

# Economic Opportunity in a Volatile Economy

## *The role of labor market intermediaries (LMIs)*

**C**OWS and Working Partnerships USA are jointly sponsoring a research project that investigates labor market intermediaries (LMIs) — the myriad institutions and organizations that stand between workers and the labor market. “Economic Opportunity in a Volatile Economy” is carried out by investigators at COWS, the University of California, and Willamette University, with funding from the Russell Sage, Ford, and Rockefeller Foundations.

Typically, when we think of LMIs, temporary-help agencies spring to mind. But many other institutions — such as public employment services and labor unions — help to bridge the gap between employers and employees. Increasingly, too, LMIs have moved beyond mere job placement. For example, many community-based organizations and community development corporations now offer job referral services, while community colleges have adapted their curricula to meet employers' specialized job training needs. Even professional associations serve as a kind of LMI, by creating networks through which their members can exchange information about and provide referrals to available jobs.

Why the recent rise in LMIs? In response to competitive pressures — and in response to the desire to increase profits — more and more employers have been subcontracting or outsourcing their work to other firms. At the same time, they themselves are relying heavily on a contingent workforce — part-time or temporary staff who can be hired “as needed” and then discharged when the work is done. In the absence of standardized personnel practices, many LMIs have stepped in to fill the void. In addition, in the wake of welfare reform, many state programs have shifted their focus to labor-market entry. As a result, state-run Job Centers and some community-based organizations have turned into job brokers as well.

For many workers — particularly temp workers — this is not a good sign. Because employers turn to temp agencies as a way to cut labor costs, temp jobs generally don't offer benefits, training opportunities, room for advancement, or job security. And yet, increasingly, workers are forced to rely on temp agencies to find out about existing jobs.

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But LMIs can also provide a valuable resource for workers — by helping them to get training, improve their skills, and defend their workplace rights. That's the rationale behind the "Economic Opportunity in a Volatile Economy" project. We want to know how LMIs are changing the labor market, and how they are affecting the quality of jobs. To answer these questions, our researchers are looking at what kinds of activities LMIs are engaged in, whose interests they serve, and which workers use their services the most. Then, we identify "high-road" LMI strategies — methods that move workers into family-sustaining careers instead of dead-end jobs.

The project focuses on two cities: Milwaukee, Wisconsin, and San Jose, California. Despite their differences (Milwaukee remains largely industrial, while San Jose is the home of "high tech"), both are dominated by the service sector — and in both, the temp industry has undergone dramatic growth. In each community, researchers have been gathering information about the area labor market, and have been talking with employers, workers, and LMI staff.

What have we learned so far? For the most part, LMIs do not exert influence over the structure of the labor market. However, there are two important exceptions to this rule, representing opposite ends of the "job quality" spectrum.

On the "low-road" end are many temp agencies, which make no attempt to encourage better job opportunities but simply supply employers' labor needs. Increasingly, temp agencies have developed closer ties with employers, by operating as subcontractors or acting as consultants for cost-cutting firms. In this way, they are transforming the nature of available employment — by facilitating the shift to low-wage, insecure jobs.

In contrast, some union-sponsored initiatives are taking the "high road." For example, the Wisconsin Regional Training Partnership, or WRTP (a decade-old project that COWS helped to jumpstart) brings together a variety of actors — employers, unions, community groups, technical colleges — in order to address Milwaukee's labor-market needs. By assessing, placing, and training workers, WRTP serves the interests of employers directly — but as part of a partnership involving other key players in the city's economic life. Unlike conventional temp agencies, WRTP prepares workers for jobs that offer good wages and benefits, job security, and the chance to move up in the firm. The advantage for employers? A highly skilled, productive workforce committed to staying on the job. By bringing employers directly into the process, this approach has the potential to reshape the labor market in a positive way.

In another "high road" example, Working Partnerships USA has established its own temp agency — but with a twist. It steers workers into jobs with good wages and benefits, provides access to training, and has established a workers' association to fight for temp workers' rights.

The challenge is to convince employers that job quality — in the form of high wages, training, and other measures that increase job satisfaction along with productivity — is worthy of their investment and support. We think our research results are an important step in that direction.