve public job brokering. At the higher end, Manpower recently initiated a testing and certification program, using Novell’s own assessment exams, for technicians wishing to qualify for employment with that firm. Manpower has also formed an alliance with the American Institute of Physics to place physicists in high-tech companies. Several temporary help firms have formed alliances with outplacement companies that combine temporary employment with long-term job search for displaced middle managers or technical workers (Carré and Joshi, 1997).

Some labor unions have begun to experiment with expanded job-matching services for members, particularly in industries that internal labor markets once dominated and the unions’ primary concern had been winning representation elections, not helping workers find re-employment as well. The **Communications Workers of America** has created several Employment Centers in response to the combination of downsizing of unionized firms and high demand for communications technicians in high-tech firms, many of which are contractors to the phone companies. In Cleveland, Seattle, and Southern California, the CWA is experimenting with ways to establish contracts with growing firms to hire qualified workers from its centers for limited-term jobs. In Cleveland, the most developed site, over 200 union members have been matched with part-time, short-duration, or permanent jobs. In Seattle, the union is developing ways to validate and certify skills so that the center can be more responsive to employers and become the “subcontractor of choice.” (Carré and Joshi, 1997).

Community organizations have turned to job brokering as a way to link their constituencies with employment opportunities to which they would otherwise have limited access. The national organization **ACORN** has experimented with a community hiring hall approach for its members in New York and Boston. Building from “first source” campaigns to force employers receiving city tax breaks to hire from long-term unemployed neighborhood residents, ACORN has

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2 The Employment Centers build on traditional hiring hall models in construction but must be structured differently. Outside the construction trades, the federal government prohibits hiring halls with pre-hire agreements.
negotiated agreements with a few large national employers and some smaller local firms to hire from among qualified members.

Several community-based organizations have created nonprofit temporary help firms as a way to help low-income residents find permanent employment. For inner-city residents, the Milwaukee Careers Cooperative negotiates employment contracts that include a 30- to 90-day probationary period after which qualified employees are hired into permanent jobs. In 1995-96, MCC placed 1,132 people in jobs with its 80 business accounts (out of 2,053 who went through intake interviews and orientation) (Seavey 1998).

Federal and state governments are attempting to re-invent the Employment Service through local One Stop Career Centers. One Stops are the government’s vehicle for improving labor market information and referrals to both jobs and training. The federal government has made implementation grants to at least 41 states in the past four years, hoping to create locally responsive institutions for improving job matching.3 One Stops vary in design but share the goal of integrating fragmented services for employers and job seekers. A typical One Stop provides individuals with job search, referral, and placement assistance; testing, assessment, and counseling; support services (e.g., fax machines, phones, and computers); assistance with individual benefits; and, to varying degrees, training and education. For employers, One Stops provide preliminary intake, applicant screening, and case management services; less universally, they offer consulting and contracting for workplace training.

Improving Workforce Development: Labor Supply

Most efforts to improve earnings, employment, and career prospects for low-wage, displaced, or other populations focus on the supply side of the labor market—the skills, attitudes, and characteristics of workers. These supply-side structures are at the heart of most workforce development initiatives.

Workforce development emphasizes job training but is not synonymous with it (Harrison and Weiss, 1998:4). It frequently incorporates vocational counseling, assessment, orientation to work, pre-employment education and training, job placement, mentoring on the job, and post-placement counseling and crisis intervention.

Compared to job-matching efforts, workforce development strategies are more ambitious, less passive interventions in labor markets. At the same time, these

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3 This effort will be furthered by provisions of the recently enacted Workforce Investment Act, which promotes local service delivery through One Stop Centers.
new labor market intermediaries

initiatives tend to accept employer demand as a given to which community-based and other providers must respond.

Workforce development activities do not necessarily involve intermediary organizations or approaches. An individual might decide, on his or her own, to pursue training at a community college, or a single firm might contract with a training vendor for a workplace literacy course. However, the most interesting and, it appears, successful workforce preparation initiatives place a high priority on rich, ongoing relationships with local employers and on the aggregation of employer needs and interests. This approach makes it possible to more closely align supply-side services, such as training, with demand. Frequently, the sponsoring institutions—including community-based organizations, community colleges, and employer associations—act as intermediaries between employers and job seekers, helping groups of employers express their needs and helping training and service providers design responsive programs.

A community-based example of this approach is the Center for Employment Training, founded in San Jose with replication efforts in about a dozen cities (see box).

**Center for Employment Training**

The Center for Employment Training (CET) is one of the few employment training programs that has demonstrated significant earnings and employment gains for participants, most of whom are low-income Hispanic immigrants.

Researchers point to several ways in which CET builds close working relationships with local employers, improving its ability to prepare and place qualified workers. An Industrial Advisory Board of local employers advises on overall program direction and development, including areas for expansion and curriculum priorities. Technical Advisory Committees, also comprised of employers, are established for each training/skills area. These advisory groups enable CET to develop accurate information from employers regarding job market trends and training needs. They also help CET staff build personal relationships with individuals in a position to hire qualified graduates. Through these relationships, CET (at least in its home site) has been able to earn employer confidence and insert itself into the recruiting networks of local employers.

Other aspects of CET’s design also link participants closely to local employers and labor market realities. Instructors are typically recruited from the industry they train people to enter. Vocational and academic instruction are provided in a work-like setting rather than a classroom. CET creates an environment that reinforces behaviors and attitudes employers value while imparting technical skills they need.

Among the nation’s community colleges, a growing number of non-credit, non-degree divisions provide extensive customized training and workforce development services in response to local employer requests. Macomb
Community College's Center for Training and Employer Services, located outside Detroit, is a good example (see box).

**Center for Training and Employer Services**

The Center for Training and Employer Services provides customized education, training, and related services to local firms, particularly automotive equipment manufacturers and their first- and second-tier suppliers. Initially focused on one-to-one relationships with individual firms, the center has consciously grown by creating training consortia.

Project Design, an effort to improve the supply of high-quality, entry-level technicians and well-trained incumbent workers in automotive design, has grown into a consortium involving 20 engineering service and automotive firms and over 30 regional high schools and colleges. The college is not only a supplier of training services, but it is also an intermediary that coordinates and convenes the multi-employer consortium.

Macomb has also been a key player in the Plastics Industry Resource Network, which provides customized training for area plastics firms.

Through its various initiatives, the center provided training services to 64 companies and over 10,000 individuals in 1994-95. The number of trainees has increased three-fold in five years. Revenues have risen 500 percent.

Employer associations, such as the Greater Cleveland Growth Association (see box), are also acting as intermediaries helping to improve local responsiveness to employer demand for qualified workers.

**Greater Cleveland Growth Association**

The Jobs and Workforce Initiative, launched and staffed by the Greater Cleveland Growth Association (the local Chamber of Commerce), is a regional, business-led effort to address employer difficulty finding qualified workers. In 1996, the initiative sponsored an Employer Needs Assessment survey on skill needs and job openings, as well as an inventory and assessment of training programs in the region.

From this research and an inclusive planning process, the initiative has spawned several consortia to speed the responsiveness of local colleges and training providers to employer demand for workers with particular skills and expertise. The Corporate Bound Program, for example, is a training network created by initiative members to address the demand for customer service representatives and communications technicians. Comprised of 15 companies (led by Ameritech and Cablevision) and a group of training providers that include the local public schools, Cuyahoga Community College and a private firm, the program combines referrals for the job ready with short-term training for those who need specific skills and long-term training for those with inadequate basic skills. Expansion to other occupational clusters and industries is under consideration.
Changing Employer Behavior: Labor Demand

Some labor market intermediaries do not accept the demand side of the labor market as given. Indeed, the new interest in intermediary efforts is, in part, a reaction to strategies that have been disproportionately “supply side” in their orientation, emphasizing education and training investments without considering strategies to increase employer demand for skill or to connect particular populations to better jobs (Bosworth, 1998:85). As Bennett Harrison and Marcus Weiss (1998:24) write, “In the game of musical chairs, everyone does not get to sit down if there are not enough seats.” An increasingly important set of initiatives attempts to influence the dynamics of employer demand for workers, including: job quality, wages and benefits, and opportunities access, advancement, and skill development. In most cases, they involve organized groups of workers, job seekers, or community residents who advocate for firm and industry policies that employers might not pursue on their own and might resist. They vary in the balance they strike between confrontational and cooperative relationships with local employers.

Project QUEST in San Antonio, created by the Alinsky-inspired Industrial Areas Foundation, illustrates one community-based effort to balance competing interests (see box). Backed up by the organizing strength of the IAF’s local affiliates, Communities Organized for Public Service (COPS) and the Metro Alliance, QUEST is highly responsive to local employer needs but also makes demands of participating employers regarding job quality.

### Project QUEST

Project QUEST works with local community colleges, employers, public agencies, and local residents to broker long-term training for residents who have high school diplomas, some work experience, and difficulty escaping poverty-level jobs. QUEST targets healthy industry sectors that offer good opportunities. Employers in each sector are asked, as a group, to guarantee project graduates jobs that pay above poverty level and provide opportunities for advancement. Employers select the training fields and help design the curriculum. Participants receive community college tuition and other supports, such as child care, transportation assistance, medical care coverage, and tutoring.

As expected from this arrangement, the wages and hours of graduates rise significantly. While the initiative has encountered problems, such as a significant number of people who drop out after more than a year in the program, QUEST appears to have improved the quality and responsiveness of local community college offerings. It has generated multi-employer collaboration among small firms and between firms and providers that the more militant COPS and Metro Alliance would have had a hard time initiating.

Some community organizing strategies resist the model of creating a new
intermediary organization that can represent the interests of both residents and employers. In Hartford, Connecticut, HART successfully pressurized a local hospital to create a Jobs Center; the grassroots group controls the center, rather than becoming a service provider itself. As one strategist approvingly explained, HART did not “get bogged down in providing services” but used the victory to build its membership and power (Bhargava, 1998:6). These efforts take a primarily confrontational approach, built around making demands of employers, as opposed to partnerships driven by employer priorities.

Other community groups, however, pursue approaches that seek mutually beneficial innovations—“win-win” strategies that combine performance improvement for employers and better employment opportunities for workers or job seekers. These strategies do seek to change employer behavior, but they try to promote and sustain such changes by creating value for participating firms, individually and as a group. Some of the most promising “win-win” approaches are union-led or labor-management efforts to improve job quality, firm productivity, and training opportunities for firms in particular industry sectors.

Sectoral approaches organize groups of firms with shared production methods or labor forces within regional labor markets (Dresser and Rogers, 1998). They provide a vehicle for employers to collaborate with one another, with workers and their representatives, and with public agencies. Because these efforts offer employers the possibility of performance gains, they can attract significant employer involvement within the targeted sector and sustain that engagement. Achieving high levels of employer participation can in turn leverage greater accountability among local training and modernization service providers.

Sectoral initiatives are typically initiated by unions or other institutions that represent interests broader than those of individual employers. As a result, they are more likely to promote activities that help employers pursue the “high road”—characterized by more training, an emphasis on generic and transferable skills, and career ladders inside the firm or in external labor markets.

If a number of sectoral efforts can be launched and linked at the local level, new “community career ladder” systems, under the auspices of a regional labor market board, might be able to rationalize labor market services, demarcate career ladders for entry-level and incumbent workers, and leverage assistance in implementing high-road strategies. This is the approach of the Dane County (WI) Economic Summit Council (Dresser and Rogers, 1997).

Sectoral initiatives generate three kinds of efficiencies: economies of scale based on multi-employer organizing; aligned training, modernization, and other services to firms, making it possible to link discussions of firm performance and
worker advancement; and formal and informal networks through which growing numbers of employers, unions, public-sector, and community-based partners develop routine, non-confrontational ways to solve problems and identify opportunities for collaboration (Parker and Rogers 1997:12-14). Two good examples are the San Francisco Hotels Partnership Project and the Wisconsin Regional Training Partnership (see boxes).

### San Francisco Hotels Partnership Project

The San Francisco Hotels Partnership Project is an impressive labor-management partnership, created in 1994, involving twelve unionized first-class hotels and two of the city’s largest union locals. The primary goals include: increased market share for participating hotels, retention and improvement of jobs and job security, and new programs for employee involvement, training, and career development. Labor and management agreed that they had a common interest in raising the quality of service in the hotels through joint problem solving, on-the-job training, and opportunities for advancement within and across participating hotels. A joint steering committee controls funds from state training agencies and employer contributions.

Problem-solving groups have been created in each hotel, comprised of two-thirds workers and one-third managers, with facilitation by a neutral third-party. The teams deal with issues of job design, workload, training, job security, and hotel operations. A training program for 1,600 workers in 10 hotels has provided a common foundation in communications skills, critical thinking, problem solving, and teamwork.

A recent pilot effort trained 160 workers, many of whom work in non-food service positions, for certification as basic banquet servers. These workers are available through the union’s hiring hall to any of the participating hotels to help alleviate the heavy workload demands during the end-of-year holidays. Future study teams will explore additional ways to increase job stability through referrals of part-time workers across participating hotels, increased training and promotional opportunities, and work redesign to accommodate older workers.

### Wisconsin Regional Training Partnership

Founded in 1992, the Wisconsin Regional Training Partnership is the largest sectoral training consortium in the country; its more than 40 member firms together employ over 40,000 workers in the Milwaukee metropolitan area. The WRTP is jointly governed by business, labor, and public-sector representatives, augmented by joint steering committees and peer advisor networks within member firms.

WRTP task forces design programs to meet member firms’ incumbent worker training, modernization, and future workforce needs. Through the formal deliberative process involving representatives of multiple workplaces and partners in education and government, WRTP members and their community allies “share their stories, identify advanced practices, develop pilot projects, benchmark skill requirements, create new tools, and advocate public policies to be pursued on a consortium-wide basis” (Parker
Customized services to individual firms are combined with collective planning and collaboration on training needs and other performance-improving strategies. WRTP also requires member firms to train according to multi-employer standards, gear hiring and promotions to achievement of recognized standards, and administer expanded training budgets for front-line workers through joint labor-management committees.

**Distinguishing Among Intermediaries Based on the Intended Beneficiaries and/or Primary Sponsors**

A second important distinction among new intermediary strategies is: who is the effort designed to benefit most? Intermediary organizations and the functions they play are sponsored by a range of private, public, and nonprofit institutions—institutions that have different goals and priorities in relation to labor market functioning. The potential outcomes of different efforts are likely to vary according to these priorities.

Intermediary organizations frequently vary in their primary target population. Some projects are designed to address the labor market problems of individuals in particular income or skill groups. Welfare-to-work efforts and other initiatives that target low-income populations, such as the six sites in the Casey Jobs Initiative or Cooperative Home Care Associates, address the challenge of access to decent jobs and ladders from entry-level employment. Targeting a more upscale population are certain independent workers associations, such as Working Today, which is building a membership organization of self-employed clerical, professional, and other employees. Others, particularly those initiated by community-based organizations, target residents of specific neighborhoods. Still others, including employer consortia, target workers in firms in specific industry clusters. Finally, efforts to build multi-employer career ladders for workers in service occupations or increase supports and protections for self-employed professionals target groups of workers in the same or related occupations.

Intermediaries and their activities are also greatly shaped by the priorities of their primary “sponsor,” i.e., the constituency or institution most directly invested in their success. Five such sponsors are represented in the examples cited in this paper: the public sector, private sector, organized labor, community-based organizations, and educational institutions. The motives of each provide clues as to the strengths and weaknesses of alternative strategies for organizing and governing intermediaries—and their potential growth and sustainability of different models.

The public sector: The public sector wants to modernize its bureaucratic, fragmented, and frequently ineffective services to both individuals and firms. New federal workforce legislation will accelerate the creation of One Stop Centers for job matching and Regional Workforce Boards for convening labor
market stakeholders. It also consolidates funding for many small training programs into more flexible resources for states to allocate.

Public funds are also used to create and sustain other intermediary efforts. For example, the federal government funds training for disadvantaged and dislocated individuals. States typically fund customized training for in-state firms. Federal NIST modernization funds have encouraged multi-employer consortia for training and other productivity-enhancing activities.

The private sector: Private-sector intermediaries are of two kinds: individual firms that see an advantage in providing brokering and other intermediary services and multi-employer consortia organized around labor market and other competitiveness challenges.

Staffing firms pursue labor market activities based on their assessment of the needs of client employers and opportunities to increase profits and market share. While many staffing firms seek alliances with employers, community-based organizations, or public agencies to exploit new niches at both the high and low ends of the labor market, market signals will ultimately determine which strategies are sustained. Approaches and alliances that increase market share, win new accounts, and solidify a niche with either employers or job seekers will survive.

Employer associations are relatively new players on labor market and workforce issues. They have traditionally provided members with group services, such as insurance, and political lobbying on issues of common concern. Since the New Deal, most employer associations have shied away from collaborations around competitive issues, such as production strategies or human resource management. However, this reticence has eroded in the face of economic uncertainty, global competition, and tight labor markets. Today, employer associations are creating or acting as consortia to increase employer clout in the workforce development marketplace and to capture economies of scale that require inter-firm cooperation.

Employer consortia take a variety of forms:

- Local Chambers of Commerce or other organizations representing employers across industries in a specific region. For example, Jobs for the Future, the National Association of Manufacturers, and the U.S. Chamber of Commerce will work closely with eight local employer associations during the next two years.

- A dominant large firm partnering with its smaller suppliers. For example, with foundation and federal demonstration funds, the Boston-based Corporation for Business, Work, and Learning organized and staffed
such a consortium for Textron Defense Systems and 16 supplier firms in New England.\footnote{This three-year project was part of a larger effort, Partnership for a Smarter Workforce, a joint project of the Council for Adult and Experiential Learning, the National Association of Manufacturers/ Manufacturing Institute, and the Corporation for Business, Work, and Learning.}

- Small and mid-sized firms that share similar markets and skill base and find it advantageous to collaborate. For example, the National Institute of Standards and Technology has accelerated creation of these consortia by funding 75 Manufacturing Extension Program centers.

Organized labor: Labor unions interested in growing their membership or helping members navigate and prosper in the new economy are exploring strategies that extend beyond bargaining over wages and working conditions to involvement in issues of labor supply, quality, and advancement. Increasingly, these initiatives include alliances with employers, community groups, or other unions. They tend to focus on strengthening existing internal career ladders, creating new external career ladders within an industry or across industries, and expanding labor involvement in job matching and the design and delivery of training.

The San Francisco Hotels Partnership Project described above involves multiple employers and two unions. The Communications Workers of America’s Employment Centers provide job-matching services for telecommunications firms and CWA members, a new function for this union of workers in a rapidly changing industry. In Bergen County, New Jersey, the Central Labor Council is taking the lead in an innovative labor-community coalition to improve the quality of local temporary employment and enhance the worker voice in that unorganized industry.

Community-based organizations: Community organizations focus on jobs and employment for various reasons. The most obvious is that improving employment and earnings helps disadvantaged people move into the economic and social mainstream. Both CET and Project QUEST grew out of grassroots community-building efforts. It is not uncommon for community organizations that engage in jobs campaigns to develop either formal or informal alliances with local unions representing low-wage workers.

There are also organization-building reasons for job-related community organizing campaigns. ACORN organizers have turned to community hiring hall strategies partly to address weaknesses of prior jobs campaigns, such as “first source” hiring agreements that have gone unenforced by public agencies. Jobs campaigns also have the potential to increase membership and turn-out.
Education sector: In some places, community colleges are lead actors in efforts to prepare qualified workers or upgrade incumbent worker training. As noted above, these initiatives are frequently housed in the non-credit, non-degree division of the college. They typically combine employer fees-for-service with state customized training dollars and other public funds.

Colleges have an interest in promoting and expanding employer-linked training services, which can become an important growth and profit center. However, in many colleges, the dominance of traditional transfer and credit programs constrains non-credit services that are more employer-responsive.

To the extent that college efforts organize multi-employer consortia within an industry sector around training and skill credentialing, they may also help employers develop strategies for organizing work and recruiting workers. How far colleges go toward changing the conditions of employer demand for training depends upon the nature of the consortium (e.g., does it include worker or community voice?) and the priorities of college staff (e.g., does it meet existing demand or promote “high road” strategies that increase employer demand for skills and training?).

Multi-sector: Some initiatives are explicitly multi-sector but are housed in one or another of the above institutions. Macomb Community College’s Center for Training and Employer Services and the San Francisco Hotels Project are examples. The origins and governance of others involve multiple sectors from the outset. One example is the Seattle Jobs Initiative, funded by the Annie E. Casey Foundation and the City of Seattle but created and governed by a broad coalition of businesses, educational institutions, labor, nonprofit agencies, and local and state government agencies.

The Seattle Jobs Initiative’s sectoral strategy has three components. 1) A targeted sectors/jobs strategy works with employers in three growth industries (health services, precision manufacturing, and construction) to improve firm performance and make it easier for them to hire residents of the target low-income neighborhood. 2) An employment linkage program brokers between local residents and firms that benefit from city-led economic development efforts. 3) It coordinates among community-based organizations that provide workforce development services to job seekers.

III. Prospects and Policies for the Future

Common Themes and Directions
Joel Rogers, who has both studied and helped create some of the efforts described above, quotes Andre Gide to the effect that “it is only after leaving a
place that you can name it.” This paper, like others from which it draws examples and evidence, struggles with the challenge of naming a place when we are still in it. It tries to put a messy set of experiments and strategies into neat boxes and logical order.

It is too early to be definitive about the state and future prospects of new intermediary organizations and initiatives. Even the term “new labor market intermediaries” used to organize this paper may be incomplete or misleading as a frame for capturing the diversity of bottom-up associational activity emerging around the country in response to labor market challenges. The term is used here as an umbrella under which a rich and varied set of institutional arrangements and strategies can huddle—efforts that share some attributes but frequently differ in their origins, goals, strategies, constituencies, funding bases, and more. Future research will have to disaggregate these efforts further to understand the potential of, and obstacles to, a given approach.

Even so, certain important themes are evident across most of the efforts described in this paper. They include:

1. The growing interest in intermediary institutions and activities: In response to labor market changes, these initiatives are trying to aggregate and address the interests of multiple constituents. Strategies include:

   • Closer links and more effective two-way communication regarding labor market demand between employers and supply-oriented institutions, such as public agencies and educational institutions. These efforts try to shorten the “length of relational chains” between employers and job seekers to improve information flow, trust, and responsiveness (Harrison and Weiss, 1998:38).

   • Encouragement of multi-employer collaboration. For some intermediaries, the aggregation of employer interests into more effective demand is key; others try to change employer demand by influencing work organization, training practices, and other employer behaviors. Institutions that have typically not been associated with multi-employer organizing (community colleges, community-based training providers) are experimenting with new approaches.

   • Strengthening the employee or community voice and leverage vis-à-vis employers and public institutions. This is evident not just among labor- or community-led efforts but also among initiatives driven by community colleges or employer associations.

2. The importance of regional institutions: Many new initiatives tend to be organized at the local or metropolitan regional levels. (National worker
associations linked primarily through electronic communications are an exception.) This is consistent with trends in economic development policy, which are increasingly focused on metropolitan areas or other regions as defined by patterns of economic activity rather than by political jurisdiction. Many initiatives are establishing not only labor market intermediaries but broader forums to encourage effective, stable regional economic collaboration.

3. **The centrality of accelerated learning:** Many intermediary efforts described in this paper are concerned not just with improved training but also with ways to accelerate and promote learning—within firms, across firms in an industry or geographical area, and within occupational groups. Accelerating the pace and diffusion of knowledge and learning are increasingly important enticements to collaboration and networking.

4. **The search for ways to make labor market outcomes less dependent upon luck or informal networks:** In response to the rising importance of fortune as a factor in an individual’s labor market success, the initiatives described here pursue some or all of four strategies for trying to make labor markets more transparent, easy to navigate, and predictable in their outcomes: providing better, more equitably available labor market information; strengthening internal labor markets where possible; creating new approaches to rationalizing external labor markets and connecting them at the regional level; and improving low-wage jobs so that those who cannot get out of (or who fall into) low-paying work do not bear the brunt of economic change (Bernhardt and Bailey, 1997).

**Looking Ahead: One Possible Scenario**

In the United States, creative programmatic responses to social and economic problems typically emerge at the local level. Experimentation with different models for addressing and solving problems is a strength of our approach to social policy. This strength, though, presents challenges: How far can innovations ripple through the economy and society on their own? Should public policies encourage their diffusion? Can innovation be encouraged through the often clumsy tools of public policy?

In today’s policy environment, assuming no significant changes in federal or state policy, the following scenario is likely.

**Market forces will drive the expansion of certain intermediary approaches.** Some of the efforts described here can and will likely continue to expand on their own. The transition of temporary help firms into increasingly important players in certain labor markets is not simply a function of cyclical demand in a hot economy. The partnerships and alliances they are securing today are likely to withstand an economic downturn. Client firms have become dependent on these
private intermediaries for entire functions, not just for short-term fill-in work. Community colleges that want to expand their niche in customized training are likely to be able to do so, assuming they deliver a quality product. They are in a good position to provide subsidized spot training for local firms; they are learning to be more customer-responsive and more proactive in seeking business, through solicitation of individual firms and consortia of firms with similar skill needs.

Some worker associations might also be able to grow simply on the basis of providing economic benefits to their members. If the savings on health and other insurance are sufficiently great, membership should rise. Moreover, less tangible benefits might also have economic value to independent freelancers, such as providing individuals with a group identity that is not dependent upon being employed by a single firm.

**National responsibilities will continue to devolve to states, creating opportunities for more regional initiatives and institution-building.** Federal policy in workforce development and domestic policy generally continues to move away from “one-size-fits-all” programs toward state and local discretion and flexibility. With the passage of new federal workforce legislation, the expansion of One Stop Career Centers is assured. Workforce Boards at the state and local levels will become the vehicle for planning and allocating resources for publicly supported workforce programming. In this environment, new alliances and institutions will find opportunities to claim a piece of available resources, provided they can demonstrate support from local employers and involve quality education and training providers.

However, while regional institutions should be able to take advantage of current policy developments, they will have to do so largely through their own efforts and initiative. The federal government has provided welcome start-up support for manufacturing modernization initiatives during the past decade, helping launch many creative inter-firm partnerships. In general, though, federal, state, and local public policies have done little to either promote or discourage the kind of communication and collective learning and problem solving that seem increasingly important to firm and industry-wide productivity gains.

**Innovations in labor market information and workforce development initiatives will continue to evolve and improve.** There is a growing consensus among workforce development practitioners on key design elements that can increase the effectiveness of training for disadvantaged job seekers and for incumbent workers trying to advance in their careers. These include: close links with employers and labor market trends, greater reliance on networks and collaborations that allow organizations to specialize in their strengths, and attention to post-placement supports and services (Grubb, 1996; Kazis and Kopp,
This consensus is making it easier for best practice to diffuse and for learning networks to form among quality programs. The general tendency among states toward consolidation and coordination in workforce development policy is also conducive to steady improvement in programs and services.

In the area of labor market information, Internet and other electronic technologies are making it easier to both target and broadcast job market information, which can be quite effective at improving job matching in specific occupational labor markets. While public resources are tight, this appears to be a period in which a fairly stable body of wisdom about practice is combining with new learning technologies and mechanisms in ways that are likely to yield continued improvement in labor market information and workforce development efforts.

Experimentation with more integrated and comprehensive demand-side efforts will bubble up unevenly. They will most likely emerge where employers and other stakeholders have created vehicles for aggregating and representing their interests. The kinds of multi-employer consortia and labor-management collaboratives that try to influence the quality of labor supply and the quality of jobs and career paths are most likely to emerge and be sustained in communities where the following apply:

- A base of organized workers or community residents has standing in deliberations on the intermediary’s priorities and activities;
- Employers are organized or organizable (by industry, large firm and suppliers, or geographical area);
- The lead institution promoting collaboration has or can secure funds to jump-start the initiative (through public sources, foundations, employer contributions, or some combination);
- Potential sources of conflict are addressed and contained, including the tensions between: serving labor market needs vs. building community power; responding to employer priorities vs. addressing employee or community concerns; serving the self-interest of the lead institution vs. balancing the interests of collaborating partners; and
- Benefits from collaboration are tangible and include some that accrue in the short run (e.g., better information and communication within the local labor market; a recognized forum for addressing opportunities and challenges).

Organization around labor market and employment concerns is weak among both employers and community/labor interests. Nor are the other conditions
noted above easily achieved. In this environment, dramatic expansion of initiatives and intermediaries pursuing these strategies is unlikely without policy changes to encourage their creation and sustain their growth. These new institutions are more likely to take root on their own in industries and occupations that are relatively higher-skill, where labor quality is critically important, and where firms and workers are likely to have the financial and institutional resources that promote self-organization. For those concerned about the worsening prospects of job seekers and workers at the lower end of the labor market, this plausible scenario is cause for concern.

**Policy Options for Promoting New Intermediaries**

The proliferation of labor market intermediaries is a bottom-up, voluntary response to labor market inefficiencies on the one hand and growing income inequality, job insecurity, and difficulties with career advancement on the other. A strong argument can be made that these institutions should be an important element of any agenda to address the specific challenges facing employers and residents of particular communities.

This is not to say that new local institutions and initiatives constitute a sufficient response. As noted earlier, a comprehensive agenda will require public policy changes designed to raise wages at the bottom, increase benefit portability, provide more equitable treatment of part-timers under various labor laws, and encourage modernization that encourages skill development and career advancement. While beyond the scope of this paper, the specifics of that agenda are central to the Task Force’s charge.

In the meantime, and in the absence of a more ambitious policy agenda, federal and state policymakers can take steps to encourage the proliferation and activities of labor market intermediaries. Two general approaches are: incentives to encourage the creation and maturation of new intermediaries and the removal of obstacles to their expansion that are currently embedded in policy. As Eric Parker of Rutgers University has pointed out, employment and training policy, under current labor law, can be used to strengthen institutions that can organize and represent multiple stakeholders in a local economy (Parker, 1998).

**Incentives**: Public policy can encourage the diffusion of innovative and high-quality models. Policy options include research and dissemination of findings on outcomes of particular models or strategies, competitive seed grants, financial support for learning networks or laboratories that enable strong programs to learn from and with each other, and recognition and visibility for leaders (through awards like the Baldrige Award, which promote behavioral changes among applicants).
Incentives could be embedded in workforce development and economic development legislation. For example, funding for training projects could give priority to initiatives that involve multiple employers, include significant participation by worker representatives, target jobs that pay a decent wage and offer career advancement, and lead to credentials valued by employers (Herzenberg et al., 1988:159-60). State and federal legislators could also craft training initiatives that encourage the strengthening of collaborative regional institutions. Performance criteria could be designed to emphasize both responsiveness to employer needs and long-term earnings and career development outcomes for participants.

In Massachusetts, the state legislature has created a funding stream for intermediaries providing school-to-career opportunities for young people. This innovative fund distributes resources to local organizations through a capped matching formula that is pegged to the wages paid by local employers to students participating in school-to-career programs. States could adapt this strategy to help jump start broader workforce intermediary institutions.

**Removal of barriers:** Existing policy contains a range of obstacles to the kinds of strategies described here. For example, worker representation is critically important if intermediary efforts are to advance worker as well as employer interests and address inefficiencies and inequities in both the demand and supply sides of the labor market. Yet, current labor laws, written in an era when full-time, permanent employment predominated in the labor market, inhibit multi-employer collective bargaining or representation of more autonomous professional and managerial workers. A concerted effort to encourage new intermediaries would have to confront these obstacles.

The ramifications of current trends in welfare policy should also be reassessed. While welfare policy emphasizes employer involvement, the pressures for “work first” and getting people into any job cuts against many promising strategies to promote career advancement for low-wage workers, including those that emphasize training and learning on the job.

Similarly, the Department of Labor’s One Stop initiative might be assessed in light of the implications for intermediaries. Many One Stops appear to overemphasize high-tech approaches to labor market information at the expense of more relationship-rich networking through intermediaries. In its research, the Task Force should identify additional policy barriers.

**A Final Concern: The Importance of Tight Labor Markets**
The kinds of intermediary organizations described in this paper depend upon employer interest and involvement if they are to succeed and have a sustained
impact on local workforce development and labor market dynamics. In the past few years, employers have been willing to experiment with new strategies and partnerships out of a growing concern with the high costs of poor job matches and the quality of available workers—concerns that derive in part from tight labor markets. The question looms: how much of this interest will survive in a cooler economy?

Employer interest and investment will surely lessen in a future downturn. As the pool of available workers grows, particularly the pool of workers with experience, some of the workforce-related pressures on employers dissipate. However, other, less-cyclical trends might keep employers at the table and interested in long-term alliances with strategic partners in performance improvement, including other employers, community institutions, and workforce development providers. The efficiency and flexibility of networks and shorter “relational chains,” the importance of interpretive problem solving and accelerated learning to productivity gains, continued cost pressures, and uncertainties in product and labor markets—these business trends have a logic independent of the business cycle.

Moreover, a valuable outcome of new intermediary efforts is the widening of personal relationships and networks within a community, along with the creation of formal mechanisms to sustain and build those relationships. Where these relationships are vibrant, within a region, an industry sector, or an occupational group, new rationales and reasons for collaboration emerge with changes in external economic conditions. Once the forum exists, its members can determine the direction its efforts take.

Thus, whatever the future holds, now is a good time for concerted efforts to promote stronger organization of employers, workers, and community residents and the expansion of intermediary organizations dedicated to addressing both employer workforce needs and workers’ education and training needs. As long as labor markets remain tight, employer receptivity will be relatively high. Once these efforts reach some scale and demonstrate some value, they will be more likely to survive and adapt when economic conditions change. In its ultimate recommendations, the Task Force on Restructuring America’s Labor Market Institutions should specify ways that private- and public-sector policymakers can take advantage of the current moment to promote the creation and sustainability of new ways to organize stakeholders to improve local labor markets.
Bibliography


