
Skills Assessment, Job Placement, and Training: What Can Be Learned from the Temporary Help/Staffing Industry?

**An Overview of the Industry and a
Case Study of Manpower, Inc.**

by Dorie Seavey and Richard Kazis

**Support for this research has been
provided by the Rural Economic Policy
Program of the Aspen Institute**



JOBS FOR THE FUTURE

One Bowdoin Square
Boston, MA 02114
Phone: 617-742-5995
Fax: 617-742-5767

July 1994



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Acknowledgments

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Acknowledgments

The authors would like to thank Francoise Carre of the University of Massachusetts for her invaluable assistance throughout this project. Mitchell Fromstein, Chairman and CEO of Manpower, Inc., was generous with his time and that of others in his organization. The comments and challenges of the project's advisory group, comprised of representatives of industry, government, academia, and the policy community, are also greatly appreciated. Marlene Seltzer also provided helpful comments. The authors have benefited from the advice and expertise of all these individuals. Of course, any errors of omission or commission are solely our responsibility.

Jobs for the Future wishes to thank the Rural Economic Policy Program of the Aspen Institute for its generous support of this study.

Preface

The United States labor market is in the midst of a dramatic and wrenching set of changes that are affecting the mix and nature of the jobs available to American workers, the skills required in many of those jobs, and the wages paid for different kinds of work. These changes are also having a powerful impact on the ways in which Americans look for and find work—and that is the subject of this Jobs for the Future study.

Employment security is becoming increasingly tenuous in this country. Last year, three-quarters of our nation's workers who experienced layoffs suffered permanent job losses. Across the economy, job tenure has become briefer, unemployment spells longer, and the likelihood of frequent career changes more common. It is becoming increasingly common for firms to offer workers temporary or other contingent work contracts as a way to evaluate the job match, rather than hire for permanent positions directly off the street.

In response, Americans have had to adapt their job search strategies. More and more workers find themselves in what some observers have called a "gray area" between permanent employment and complete unemployment, where they mix and match a variety of work experiences, training and education, and other services designed to make them more marketable and to help them find a new job. An increasingly important actor in this gray area is the temporary help, or staffing, industry—which has grown phenomenally in the past decades in the number of workers it employs, the services it provides, and the roles it plays in labor market transitions.

This study, by economist Dorie Seavey and Richard Kazis of Jobs for the Future, examines the lessons that might be learned from this fascinating and complicated industry. The authors begin with a general look at the temporary help industry and then report on a detailed case study of the intake, assessment, training and placement practices of the largest and one of the most innovative firms in the industry—Manpower, Inc. They use their research to explore two important policy questions: 1) what can be learned from the intake, assessment, training, and placement activities of temporary help firms that might be relevant as the nation tries to "reinvent" public sector employment programs?; and 2) how transferable are these lessons to segments of the population or occupational clusters not currently being targeted by the industry's firms?

The authors conclude that there is indeed a lot to be learned from the technologies and strategies that temporary help firms use to assess, train, and place their workers. They are especially impressed with: the relationships that firms such as Manpower develop with their customer firms; the amount of information they collect and use about firms, the local labor market, changing technologies, and the skills and interests of their temporary

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workers; and the tools they have developed to assess worker skills and to train office workers on new computer packages.

They believe that in three distinct policy areas designed to smooth difficult labor market transitions—work-to-work, welfare-to-work, and school-to-work—policymakers should engage in dialogue with firms in the temporary help industry and look closely at possibilities for combining temporary work with other services that can help certain populations make a better transition to or back into the workforce. However, the authors are careful to emphasize the need for much more research and understanding of who the temporary help industry works best for—and why—before any general conclusions can be drawn about the transferability of lessons from current “best practice” within the staffing industry.

Jobs for the Future hopes that this paper will stimulate further discussion between the industry and policymakers at the national and state levels—and perhaps some experimentation with demonstration projects and new models. There is little question that the role of this industry in the labor market will continue to expand. Employment and training policymakers at the local and national levels who were interviewed for this study emphasized that the public sector needs to catch up with trends that this industry understands and is capitalizing upon. Whatever one believes about the balance between positive and negative impacts of the staffing industry, we believe that its experience and perspective needs to be incorporated more effectively in current debates about how to redesign and reinvigorate public sector employment and training efforts.

We hope this paper accelerates that process, while also furthering the kind of careful and rigorous research that is still needed if we are to have a better understanding of the impacts of the temporary help industry on its workers—and on the labor market fortunes of a growing number of Americans.

Hilary Pennington
President

Executive Summary

In the current era of increasingly tenuous employment security, American workers are likely to hold a greater number of "permanent" jobs over their lifetimes than ever before. These jobs will be interspersed with stints of unemployment, but also with various kinds of contingent employment and time out for retraining and preparation for new careers. Each day, millions of Americans find themselves navigating through the "gray area" of the labor market between permanent employment and absolute unemployment, where they experiment with different combinations of work and various public and private sector services that can help them acquire new job skills, become job ready, and seek, and ultimately find, employment.

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Executive Summary

This study is about one specific institutional actor in this gray area—the temporary help firm—whose traditional labor market role has been that of short-term labor broker. Temporary help companies have become part of the mix of private and public institutions that can speed transitions in the labor market for some workers by facilitating job search, job shopping, and job placement. Indeed, if the temporary help industry's claim that 30 percent of its temporary employees get full-time jobs as a result of temporary placements is even roughly accurate, then temporary work has become a critical way-station to permanent work and a job search strategy of significance in the American labor market. Moreover, the methods that some temporary help firms have developed for assessing skills, providing training, and for finding jobs for their employees offer useful lessons to policymakers concerned with improving the transitional mechanisms by which Americans find new employment.

This study combines an overall look at the temporary help industry with a detailed examination of the practices of its largest and perhaps "best practice" firm, Manpower, Inc., currently the nation's biggest private employer. The overview focuses on how the industry's roles and functions have changed. The case study places particular emphasis on Manpower's strategies and programs in the areas of skills assessment, job placement, training, and relationships with its customers—the strategies that enable Manpower to be successful in matching individuals with jobs.

The ultimate goal of this study is to highlight what public policymakers might learn from the methods that firms in the temporary help industry have developed for skills assessment, training, and job matching. We explore the potential roles that temporary work and staffing firms might play in a revitalized national employment system and suggest areas for productive and creative collaborations between the private and public sectors. At the same time, we emphasize the critical need for empirical research on the labor market histories, transitions, and prospects of different groups of temporary workers in order to guide policy development in this area.

The Temporary Help/Staffing Industry

Since its inception in the 1920s, the temporary help industry in the United States has had a dynamic history, growing and adapting to the evolving needs of American business and the requirements of ever-changing workplace technologies. In recent years, the industry has been subject to increasing scrutiny as its importance to the American economy has been recognized and its economic impacts questioned.

While total employment in the temporary help industry represents only a small segment of the total U.S. workforce (1.4 percent in 1993), the rates of growth in this industry over the last two decades, measured by both annual industry payroll and total employment, have been impressive. Today, the staffing industry is one of the fastest growing segments of the U.S. economy; and there is little indication that it is slowing down.

This study begins by providing perspective on the evolution of the temporary help industry through an historical overview of the industry's development and growth and an examination of its current size and structure. We also describe what is known about the demographic composition of temporary employees, although the most complete composite of temporary workers in the United States is unfortunately nearly a decade old.

Current industry trends are described and analyzed in detail. The most significant developments in the past decade have been in the assessment, placement, and training of temporary employees and in the development of new services to corporate clients.

Temporary help companies have taken on a complex and expanded job placement role. Some of the largest and most aggressive staffing firms have developed the ability to provide sophisticated skills assessment for their temporary employees. They have also capitalized on the fast pace of change in office automation and the changing skill requirements of a modern computer-literate workforce by developing specialized expertise as computer trainers for the permanent employees of other firms as well as for their own workforce.

As the industry has grown and matured over the past decade, the relationship between temporary help companies and their customers has changed dramatically. Temp firms are developing longer-term partnerships with the companies that hire their workers. A growing share of staffing firms' business comes not from episodic, "fill-in," or emergency services but rather from an array of innovative human resource services such as volume arrangements and sole sourcing, on-site coordinators, outsourcing, temp to full-time programs, payrolling, permanent staff training, and outplacement services. These value-added staffing and human resource services tend to be delivered in the context of an ongoing consulting relationship in which the temporary services firm takes on some of the functions of a firm's personnel department.

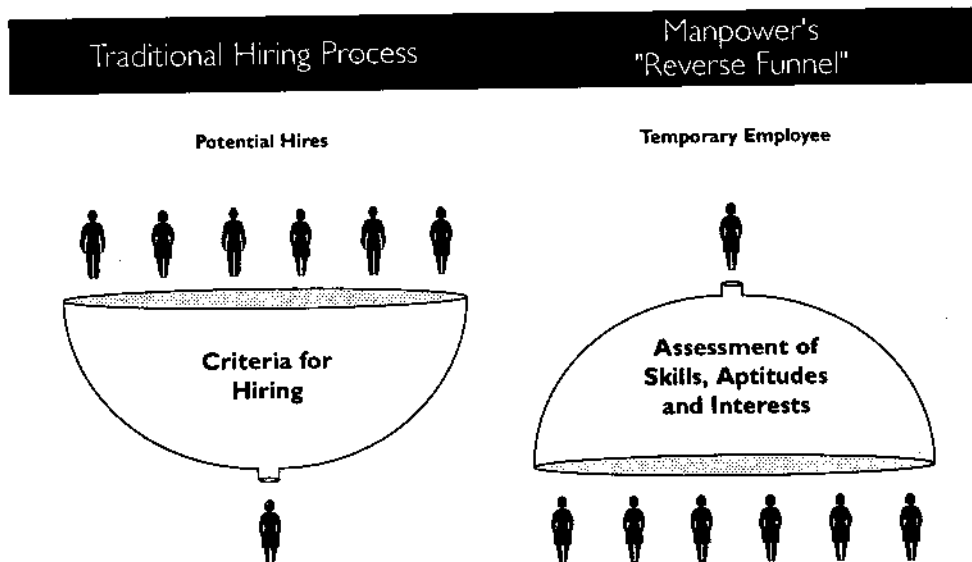
Profile of Manpower, Inc.

While the rapid growth of the temporary help industry is well-documented, less is known about how the industry's leading firms actually conduct their business and serve both their customer firms and their temporary employees. This study begins to fill this gap by providing a detailed look at the job-matching strategies and activities of Manpower, Inc., the largest firm in the staffing industry and a firm that has invested heavily in the development of sophisticated proprietary assessment and training programs.

Employment and training policymakers can learn a lot from Manpower's technology for making successful matches between temporary employees and jobs that clients need done—a process that involves comprehensive, ongoing assessment and evaluation of the worker, the customer firm, and the specific job. The components of Manpower's job-matching process are described in detail, including the assessment of customers' work environments and needs, intake and assessment for industrial and office work temporaries, computer-based training for office work, job matching and placement, and performance evaluation.

Our review of Manpower's practices suggest four key features of the company's approach that are instructive as federal and state policymakers consider ways to improve public sector assessment, training, and job search and referral systems. These are:

1. *The sheer volume of detailed information generated and used to make the job match:* Information about the temporary employees, the jobs available, the local labor market and economy, and the business needs of Manpower's customers.
2. *The company's "reverse funnel" approach to skills assessment.* The job-matching process for most permanent positions involves screening a group of people with different talents and expertise in order to select the best



candidate for a specific job. The reverse funnel idea is that each individual enters his or her own unique, inverted funnel where careful assessment of skills and interests drive the identification of multiple jobs that he or she wants to do and for which he or she is qualified. The reverse funnel metaphor emphasizes screening individuals *into* jobs while the conventional paradigm screens people *out* of jobs by selecting one from the many.

3. *The design of Manpower's computer-training programs for office workers.* These self-paced tutorial programs use everyday language and are designed to be time-efficient and directly related to job requirements. They presume that computer-based skill training for lower-skill and entry-level positions is important. They can be readily customized to the specific needs of client companies and they can be quickly updated and adapted to new releases. In theory, they permit both skill upgrading toward somewhat higher paying jobs and cross training for lateral mobility in the job market.
4. *The ability of local Manpower offices to access temporary employment opportunities.* Manpower's job access depends on three key factors: 1) the company's information base on its temporary employees, its customer firms and their jobs, and the local labor market and economy; 2) the ability of the local Manpower office to quickly identify the appropriate temporary employees for the customer's job order; and 3) the fact that employers *want* to hire workers who have been pre-screened, prepared, and trained by Manpower.

Implications for Public Policy and Further Research

Heightened job insecurity and greater reliance on contingent work in place of permanent jobs have changed the dynamics of seeking and securing employment for many Americans. In this new economic reality, there is a greater need for creative and effective policy instruments and institutions to help American workers make faster, smoother, and more successful labor market transitions. Public policy faces a challenge: to move away from a traditional, static concept of "unemployment" toward a dynamic and comprehensive national program of "re-employment" designed to prepare and place *all* workers in need of transitional services and new jobs. President Clinton's emphasis on "economic security" and the U.S. Department of Labor's efforts to make re-employment for dislocated workers a central labor policy theme are clear steps in this direction.

The question explored in the last section of this study derives from this challenge: *What role can and should temporary work and temporary help firms play in a new employment policy system?*

Temporary work in general has developed a bad name because, as it is currently structured, it often undercuts economic security: wages are lower, benefits less generous, and investments in worker skills more limited relative to permanent work. Moreover, a significant segment of the temporary workforce would rather be permanently employed. Yet, these problems are

not inherent in the nature of temporary work. Rather, they are a function of the institutional and social contexts within which temporary work is organized in this country. Moreover, there are aspects of temporary work and of the activities of staffing firms that might be creatively combined with other labor market and social policies to help a broad range of Americans have greater success—and, ultimately, security—in an increasingly unstable and competitive labor market.

Two aspects of the staffing industry's experience stand out as particularly relevant for national policy development. These are:

1. *short-duration employment* that enables workers to rotate through different workplaces and jobs, giving them greater perspective on their options and a greater network of connections with people who have jobs to offer; and
2. *skills assessment, training and placement expertise*, housed in the industry's firms, that can help improve the job-matching process in both the private and public sectors.

We argue that, if it is integrated into a structured package of services and opportunities, temporary employment could be a useful work model for some populations targeted for employment assistance. Such a package could include income support, skills assessment, training, job placement assistance, and case management services. Our study proposes a number of areas for possible public/private collaboration and partnership, organized around three difficult labor market transitions: work-to-work; welfare-to-work; and school-to-work. A common theme in each is the potential power of temporary employment as a transitional strategy for certain populations when combined with education, training, and other services.

In addition, the study proposes a second set of collaborations that could capitalize on staffing firms' experience with assessment, screening, and placement. In general, increased communication and exchange between the industry and the federal government that enables federal officials to learn from the experience of the industry's leaders in product development, cost efficiencies, and market strategies would be useful. Such interaction could also lead to more intensive relationships between the private and public sectors, either as contractors or as partners in innovative service delivery. Private firms could become vendors to the public sector for products and services. They could also develop joint ventures with the government to deliver services to particular target populations. Examples include the development and dissemination of skills assessment tools and methodologies and/or training packages for workers enrolled in publicly-sponsored training programs, and staff development for U.S. Employment Service or other publicly-funded job referral providers.

However, to be able to determine the breadth of transferability of some of the lessons from the successful products and activities of the staffing industry, or to argue with full confidence for a dramatically increased reliance on temporary work as a part of a re-employment system, we

need to know more about who benefits and does not benefit from temporary work and why. Rigorous research must be conducted on two broad questions: 1) how well does the industry serve its existing workers in terms of mobility, advancement, and opportunity?; and 2) how transferable is the industry's success with certain populations and occupational niches to a more general public and other kinds of job opportunities? The study presents a detailed research agenda for each of these questions.

In addition, we suggest that a series of demonstration projects be undertaken that encourage the use of temporary work and staffing firms as partners in government efforts to improve the transitions between jobs, and from school to work and welfare to work. Such an initiative could create the basis for collaboration and solving the various design, implementation, and policy challenges involved. It could be of limited duration, open to public comment and scrutiny, and subject to documentation and analysis. Done right, it could constitute a significant step toward exploring strategies for integrating temporary work and the temporary help industry into federal employment and re-employment policy. And it could also break through the ideological posturing that has characterized existing debates on temporary work in the United States.

I. Introduction

Setting the Stage

The popular understanding of our national labor market harkens back to an earlier era, one very different from our own.¹ We tend to categorize people as if they were always in one of two mutually-exclusive states: permanent employment or absolute unemployment. But this traditional dichotomous view of the labor market, bolstered by the categories used in national employment statistics, is outdated. It obscures a very important and growing "gray area" between unemployment and permanent employment (Davies and Esseveld, 1989).

Each day, millions of Americans find themselves neither working at a permanent job nor completely unemployed. Consider these examples:

- An industrial worker loses his job and begins receiving unemployment benefits. After his benefits run out, he settles for a part-time job, enrolls in a government-sponsored retraining program, and plans his next career move.
- After losing his job of twenty years, a 58-year-old computer software engineer holds three different jobs in three years and then looks for a full-time position for over a year while taking courses to update his technical skills and learn a new computer language. He finally decides to establish himself as a solo professional, setting up an office in his home and soliciting contracts from local companies with which he has contacts.
- A young woman finishes college, begins to search for a first job, but is unsuccessful. She turns to temporary employment, gets to know people at a few different workplaces, and keeps looking for a permanent job.
- A woman returning to the labor force decides to use temping as an interim strategy for earning income and for learning a few new software packages that might make her more attractive to a new employer.
- A recently-arrived immigrant works irregular hours for a cooperative housecleaning venture run by a community-based agency. The cooperative provides training and access to English classes, and work is distributed according to a point system that rewards co-op members for participating on committees and for attending meetings and English classes.

Each of these workers is in transition. Neither unemployed nor permanently employed, each is pursuing a range of labor market strategies in an effort to build a more secure economic future. In the process, these workers come into contact with various public and private employment and training programs that assist individuals to become job ready, acquire new job skills, conduct job searches, and ultimately find work.

This study is about one specific institutional actor in this gray area—the temporary help firm. We argue in this paper that temporary help firms are part of the mix of private and public institutions that can speed transitions

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¹ For a historical treatment of the way we think about unemployment, see Piore (1987).

² *Manpower, Inc., the largest firm in the temporary help industry, has claimed that 30 percent of its temporary employees get full-time jobs as a result of temporary placements. Additionally, Mitchell Fromstein, Manpower's Chairman and CEO, testified before a Congressional committee that "Perhaps our [industry's] most significant contribution to the mechanisms of the labor market is that we are quietly responsible for the migration of almost 1,000,000 people annually from a temporary employment status to permanent employment" (Fromstein, 1988). There is some discrepancy between these two assertions: a 30 percent transition rate to full-time employment for Manpower's temporary employees versus a 15 percent rate for the industry as a whole (one million people a year in an industry that employs about six million people annually). In either case, however, a significant number of workers appear to be finding permanent work through temporary employment.*

³ *See Katharine L. Bradbury, "Shifting Patterns of Regional Employment and Unemployment: A Note," New England Economic Review, Sept./Oct. 1993, Federal Reserve Bank of Boston, pp. 3-11. Bradbury reports that in the most recent recession, "a greater share of the job loss has been permanent than is typical in recessions... Recessions are typically dominated by rising layoffs—temporary job losses... Those who are let go, not expecting to be called back, typically experience a considerably longer duration of unemployment than those who are laid off" (pp. 4-5).*

⁴ *See evidence on the problem of long-term unemployment in U.S. Department of Labor (1994), p. 3.*

⁵ *For example, according to one survey, over half of young American men hold six or more jobs during their first ten years after joining the labor force. "Musical Chairs," The Economist, July 17, 1993, p. 67.*

in the labor market for some workers by facilitating job search, job shopping, and job placement. The temporary help industry claims that 30 percent of its temporary employees get full-time jobs as a result of temporary placements. According to a new survey of 2189 temporary employees sponsored by the National Association of Temporary Services (NATS), 38 percent of respondents report being offered a full-time job by the company where they were sent on assignment (NATS, 1994b). If these claims are even roughly accurate, then temporary work has become a critical waystation to permanent work and a significant job search strategy in the American labor market.² Moreover, we believe that the methods some temporary help firms have developed for assessing skills, providing training, and finding jobs for their employees offer useful lessons to policymakers concerned with improving the transitional mechanisms by which Americans find new employment.

The backdrop for this study is the ever more tenuous nature of employment security in this country (and internationally), a trend which shows little sign of abating. Companies are strategically shedding permanent workers in response to increased global and national competition. By so doing, they hope to keep core labor costs down, increase their hiring and staffing flexibility, and raise productivity. Growing numbers of firms are hiring outsiders to perform functions and tasks that before were the responsibility of company employees. In addition to hiring more part-timers, freelancers, subcontractors, and independent professionals, firms are increasingly outsourcing the staffing of non-core company activities, often to temporary service companies. These changes in staffing practices represent a fundamental shift away from the experience of the post-war era, which was characterized by long-term employment contracts, strong worker attachment to firms, and highly-developed internal labor markets.

The amount of "churning" in the labor market appears to be on the rise as the economy adjusts to these ongoing and fundamental changes in how work itself is organized and distributed. In today's economy, job tenure is briefer; a higher proportion of recent rounds of job losses have been permanent (as opposed to temporary layoffs);³ unemployment spells are longer;⁴ and occupational mobility is greater than at any time since the 1950s. Over the course of a person's work life, individuals today are more likely to have multiple unemployment stints, nonpermanent work stints, and a greater number of "permanent" jobs than in the past.⁵

In response to these changes in the nature of employment opportunities, American workers are devising new and varied strategies for entering and re-entering the labor market. Even for workers who eventually find permanent jobs, the road to re-employment is less and less likely to involve a short trip through a period of unemployment and job search to a new permanent job. The re-employment process (and the path for a new job entrant) often requires a shifting mix of strategies that includes some "retooling" or further education combined with part-time, temporary, or some other type of contingent employment. While for most people these transitional strategies eventually lead to a permanent job, some workers choose to make careers out of non-permanent employment. Still others—and it is important that

research be conducted to ascertain how many—find themselves locked into insecure work situations that do not meet their economic needs and provide little opportunity for mobility.

Study Rationale and Purposes

In the 1980s, the debate about the temporary help services industry focused primarily on explaining the reasons for the rapid growth in temporary employment during that decade and on the negative effects of the growth of temporary employment on wages, benefits, and worker protections. (See the Appendix for a summary of this research.) This literature has emphasized the need to develop incentives for the creation of full-time jobs, to take steps toward ensuring the quality and remuneration of lower-skilled jobs, and to extend benefits and workplace protections to temporary workers. These proposals remain critical public policy issues that require attention, particularly as the temporary help industry continues its rapid growth.

This study has a different starting place. We begin by accepting that temporary work, once an anomaly in the workplace, has become a permanent fixture of the American economy. The expansion of this industry cannot be reversed. In this study, we focus narrowly on some of the industry's more innovative practices. We investigate what, if anything, might be learned from this industry—and from one firm in particular—about how to facilitate and speed the labor market transitions of different groups of workers.

This study combines an overall look at the temporary help industry with a detailed examination of the practices of its largest and perhaps "best practice" firm—Manpower, Inc. The industry overview focuses on how the industry's roles and functions have changed. The case study places particular emphasis on Manpower's strategies and programs in the areas of skills assessment, job placement, training, and relationships with its customers—the strategies that enable Manpower to be successful in matching individuals with jobs. We focus on Manpower because it is the largest temporary help firm in the United States and the world and because it has explicitly adopted a competitive strategy emphasizing sophisticated efforts to add value to its temporary workforce through assessment of individual skills and clients' workplaces, computer training, and aggressive job matching and placement.

In the final section, we explore what policymakers might learn from the methods that firms in the temporary help industry have developed for skills assessment, training, and job matching. We consider which lessons from this experience are transferable to public sector labor market functions. And we assess the limitations to such transferability, given the significant differences that exist between temporary help firms and public sector job matching services in their target populations, incentive structures, and relationships with private employers.

Ultimately, we wish to stimulate discussion and debate on broad issues concerning how the public sector can better assist American workers with

labor market transitions in an economy that demands flexibility, adaptability, and resilience. Our goal is to push the nation's thinking about what labor market policy could look like were it to recognize explicitly the growing importance of the gray area between unemployment and permanent employment. For this gray area is fast becoming the primary arena in which people transition through multiple stints of permanent employment, unemployment, part-time and temporary work. And it is in this gray area where individuals are most likely to require assistance with training, education, and job search.

Rethinking the traditional dichotomous view of the labor market leads directly to the challenge of reinventing "unemployment" policy—that is, devising better protections and opportunities for people who are transitioning in and out of jobs and the labor market. What could a dynamic *re-employment* system look like? Can society offer workers between jobs something more comprehensive and supportive than, as one journalist has put it, "unemployment compensation and 'temp' stints" (Kuttner, 1993)? What processes really help people transition from job to job or back into the labor market? How can those processes be improved and accelerated?

The federal government is beginning to address some of these basic questions, as evidenced in the Administration's current proposal for reorganizing the nation's workforce policy. The goal of the Re-employment Act of 1994 is to begin to restructure the existing unemployment system into a "re-employment system" that is more responsive to the needs of dislocated (permanently laid-off) workers (U.S. Department of Labor, 1994). The proposed new system will provide more flexible unemployment benefit options, increase federal support for long-term training, establish a national labor market information system, and create a single comprehensive system of job services for permanently laid-off workers. Although focused on the problems of dislocated workers, this reform effort can be seen as an initial step toward creating a more comprehensive national system for preparing and placing *all* workers in need of transitional services and new jobs. The policy section of this study considers the possible roles for temporary work and temporary help firms in the design and provision of employment and re-employment services within such a restructured system.

This study is structured as follows: Section II presents an overview of the temporary help industry and highlights recent industry trends; Section III presents a detailed profile of Manpower, Inc. and assesses the most important features of the employment and job-matching processes that Manpower has developed; and Section IV considers the implications for labor market policy and further research raised by this examination of the temporary help industry and its largest representative, Manpower.

II. The Temporary Help/Staffing Industry

Introduction

Since its inception in the 1920s, the temporary help industry in the United States has had a dynamic history in which it has continued to grow and adapt to the evolving needs of American business and the requirements of ever-changing workplace technologies. In recent years, the industry has been subject to increasing scrutiny as the importance of this industry to the American economy has been recognized and its roles in the economy questioned.⁶ This section provides some perspective on the history and development of the temporary help industry.

We begin by carefully defining the small but rapidly growing part of the non-traditional labor force that is the subject of this study: workers hired out by temporary help services. The history of the industry that employs these workers is briefly surveyed, followed by an examination of the current size and structure of the industry, and a description of what we know about the demographic composition of temporary employees and the nature of their work. Finally, current industry trends are described and analyzed, including the proliferation and sophistication of the services offered by temporary help firms, and developments in assessment and training programs for temporary employees.

Defining Temporary Work

This study is concerned with the labor market functions played by temporary help service companies, known popularly as "temp firms." Transactions in this industry involve a triangular arrangement: a temporary services firm hires a worker for the purpose of placing that individual in a temporary assignment or special project with a customer firm. An employer/employee relationship exists between the temporary help company and the temporary employee, and a supplier-purchaser relationship exists between the temporary help company and its business customer.

A temporary help firm differs from both a traditional business, which employs its own workers to produce its own products, and from an employment agency, which charges a fee for recruiting an employee for a firm. Unlike either, the temporary help company recruits and employs its own workforce to provide services to other firms. The temporary help firm pays the employee, withholds and pays all employment taxes, provides worker's compensation coverage, and has the ultimate right to hire and fire. Customers, on the other hand, control working conditions at the worksite, determine the length of the assignment, and often supervise and direct the employees' day-to-day work.⁷ The customer is billed on an hourly basis for an amount covering the employee's wages and benefits, unemployment insurance and worker's compensation, the company's selling and general administrative expenses, plus a mark-up for profit.

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II. The Temporary Help/Staffing Industry

⁶ For recent scrutiny in the popular and business press, see Jaclyn Fierman, "The Contingency Work Force," *Fortune*, January 24, 1994, pp. 30-36; Lance Morrow, "The Temping of America," *Time*, March 29, 1993, pp. 40-41; Janice Castro, "Disposable Workers," *Time*, March 29, 1993, pp. 43-47; Peter Kilborn, "New Jobs Lack the Old Security In a Time of 'Disposable Workers,'" *New York Times*, March 15, 1993, p. A1; and Steven Pearlstein, "Business and the Temp Temptation: A Permanent Situation," *Washington Post*, October 20, 1993, p. C11.

⁷ Lenz (1992), p. 2. "Co-employment" is the term used to refer to the legal relationship between the staffing firm, the employees it supplies, and the customers that use the services. The co-employment relationship may impose legal duties on the customer as well as the temporary services firm in important areas such as labor relations (collective bargaining arrangements), workplace safety (as specified under the federal Occupational Safety and Health Act (OSHA)), and civil rights (including Title VII claims and the employment provisions of the Americans with Disabilities Act (ADA)). See Lenz (1992).

The duration of temporary help service arrangements varies according to the work functions performed. Office and clerical temporaries are often needed to fill-in for employees who are ill or on vacation. Industrial temporaries are often needed for peak-period workloads. Technical temporaries are usually hired for the specialized skills that they bring to projects of limited or finite duration.

Temporary employment arranged by temporary help firms is one subset of a larger class of employment relations variously referred to as "contingent," "flexible," or "non-standard." (We will use the term contingent). Despite definition and measurement challenges, the term contingent work is generally accepted as a useful way to refer to jobs in which the employment relationship differs from the full-time, full-year, relatively permanent standard.

Contingent work, as typically defined, comprises a range of so-called non-traditional work arrangements. These include various forms of temporary work (short-term direct hires,⁸ work obtained through temporary service firms, on-call arrangements between particular employees and employers), part-time work,⁹ home-based work, work performed by leased employees, subcontracted work, and independently contracted work.

Estimates of the aggregate size of these very diverse workforce categories range from one-quarter to one-third of the entire labor force. Part-time employment constitutes the largest component of the contingent workforce, with over 20 million people working part time in 1992, or approximately 19 percent of total nonagricultural employment (Bureau of Labor Statistics, 1993). The number of workers employed by temporary help services companies is comparatively small: in 1993, this industry employed an average of 1.6 million people per day, or 1.4 percent of the total non-farm workforce (NATS, 1994b).

A Brief History of the Industry

The temporary help industry in the United States had its beginnings in the late 1920s and early 1930s in Chicago, from where it spread steadily, first through the upper Midwest. The idea of hiring out temporary help appears to have been arrived at separately in the industrial, clerical, and technical fields.

The use of temporary *industrial* help is usually traced to the D.J. Nugent Co., a stevedoring business in Milwaukee. During the late 1920s, when business unloading lake boats and box cars fell off, Nugent experimented with hiring out some of his employees on a temporary basis to a nearby manufacturing plant. Temporary *technical* workers became more common during the 1930s, when the automotive industry began hiring engineers on a short-term basis to help design new car models (Joray and Hulin, 1978). The first temporary *office* help firm is often credited to Samuel Workman. Although Workman's main business was selling calculating machines, in the 1920s he started a side business employing women to do night-time inventory work for his customers.¹⁰ In 1929 he entered the business full time, supplying temporaries first to operate electric adding machines for company clients and then for typing and general clerical work.

⁸ Direct hires refer to arrangements made directly between firms and workers. Although no firm numbers are available, it is generally thought that the number of direct hires exceeds the number of people employed by temporary service firms. For information on direct hires and on-call workers, see Carre (1992).

⁹ For a survey of information available on part-time work, see Chris Tilly, "Short Hours, Short Shift: The Causes and Consequences of Part-Time Employment," in duRivage (1992).

¹⁰ Many of these women had been discharged from permanent jobs because of marriage as a result of spread-the-work movements.

World War II and the labor shortages it generated gave all three segments of the temporary help industry a boost that continued through the post-war boom. Starting from a base of only a few thousand temporary office employees in the mid-1940s, by the end of the decade several of today's largest temporary clerical help firms were incorporated including Manpower, Kelly, and Olsten.¹¹ A number of temporary firms specializing in industrial labor were also established soon after the war. Because of the high demand for technical manpower for war production, contract engineering firms made substantial profits during the war. Many new firms entered the technical help industry, responding to the growth of electronics and defense-related industries. Four of the five largest technical temporary help firms were founded between 1946 and 1950 (Joray and Hulin, 1978).

In the 1940s and 1950s, temporary firms were called on to fill positions in emergencies caused by the absence of regular employees, or by peak periods or sudden upswings in the volume of work. Office help firms assigned workers to routine calculating, typing, and clerical work.¹² Industrial help firms generally supplied men for manual labor assignments outside the main function of the enterprise, such as materials handling or custodial work. During these decades, the temporary industrial workforce was typically viewed as unstable and characterized by high rates of unemployability or delinquency. Many operations that hired temporary industrial workers developed reputations for exploitative work practices and unsafe work conditions.

In the 1960s, a period marked by inflation, recessions, increasing costs, and decreasing profit margins, businesses began to make more systematic and planned use of temporary services to respond to work load fluctuations caused by seasonal demand, inventories, fiscal closings, tax season, and budget preparation. Firms turned to temporaries in order to avoid overstaffing and to control operating costs.

During this growth era for the industry, temporary help companies broadened the services they provided and added to the categories of personnel they made available.¹³ Large temporary firms expanded and independents entered the market. From 1963 to 1967, the number of firms providing office temporaries increased by approximately 50 percent, from 816 to 1224, and sales increased by almost 100 percent, from \$159 million to \$331 million. By 1968 an estimated 450 firms were selling temporary technical services with estimated sales in 1967 of \$800 million to \$1 billion (Joray and Hulin, 1978).

Temporary service firms in the 1960s became more aggressive and sophisticated in their marketing, public relations, and advertising strategies. They advertised on radio, billboards, and on mass transit. Some placed recruitment brochures in grocery bags at supermarkets to try to tap the latent labor supply of suburban housewives who might not want to work full-time or full-year. Workman Diversified and Olsten even used mobile recruiting offices—"employmobiles"—that parked in suburban shopping areas, tested prospective employees on the spot, and hired successful candidates immediately (Firney and Dasch, 1991).

¹¹ Other firms incorporated during this time period include *Employer's Overload*, *Labor Pool, Inc.*, *Office Overload, Ltd.*, and *Western Girl, Inc.* Moore (1965).

¹² The office technology used by temporary clerical workers consisted of the typewriter, the multi-typer (a central control machine connected to five typewriters), the dictating machine, the adding machine, and the comptometer (an early calculator).

¹³ Office technology continued to change with the introduction of the touch-tone telephone, the electric typewriter, the key-punch machine, and the copier.

In the 1970s, the industry continued to grow and to diversify into new areas of employment, including an array of technical occupations and marketing positions. A new segment of the industry that began to take off was temporary staffing for healthcare-related services including nurses, licensed practical nurses (LPNs), laboratory technicians, and home healthcare aides.

An Overview of the Industry Today

How big is the industry and how fast is it growing?

The temporary services industry is among the five fastest growing industries in the United States, expanding at an annual rate of 15.7 percent over the period 1970 to 1990, despite the impact of four recessions (Sacco, n.d.). Current annual expenditures on temporary employees reached more than \$28.4 billion in 1993, up from \$24.9 billion in 1992 (NATS, 1994b). Today, temporary help services are widely used across American business and industry. Indeed, it is estimated that nine out of ten businesses in the United States have used the services of a temporary firm at some time.¹⁴

As shown in Table 1, annual payroll for the temporary services industry increased by 412 percent in the 1970s and 324 percent in the 1980s. In 1993, annual payroll reached a record high of almost \$20 billion, up from \$13.7 billion in 1990 (NATS, 1994b).

Although total employment in the temporary help industry constitutes a very small portion of the total U.S. workforce, it has grown at a rapid pace over the last two decades. As indicated in Table 1, from the early 1970s to the early 1980s average daily employment in this industry increased by nearly 2.5 times. From 1983 to 1993, the number of people working for temporary service firms more than tripled, from 471,800 to 1,635,500.

Looking ahead, this industry is expected to continue to grow. Some industry leaders "seem actually embarrassed about the extent of their (short-run) optimistic business outlook," according to one industry newsletter (Staffing Industry, 1993). In another analyst's view, this optimism is justified for the rest of the decade:

A recovering economy, while not a panacea, should provide a tail wind [for the industry] for at least the next two to three years, augmenting the underlying growth from important secular changes. We expect these changes will produce greatly increased penetration of temporary staffing in the workforce by the year 2000 (Scott, 1993b).

Historically, the fortunes of the industry have been quite sensitive to business cycles, with demand for temporary services increasing in the early stages of a recovery and then falling off as the business cycle bottoms out. Recently, however, the hiring patterns of temporary workers have become less cyclical than in the past, reinforcing the perspective that temporary workers have become an established component of the regular staffing strategies of corporate America.

¹⁴See surveys cited in Losey, *Modern Office Technology*, August 1991; Morton Grossman & Margaret Magnus, "Temporary Services: A Permanent Way of Life," *Personnel Journal*, January 19, 1991, pp. 38-40; and "Temporary Workers Fill Key Jobs, Ready for the Future," *The Office*, May 1991, p. 32.

TABLE 1**Annual Payroll & Average Daily
Employment in the Temporary Help Industry**

1970-1993

Year	Payroll (in millions)	Average Daily Employees (in thousands)
1970	547.4	184.4
1971	431.6	150.6
1972	506.3	164.6
1973	661.4	203.7
1974	955.4	250.6
1975	853.0	186.6
1976	1081.4	233.3
1977	1470.5	293.7
1978	1970.5	348.2
1979	2805.4	436.4
1980	3117.2	416.1
1981	3483.8	401.4
1982	3427.5	406.7
1983	4008.7	471.8
1984	5399.0	622.4
1985	6375.6	708.2
1986	7147.6	807.6
1987	9823.0	948.4
1988	11,898.0	1042.6
1989	13,218.0	1031.5
1990	13,675.0	1165.2
1991	13,945.0	1149.6
1992	16,737.0	1348.6
1993	19,661.0	1635.5

Sources:**Payroll**

1989 & prior: US Bureau of Labor Statistics, SIC 7362.

1990-93: NATS and Lauer, Lalley and Associates survey for NATS.

Employment¹⁵

1989 & prior: US Bureau of Labor Statistics, SIC 7362.

1990-93: NATS and Lauer, Lalley and Associates survey for NATS.

What is the structure of the industry and which are the leading firms?

In the United States today there are 5000-7000 temporary service firms operating at approximately 16,000 locations. These firms range in size from very small independent operations to the largest firm in the industry, Manpower, Inc., which in 1992 employed 560,000 temporary workers domestically and earned \$4.1 billion internationally.

¹⁵Until 1990, the Bureau of Labor Statistics (BLS) collected data separately for Temporary Help Supply (THS) and Help Supply Services (HSS), using Standard Industrial Code (SIC) 7362 and 7363, respectively. In 1990 the BLS decided to eliminate THS as a reporting category and reclassified the data for THS into HSS, which also includes leased employees and miscellaneous personnel supply services (those not classified elsewhere). HSS is thus larger than, but is comprised mainly of, the old THS category. NATS has decided to privately contract with Lauer, Lalley & Associates, Inc. to conduct an annual census and quarterly surveys of the temporary help industry.

The second largest company in the industry is Kelly Services, Inc. Based in Troy, Michigan, and with company-owned offices primarily in the United States, Kelly had revenue of \$1.7 billion in 1992. Kelly offers office, marketing, technical, and light industrial staffing services. In addition, a subsidiary—Kelly Assisted Living Services, Inc.—provides aides and companions for in-home care for elderly persons.

The Olsten Corporation, based in Westbury, N.Y., is the third largest firm in the industry with revenues (company and franchises) of \$1.2 billion in 1992.¹⁶ Company-owned and franchised operations in both the United States and Canada supply office, light industrial, and technical services.

Olsten recently bolstered its healthcare division through two acquisitions: Upjohn Healthcare Services in 1990 and Lifetime Corporation of Boston in 1993. The acquisition of Lifetime will increase Olsten's healthcare business from 35 to 55 percent of company revenues (Hurtado, 1993). According to one industry analyst, Olsten will now have a dominant position as the largest staffing company in North America and the largest and most geographically diverse home healthcare company in the nation (Scott, 1993b).

In addition to the three industry giants—Manpower, Kelly, and Olsten—a handful of other firms dominate the industry, measured by sales revenue: Adia, CDI Corp., Interim Services, Robert Half International, and Uniforce.¹⁷

- ADIA operates in the general temporary help market, and, in addition, has four specialty divisions (placement of temporary and permanent accountant personnel, outplacement services, data processing personnel services, and temporary healthcare services in institutional staffing and home care). Adia's operations are all domestic with 530 company offices.
- CDI CORPORATION has three divisions: technical services (79% of total sales), traditional temporary help services (18% of total), and middle management recruitment (4% of total sales). Management Recruiters is the largest middle management recruitment company in the country.
- INTERIM SERVICES is part of H&R Block. Interim's business is about equally divided between medical and traditional temporary help. It is the second largest healthcare staffing company after the Olsten/Lifetime merger.
- ROBERT HALF is involved in both temporary staffing and permanent placement. RHI's Accountemps is the largest temporary help firm specializing in the placement of accountants, finance, and information systems personnel. Through its "Office Team" division, RHI provides high-end general office and administrative temporaries. In early 1993 the company acquired The Affiliates, a provider of temporary and permanent legal personnel in southern California. The company has 136 company-owned offices and 15 franchised offices. About 90% of revenues are generated in the United States, with the balance from Canada, the United Kingdom, Belgium, and France.

¹⁶Olsten Corporation (1992) Annual Report. Company revenues were \$980,030 in 1992.

¹⁷The company-specific information is from Scott (1993b) and various annual reports.

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- **UNIFORCE SERVICES** provides temporary help services and also out-sources back-office payroll and billing functions for independent temporary help companies. In addition, it provides payroll financing to temporary help companies. Uniforce has a total of 64 offices, 13 of which are company-owned and 51 which are licensed.

Among the eight largest staffing firms, some offer a full line of services (principally Manpower and Kelly) while others have adopted a more specialized niche approach (Interim, Uniforce). Others offer both general services and specialized ones (Olsten, Adia).

Leaving aside the industry giants, temporary help firms tend to be characterized by a high degree of diversification and specialization, since firms are offering basically the same type of service and must therefore develop marketing strategies to differentiate themselves from their competitors. Hundreds of highly profitable specialty staffing firms have emerged over the last decade in clerical and accounting services, marketing and sales, medicine, law, culinary arts, and corporate management.

In recent years, competition has heightened and gross margins are at a new low as firms compete by lowering their markups. Many small temporary help firms folded during the most recent recession as the larger players increased their market share (Schellhardt, 1992). Downward pressure on margins is attributable in part to the influence of large volume users and their partnership arrangements with temp firms.¹⁸

What kinds of work do temporary employees do?

The temporary services industry can be divided into five primary employment clusters (NATS, 1994b):

- **OFFICE/CLERICAL:** includes secretaries, general office clerks, filing clerks, receptionists, typists, word processing operators, data entry keyers, cashiers, etc.
- **INDUSTRIAL:** largely blue collar occupations including manufacturing personnel, factory workers, and shipping and receiving clerks. Temporary firms distinguish between light industrial tasks such as warehousing, loading, and unloading, and light technical tasks which refer primarily to electronic assembly jobs.
- **TECHNICAL:** includes computer programmers, systems analysts, designers, drafters, editors, engineers, and illustrators.
- **PROFESSIONAL:** includes accountants, auditors, paralegals, attorneys, sales and marketing personnel, middle and senior management, and chief executive officers.
- **MEDICAL:** includes supplemental staffing to hospitals, nursing homes, outpatient clinics, etc., and staffing for home healthcare by licensed RNs, LPNs, trained medical personnel, unlicensed home health aides, homemakers, etc.
- **MARKETING:** includes product demonstrators and telemarketing personnel.

¹⁸From the perspective of the temporary services firm, the combination of higher volume and lower selling and general administrative expenses may more than offset the effect of lower margins.

An estimate by the National Association of Temporary Services (NATS)—the leading trade association in the industry—of the occupational distribution of total industry payroll for 1993 is as follows (NATS, 1994b):

Office and Clerical	43.1 %
Industrial ¹⁹	30.4 %
Technical	12.0 %
Professional ²⁰	5.2 %
Medical	6.0 %
Marketing and other	3.7 %

Although office and clerical work still constitute the largest temporary help areas, today the fastest growing temporary job categories are data processing, light industrial assembly work, and home healthcare. In addition, increasing numbers of technical or professional temporaries are being hired to fill such jobs as doctors, dentists, lawyers, interim managers, and computer specialists.

Who works as a temporary employee?

The most complete composite of temporary workers in the United States is unfortunately nearly a decade old. Summary statistics from that profile are presented in Table 2. Using data from its 1985 Current Population Survey, the Bureau of Labor Statistics (BLS) reported that temporary employees in that year were disproportionately female, young, and black (Carre, 1992; Howe, 1986; Callaghan & Hartmann, 1991). A little less than two out of three (64.2 percent) temporary workers were women, compared to their proportion in all wage and salary jobs/industries of about 45 percent. Black workers were twice as likely to be temporary workers (20 percent) as they were to be workers in all industries combined (10 percent), and it was the high proportion of black men who accounted for the difference. According to the BLS, occupations in which black workers were concentrated in the temporary help industry mirrored the occupations in which they were concentrated in all industries.

Sex segregation historically has been common and widespread in temporary employment. In the BLS survey, 90 percent of administrative support temporary jobs, the largest occupational segment in the industry, were filled by women. In the next largest segment—industrial employment—90 percent of the workers were male. It appears, though, that an increasing proportion of light industrial temporary employees are women working in packaging, shipping, and electronic assembly work (Schellhardt, 1992).

One out of three temporary jobs in the BLS survey was filled by a young person (ages 16 to 24), as compared to one out of five workers in all industries. However, 58 percent of the temporaries were 25 to 54 years old and almost 10 percent were over age 55.

¹⁹Temporary industrial workers are not counted as manufacturing workers in the Labor Department's monthly tallies of employed people because temporary service companies are classified as service-sector companies. As reported in the New York Times, "a survey of companies that supply temporary workers, sponsored by the industry trade group (NATS) showed that the companies provided an average of 348,000 temps a day to manufacturers late last year. That was up from a daily average of 224,000 early in 1992." (Uchitelle, New York Times, July 6, 1993, p. A1.)

²⁰According to David Hofrichter, Managing Director of the Chicago office of the Hay Group, professionals constitute the fastest growing group of temporary workers. (See "Temp Work: The New Career," New York Times, September 12, 1993). See also Dyan Machan, "Rent-an-exec," Forbes, January 22, 1990, pp. 132-133; Ronald Henkoff, "Winning the New Career Game," Fortune, July 12, 1993, p. 47; and Susan Dieneshouse, "In a Shaky Economy, Even Professionals Are Temps," New York Times, May 16, 1993, p. F5.

TABLE 2**Employed Wage and Salary Workers in All Industries and in the Temporary Help Supply (THS) Industry, by Selected Characteristics**

May 1985

Percent Distribution Characteristic	All Industries	THS Industry
Age Total, 16 yrs & over	100.0%	100.0%
16 to 24	20.1	32.7
25 to 54	67.4	57.6
55 and over	12.5	9.7
Sex and Race		
Men	55.0	35.8
Women	45.0	64.2
White	86.9	75.4
Black	10.4	20.2
White	100.0	100.0
Men	55.7	33.2
Women	44.3	66.8
Black	100.0	100.0
Men	49.4	48.9
Women	50.6	51.1
Occupations		
Managerial & professional specialty	24.0	11.0
Technical, sales, & administrative support	31.6	52.1
Administrative support, including clerical	17.3	43.3
Service occupations	13.7	10.8
Precision production, craft, & repair	12.1	4.6
Operators, fabricators, & laborers	16.6	16.9
Farming, forestry, & fishing	2.1	4.4

Source: Howe, 1986.**Current Industry Trends**

The popular image of what temporary help firms actually do appears to have lagged behind changes in the industry during the last decade. The most significant of these changes are those that have occurred in the assessment, placement, and training of temporary employees and in product development (i.e. the development of new services to offer clients). Innovations in these two areas have been key to strategies by firms in the industry to increase and stabilize their market share and profitability. Developments in these strategic areas are described below, following a brief examination of changes in corporate management practices and the attendant marketing strategies of temporary service firms.

Structural changes in customer human resource strategies

The current prospects of the temporary help industry appear to have more to do with structural changes in corporate America than with business cycles in the economy. In increasing numbers, large corporations are stripping down to a core or lean workforce in order to cut costs even during recovery and expansion. In addition, a growing number of firms are focusing permanent staff on core and income-producing functions while hiring outsiders for clerical and back-office work, data processing, and other fairly routine work, as well as for certain special projects.²¹ As Manpower Chairman and CEO, Mitchell Fromstein, told the Staffing Industry Executive Forum last year:

If I were to identify a worldwide trend that's unmistakable, it is the tendency to take the contingent element of the labor force and expand on it as companies look for the ability to become more flexible in their labor costs. We didn't make that. We responded to it (Fromstein, 1993).

Marketing strategies of temporary service firms

While the temporary service industry may be reacting to broader corporate trends, it is moving aggressively to respond to clients' needs—and to help clients define those needs. The industry has become increasingly sophisticated in designing marketing strategies and products that generate greater stability in the demand for its services.

Through a variety of forums involving its corporate customers, the industry emphasizes the importance of "strategic" or "flexible" staffing as a way to enhance efficiency and productivity in the face of increased economic volatility. Its leaders argue that firms should try to achieve an "appropriate" or "optimal" mix of permanent and temporary employees so as to manage workload variances (planned and unplanned), undertake special projects, and assist in emergencies.²²

Another image frequently promoted by the industry is that of a "core-ring" staffing model. In the words of Samuel Sacco, Executive Vice President of NATS, "companies are discovering the advantage of supplementing their 'core' of full-time employees with a 'ring' of temporary employees which varies depending upon the level of activity" (Sacco, 1992). By allowing the ring purview over non-core functions or maintenance activities, Sacco argues that "temporary help is an element which assists business and industry to strengthen and gain market share. It enables them to concentrate their energy and talent on their business or service while making their staffing process much more efficient."

New client/supplier relationships and contracts

In the past decade, as the industry has grown and matured, the relationship between temporary help companies and their customers has changed dramatically. Temp firms no longer have to sell the concept of temporary help and instead are developing longer-term partnerships with the companies that hire their workers.

²¹For an analysis of the pros and cons of different cost-cutting and performance-enhancing strategies, see Appelbaum (1993); Appelbaum and Batt (1993); and Schneier, Shaw, and Beatty (1993).

²²Among the purported benefits of achieving such a mix are: (i) maximizing the efficiency of temporary and permanent staff; (ii) converting personnel costs from fixed to variable; (iii) shielding core staff from demoralizing downsizings; and (iv) increasing overall productivity as permanent employees concentrate on their core duties without the prospect of possible future layoffs.

While temporary service firms are still called on to provide fill-ins for absent workers, a growing share of their business comes not from episodic, emergency services but rather from an array of innovative contract and managed human resource services. These value-added staffing and human resource products are delivered in the context of an ongoing consulting relationship in which the role of the temporary services firm is to help their clients project and plan for a wide range of staffing needs (Finney and Dasch, 1991). Mitchell Fromstein of Manpower calls this trend toward the provision of more sophisticated packages of human resource services a *lateral expansion of service* on the part of temporary help firms: "And now companies are asking: If you can do this for me, temporary help service, then could you do that?" (Fromstein, 1993).

This trend is captured in the emergence of a semantic shift: "temporary help service firms" are beginning to call themselves "staffing firms."²³ As industry analyst Judith Scott (1993b) notes:

Semantic changes often provide the best clues to underlying real changes and, indeed, the name of the industry and its terminology are gradually changing and broadening. "Staffing services" is a more inclusive term and signals a new era in which many temporary help companies are entering into partnership arrangements with their customers and providing the personnel to staff entire departments.

In recent years, staffing firms have expanded the services provided to their customers to include the following kinds of arrangements:

- **VOLUME ARRANGEMENTS & SOLE SOURCING.** Temporary help firms are exchanging lower markups for increased (or even exclusive) volume arrangements, similar to those that buyers have with suppliers of other materials or services. Another trend is sole-sourcing: a corporation on a regional, national, or even worldwide basis agrees to purchase its temporary staffing services from one, rather than several, temporary service firms. One result of these arrangements is that many large customers are hiring more temporaries, but from a much smaller number of suppliers (which is one factor in the trend toward consolidation in the industry as a whole). Volume purchase and sole sourcing agreements can add substantial stability to the revenue base of staffing firms on both a seasonal and cyclical basis and lead to strengthened long-term relationships between staffing firms and their corporate customers.
- **PROVISION OF ON-SITE COORDINATORS.** Temporary help firms are expanding their role in the supervision of their employees at customer worksites. On-site coordinators employed by staffing firms often accompany large volume orders. These coordinators set up a de facto branch office at the business site for the purpose of managing the company's temporary staffing requirements and supervising their temporary employees.
- **OUTSOURCING OR FACILITIES MANAGEMENT.** More and more temporary service firms are being asked by their larger clients to assume charge of staffing entire departments or specific business functions, such as operating a mailroom, data processing department, or telemarketing

²³In 1992 Olsten inaugurated a divisional name change from Olsten Temporary Services to Olsten Staffing Services. At the time of the publication of this study, NATS, the industry trade association, was contemplating a similar name change. This study uses the terms temporary help firm, temporary services firm, and staffing firm interchangeably.

center, or supplying cafeteria services, landscaping services, guard services, and maintenance or janitorial services. In addition, staffing firms can be hired to take over special projects. According to the firm's 1992 annual report, for example, Kelly Services recently staffed and managed a large coupon redemption center for a corporation undertaking a product promotion campaign. Kelly also recruited, hired, and trained a staff of 79 "hosts" for the Canadian Pavilion at EXPO '92 in Seville, Spain. The hosts had to be fluent in three languages and willing to relocate to Spain for five months.

- **PROGRAMS ENCOURAGING THE TRANSITION OF TEMPORARY HIRES TO FULL-TIME STATUS.** Many businesses use the temporary hiring process as a low-risk screen for prospective permanent employees. Some firms—including Manpower—attach no special incentives, fees, or programs to the temporary to full-time transition. Other firms encourage customers, for an additional charge, to evaluate an employee's performance and "fit" while on temporary assignment before making a long-term hiring commitment. For example, Uniforce's "Smart Hire" program invites companies interested in placing a Uniforce temporary on their regular payroll to interview and observe prospective clients before making a commitment. The temporary is selected by the customer firm and works for a 90-day trial period while on the Uniforce payroll. If the company is not satisfied, Uniforce guarantees a free replacement for a short time after the trial period.
- **PAYROLLING.** Here, the customer recruits the worker and then asks the temporary firm to hire the individual and assign them to perform services for the customer.²⁴ According to NATS, only 3 percent of total temporary service revenues come from payrolling. This service typically is provided as a courtesy to an existing customer, rather than as a separate operation.²⁵
- **TRAINING FOR PERMANENT STAFF.** Staffing companies that have developed proprietary training programs for their temporary employees sometimes make these programs available to their customers for the purpose of training their permanent staff. Companies often find hiring in these practical hands-on training services to be more effective and efficient, and less costly, than developing their own in-house training programs or relying on vendors.
- **OUTPLACEMENT SERVICES.** While there are counseling services that specialize in providing outplacement services to firms, staffing companies are being asked by firms to provide assessment, training, and placement services for employees who are being displaced from their permanent jobs. As yet, staffing firms have not been marketing this type of service aggressively, and instead have been providing these services to firms with which they have established relationships.

²⁴ Payrolling is to be distinguished from "employee leasing" whereby a business transfers its employees to the payroll of a leasing organization, who in turn leases the employees back to their original employer. The employees continue to work for the business in their previous capacity in an ongoing permanent relationship. See "A Guide to Temporary Help Terms," *Modern Office Technology*, May 1992, p. A10; and Lenz (1992), pp. 11-12.

²⁵ An example of a temporary service company that does provide payrolling services as a separate operation is Uniforce Services. Through its subsidiary, Payroll Options Unlimited, Inc., Uniforce provides confidential payrolling of independent contractors or 1099 consultants, and in-house temporary pools. *Uniforce Services, 1992, Annual Report*, pp. 2, 8, 19.

As this survey of new client-supplier relationships and contracts indicates, the initial role of temporary service firms as labor brokers for short-term work contracts has gradually evolved into a much more sophisticated human resource function vis-a-vis their customers. In response to customer

demand for a broader, more comprehensive set of services, many temporary help firms are in effect beginning to serve as off-site (as opposed to in-house) extensions of company personnel and training departments. Many firms are turning over significant segments of their human resource functions to temporary firms—and temporary help companies, eager to secure stable, long-term, and high-volume customers, are happy to oblige.

Sharpened assessment, training, and placement functions

The most fundamental challenge faced by staffing firms, according to industry-analyst Judith Scott, "is to provide improved productivity to its customers by matching skill levels to tasks and preparing the temporary employee for specific jobs" (Scott, 1993b). To do this successfully, staffing companies are sharpening their strategies for evaluating and assessing worker skills and aptitudes, and are investing in the development of training programs.

Some staffing firms, such as Manpower, have devoted an entire department to research and development in skills assessment testing and have invested millions of dollars in the design of new assessment tests.²⁶ Many other temporary help companies have enlisted the aid of outside testing services.²⁷

Training temporary employees has also become more central and more sophisticated, as the speed of technological change in offices and factories has accelerated thereby increasing the demand for office workers with up-to-date computer skills. Most top-ranking national temporary service firms provide some training and skills upgrading. Companies like Kelly, Olsten, and Manpower, have developed their own computer training programs. Other firms, typically smaller ones, rely on pre-programmed or vendor-supplied tutorials. Some temporary service companies have also designed training programs that emphasize workplace literacy skills.²⁸

In summary, temporary help companies have taken on a complex and expanded job placement role in which some staffing firms even have developed the ability to provide sophisticated skills assessment. They have also capitalized on the fast pace of change in office automation and the changing skill requirements of a modern computer-literate workforce by developing a specialized area of expertise as computer training experts for the permanent employees of other firms as well as for their own workforce. As such, staffing firms have played an important role in the diffusion of new workplace technologies.

²⁶For a summary of the testing and training programs offered by different temporary service companies, see Kate Evans-Correia, "Testing and training office temporaries," *Purchasing*, August 15, 1991, pp. 95-99; Christopher J. Sheehan, "Computer Training Essential for Temps," *The Office*, February 1992, pp. 22-24; and Patricia M. Fernberg, "Companies Take Their Lessons From Temp Services," *Modern Office Technology*, October 1992, pp. 70-72.

²⁷For example, Quiz, an Atlanta-based software firm, and Pro-Quiz, a Canadian company, develop testing software and work with a number of temporary service companies. See *The Office*, February 1992, p. 24.

²⁸Olsten, for example, offers "Success Skills Workshops" to its temporaries, its employees, and its clients' employees.

III. Profile of Manpower, Inc.

Introduction

The rapid growth of the temporary help industry is well-known and well-documented. However, the existing literature is relatively silent on how the industry's leading firms actually conduct their business and serve both their customer firms and their temporary employees. This study is designed to help fill this gap by providing a detailed look at the job-matching strategies and activities of Manpower, Inc., the largest firm in the staffing industry. Because of its size and success, Manpower has had the resources to invest in the development of sophisticated proprietary assessment and training programs. In this section, we profile Manpower's business strategies and innovations, with an emphasis on the company's intake, assessment, training, and placement systems. Manpower was chosen for investigation not because it is necessarily representative of firms in the industry, but because we wish to investigate what can be learned from studying the labor market exchange practices of a very important and innovative player in the industry.

The sources of information for this case study include: 1) interviews with individuals at Manpower's headquarters in Milwaukee responsible for the design of employee selection systems and training programs, and with the company's president and chief executive officer, Mitchell Fromstein; 2) interviews with district managers, branch managers, and service representatives of local Manpower offices in the Boston area, and with the area manager for eastern Massachusetts; 3) documents, forms, and printed materials supplied by Manpower which describe the company's practices and procedures with respect to intake, assessment, training, and placement; and 4) articles from personnel and human resource periodicals that describe Manpower's activities.

Two important sources of information about the firm's business were unfortunately not available for this case study, each of which would have contributed to a fuller picture of Manpower's strategies and activities. Time and budgetary constraints prevented us from interviewing a sample of Manpower temporary employees about how they view their employment and a sample of Manpower's customers about the evolution of their relationships with the firm. In addition, we were unable to obtain results from a survey of Manpower employees conducted by the company in 1993 that covered a wide range of questions and which was modeled after a company survey conducted in the 1970s. An accurate snapshot of this—or any other firm in the industry—would require a random survey of current temporary employees that provides statistical data on the demographic composition of employees, their work history and current work status, and the nature of their work for the firm.

Skills Assessment, Job Placement, and Training: What Can Be Learned from the Temporary Help/Staffing Industry?

III. Profile of Manpower, Inc.

Corporate History

The first three decades

Manpower was founded in 1948 by two law partners, Aaron Scheinfeld and Elmer Winter, as a sideline to their law practice in Milwaukee and Chicago. Through their work for various Nugent enterprises, including Nugent Stevedores,²⁹ the two men were familiar with the idea of temporary industrial help. They combined this line of service with the idea of supplying temporary office help. According to Joray and Hulin (1978), "with the overhead costs spread over both the industrial service and the office service they could open offices in areas with insufficient business to support a firm specializing in either office or industrial alone." This idea of providing an integrated service on a national basis was the first of two important innovations that helped Manpower expand rapidly.

Scheinfeld and Winter's second innovation was the use of franchising and national advertising to help the company grow faster than their own limited capital could finance. Manpower began establishing branch offices from its inception, and by 1960 the company had 220 offices with separate divisions for clerical, industrial, and technical temporary help. Sixty-six were owned by the company and the other 154 were franchised (Joray and Hulin, 1978; Moore, 1965).

Three years later, Manpower had 300 offices (225 franchises and 75 company-owned), including 44 abroad. The company's revenues were \$56.8 million, up from \$12 million in 1957, with much of the growth attributable to the opening of new offices (Moore, 1965). Over the course of the following decade, Manpower's sales grew to \$264.1 million and the firm opened an additional 331 offices.

Mitchell Fromstein joined Manpower in 1971 when he was elected to the company's board of directors after handling a portion of Manpower's advertising account at his public relations firm. In 1976 Manpower was acquired by Parker Pen Company and Fromstein became Manpower's president. Annual sales in that year were \$300 million.

Developments in the 1980s

COMPANY REORGANIZATION. Manpower soon eclipsed Parker Pen in sales and profits, leading to the sale of the pen company in 1986 and a name change for the parent organization to Manpower, Inc. In September 1988 a British employment services company, Blue Arrow PLC, bought Manpower. Initially, Fromstein maintained control of Manpower from its Milwaukee headquarters and joined Blue Arrow's board. However, in December 1988 Blue Arrow management ousted Fromstein from Manpower. Five weeks later, after rallying the support of loyal franchise owners and lobbying Blue Arrow's directors, Fromstein was reinstated as Manpower's CEO.³⁰

Since 1989 Manpower has gradually reorganized its corporate structure. These strategic decisions culminated in the 1991 exchange of all shares of Manpower PLC (formerly Blue Arrow PLC) and the incorporation of

²⁹ Scheinfeld had been assistant sales manager and fiscal agent for Great Lake Stevedores and for Nugent Stevedores. In addition, Scheinfeld and Winter were legal counsel to these two companies as well as other companies started by William Nugent. Joray and Hulin (1978).

³⁰ Oberle (1990); Marcia Berss, "You can go home again," *Forbes*, October 15, 1990, p. 104; and Nick Gilbert, "Manpower Comes Home," *Financial World*, April 30, 1991, pp. 28-31.

Manpower, Inc. The general thrust of these changes has been to reduce operating overhead, re-establish corporate presence in the United States, and eliminate redundancies in operations by closing offices in overlapping markets, particularly those in non-Manpower businesses.³¹

RESEARCH & DEVELOPMENT IN TRAINING. A critical element in Manpower's success over the last decade has been the company's strategy of adding value to its temporary office workers through training in computer skills. Manpower anticipated the demand on the part of companies for computer-literate workers who could operate expensive equipment efficiently as well as the ongoing problem of keeping its international workforce of more than one million temporary employees up-to-date on the latest hardware and software.

The company investigated options such as vendor-supplied training, self-training with manuals supplied by the manufacturer, traditional classroom courses taught by instructors, and buddy training systems whereby employees teach each other. Manpower concluded that standard computer training software and techniques did not meet its criteria of a time-efficient training program accessible to a wide range of people, and with relatively low training costs per employee (Oberle, 1990). The company, therefore, decided to develop its own system of computer-based training and, in the late 1970s, began a heavy investment of \$15 million in a computer-skills training program for its temporary office workers. Skillware (the name given to Manpower's computer training software programs) was introduced in 1982. These training programs are described later in this section.

To keep up with the rapid pace of change in the office automation industry, Manpower's training investment became a permanent ongoing research and development effort. The current cost of that effort, including the purchasing of new equipment, is estimated at 1.5 to 2 percent of payroll.³²

RESEARCH & DEVELOPMENT IN SKILLS ASSESSMENT. After launching the development of an extensive computer training system, Manpower undertook another strategic thrust in the mid-1980s to design skills assessment tests for its temporary employees. By identifying and evaluating the skills and aptitudes of individuals seeking temporary work, Manpower's goals in this area have been to improve the quality of its worker-job matches and to fit the worker to as broad a range of assignments as possible. Two assessment programs have been developed: Ultradex for industrial placement and Ultraskill for office placement. These test batteries are also described later in this section.

Current Operations

Overview

Manpower's current business mix in the United States is about half light industrial, and half office and clerical work. The company has pursued a strategy of renting out relatively low-skilled people—secretaries, file clerks, customer service representatives, quality control inspectors, and assembly-line workers. It has stayed away from business areas that have

³¹In 1990 five of the company's Blue Arrow U.S. subsidiaries were sold and in 1991 the company sold Blue Arrow Personnel Services Limited. Manpower (1992), pp. 7, 15.

³²Steven Pearlstein, "Business and the Temp Temptation: A Permanent Solution," Washington Post, October 20, 1993, p. C15. In 1992, Manpower's payroll plus other related expenses of temporary workers ("cost of services") was \$2.5 billion (Manpower, 1992 Annual Report, p. 9).

extremely high turnover, pay minimum wages, and are very low skill. These areas include maid service to hotels, fast-food businesses, and food service organizations such as cafeterias. Manpower has also declined to enter business areas that require special training (such as health care), or that may expose workers to high health and safety risks, and the company, therefore, to significant liability (e.g. jobs involving possible exposure to toxic substances and chemicals such as those found in nuclear and chemical industries).

Manpower's sales over the past decade have quadrupled. Total system-wide sales, which include sales of company-owned branches and franchise operations, reached the milestone \$4 billion point in 1992, and the company employed over 1.2 million individuals throughout the world.³³ One indicator of the firm's impact on the domestic labor market is the fact that in 1992 Manpower processed 560,000 W-2 tax forms for its temporary employees, more than any other corporation in the United States (Castro, 1993). The company currently operates approximately 880 offices in the United States.

With 1000 offices in 38 other countries,³⁴ and with the leading or dominant position in many of the countries in which it operates, the company's international coverage is unique. The benefits accruing from its geographical diversification go hand-in-hand with the complication of diverse economic cycles and the effects of currency translations on reported earnings. In 1991 and 1992, over 70 percent of the company's revenues were generated outside of the United States (Manpower, 1992). More typically, the bulk of its system-wide volume comes from three countries: the United States (50 percent), France (35 percent), and the United Kingdom (6 percent) (Scott, 1993b).

An estimated 40 percent of Manpower's current business stems from volume purchase agreements under which the company contracts to serve large customers on a regional, national, or worldwide basis (Manpower, 1992). A national account is likely to cover all the subsidiaries and divisions of a given corporation, and therefore may apply to operations in dozens of states and more than a hundred locations. In 1993, Manpower had 87 national accounts in North America.³⁵

Strategic services provided to customers

Approximately 95 percent of Manpower's sales come from its core business of supplying temporary workers to customer clients. This business sometimes involves contracts under which Manpower operates on-site offices responsible for supervising either its own temporary employees or in-house pools of temporary workers.³⁶ The remaining part of Manpower's business comes from training permanent workers, training displaced workers, and from outsourcing contracts and payrolling.

A growing sideline business at Manpower is using Skillware to train the internal staff of its customers. These permanent employees are trained on their own equipment with the software they use on a day-to-day basis.

³³ Manpower "President's Message" (1992).

³⁴ 550 of these offices are in France.

³⁵ Manpower, "North America Agreement Program," mimeo, 1993.

³⁶ Manpower currently operates 150 such on-site offices.

Nearly 90 percent of all Fortune 100 companies have received training for some of their permanent employees from Manpower. Training allows Manpower to enter a company through a route that ideally leads to more temporary staffing business while reinforcing Manpower's reputation as a training expert.

One of the first training contracts for permanent employees negotiated by Manpower was with IBM in 1987. As reported in the periodical *Training*, this innovative business partnership took the following form:

IBM wanted to provide training to customers who purchased the IBM System/36 midsize computers. Manpower already had a good program, so the two struck a deal. Manpower has access to pre-releases of the latest IBM hardware and software, so it can be the first of the temp firms to have trained temps. In return, Manpower trains operators at companies that purchase the latest IBM equipment. The relationship with IBM helps to foster new clients for Manpower's temporary service, while bringing in revenue from permanent operator training (Oberle, 1990).

³⁷Classrooms were located at CIGNA and were equipped to teach 8-12 persons at a time. The rooms had a terminal at each desk and the trainer's terminal was electronically connected to a large screen for demonstration. Manpower also developed a reference manual that CIGNA employees in remote locations could use to learn the E-mail system. "Strategic Information," a Manpower publication, October 1991.

Manpower's training contracts with CIGNA Corporation and Toshiba Corporation are more recent examples of very large training efforts involving Skillware. In 1991, CIGNA contracted with Manpower to train 3000 employees over a six month period in a new local network and electronic mail system before moving into a new office building.³⁷ In 1992, Toshiba hired Manpower to train 1500 new employees at its headquarters in Japan in its "Paperless Office Program," a program that achieves full computerization of office procedures.³⁸

³⁸Manpower trained 80 tenured Toshiba employees to help administer Skillware in Lotus 1-2-3 and Ichitaro (a popular Japanese software package). The 1500 new employees were then broken into groups of 500 for training in word processing and spreadsheet applications. Patricia Fernberg, "Companies Take Their Lessons from Temp Services," *Modern Office Technology*, October 1992, p. 72.

Another growing area of business for Manpower is outplacement services. Through outplacement programs set up by the companies themselves, Manpower has been hired to administer Skillware training to laid-off or soon to-be-displaced workers. The goal of this training has been to create a bridge to new employment opportunities by increasing the marketable computer skills of these workers and by helping them prepare resumes and cover letters.³⁹

³⁹Corporations who have contracted with Manpower for outplacement training services include Sears, Chevron, and General Electric. See "On-Line," a publication for Manpower employees, May-June 1993, pp. 4-5.

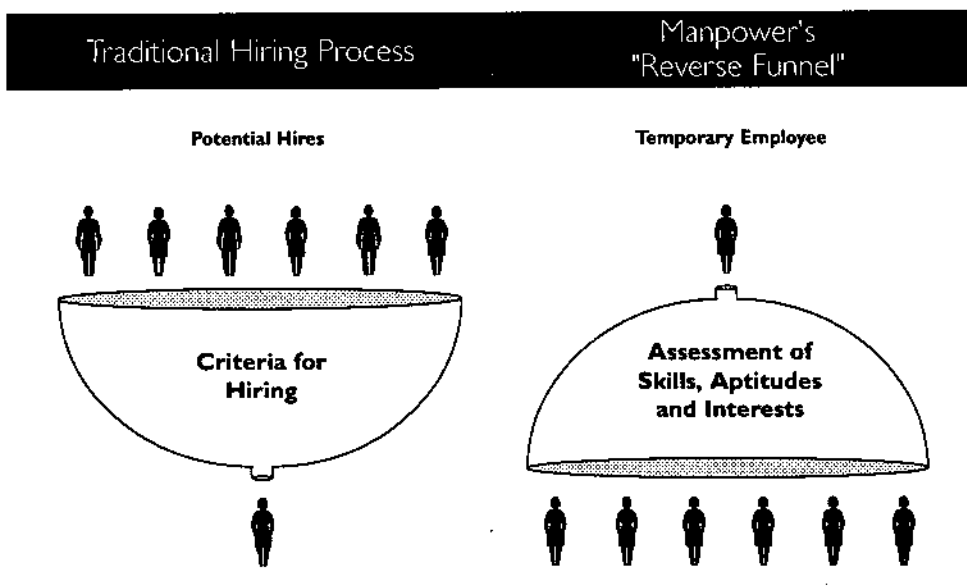
By customizing its Skillware programs, Manpower can arrange to have temporaries trained according to specific customer requirements. For example, at the request of JC Penney, Manpower customized one of its Skillware data entry programs to mirror the company's paperless imaging system used for credit processing. By using actual images of JC Penney credit card applications and the accompanying company-specific terminology in its Skillware training, trainees were able to master the company's complex imaging system (including crucial functions like reversing and enlarging images) before beginning their assignments. This customized training arrangement was also designed to provide trainees with a detailed orientation to JC Penney's work environment, thus enabling Manpower's temporary employees to begin their work with greater confidence and higher productivity than they would have otherwise.⁴⁰

⁴⁰"Flexible Staffing Solves Work Cycle Problems," *IMC Journal*, Vol. 29, No. 2 (reprint, not dated).

Company Philosophy

Manpower's employment process consists of a comprehensive set of systems designed to efficiently and effectively interview, evaluate, prepare, and assign qualified temporaries to jobs available at customer work sites. The philosophy behind this employment process has several key tenets. First, Manpower emphasizes that there is no such thing as an unskilled worker or an unskilled job; rather every individual brings work-relevant skills and aptitudes that can be measured and every job can be broken down into groups of identifiable tasks and required skills. Second, Manpower views its role as not to try to remedy deficiencies by focusing on what a worker *cannot* do, but rather to harness and apply abilities, thereby emphasizing what a worker *can* do. The goal is to identify as many jobs as possible for each temporary employee. A third ingredient of Manpower's philosophy is the conviction that, even in a high turnover workforce that performs short-term, generally lower skill jobs, training adds economic value to workers and allows Manpower to draw from a pool of workers who in theory are continually recycling and/or upgrading their skills in response to changing technology and job requirements.

A favorite metaphor at Manpower is the image of the "reverse funnel." The conventional image of the job-matching process for a permanent position is that a large number of people with different talents and expertise are sorted through a selection process out of which emerges the best candidate for a specific job. The reverse funnel idea is that each individual enters his or her own funnel with the bottom up, and emerges out of the employment process with multiple jobs that he or she wants to do and for which he or she is qualified. Hence, the reverse funnel process is viewed as screening individuals *into* jobs whereas the conventional paradigm is set up to screen people *out* of jobs by selecting one from the many.



From Manpower's viewpoint, the selection and employment process has important scientific or objective elements to it that can be identified and systematized into a process that is profitable because it is at once efficient,

cost-effective, and highly responsive to customer demand in the local market area. For office and clerical workers, this responsiveness is in large part due to the availability of modularized computer training programs that allow workers to adapt their skills in response to the specific requirements of customer jobs.

Manpower's Job Matching Process

One of the main "products" that Manpower delivers which is of interest to employment and training policy analysts is a successful match between a temporary employee and a job that needs to be done for one of its customers. The worker-job match is the outcome of a multi-faceted process that extracts a large amount of detailed information about the worker, the job that needs to be done, and the customer's business. This section describes the components of Manpower's job-matching process.

Assessment of customers' work environments and needs

INFORMATION ABOUT THE LOCAL USE OF OFFICE AUTOMATION TECHNOLOGY. On a regular basis, Manpower gathers information about the local business economy, local labor requirement needs, and the changing technological requirements of its customer base. For example, each Manpower office uses an "Office Automation Survey" to poll clients and potential clients on a yearly basis to determine the local usage of equipment and hardware. A final report is distributed to all survey respondents. The survey results are used to make decisions about which hardware and software to support in the local office, and therefore, what programs to train temporary workers on in order to meet the specific needs of the local market.

The survey also provides information that is useful for a number of other important marketing objectives, including marketing temporary workers who are trained in a specific skill ("key skill selling"), uncovering opportunities for business partnerships and permanent worker training, locating opportunities for data entry temporary help and training, developing an accurate mailing list for direct mail and telemarketing programs, and enhancing Manpower's reputation as an expert in office automation.⁴¹

ENVIRONMENTAL ANALYSIS OF CUSTOMER BUSINESS. Manpower's policy is to conduct a detailed analysis of the work conditions at every customer business site. This "Work Environment Service Call Report" is based on interviews with company representatives and a worksite tour, and covers such areas as what the customer most looks for in a temporary employee, specific expectations regarding the temporary employee's work, reporting procedures and required duties. The Service Call Report also requires gathering information on the physical details of the work area, and such issues as work pace observed, dress requirements, work hours, breaks and lunch options, safety issues, parking availability and cost, and accessibility for disabled persons. In addition, the survey helps determine whether a need exists for a special recruitment and/or training effort to meet the customer's needs.

⁴¹ Manpower, "Office Automation Survey," mimeo, January 12, 1993.

For industrial services, the Service Call Report includes an evaluation of the work environment's safety characteristics such as the availability of safety equipment, environmental conditions within the plant (e.g. fumes or vapors, dust, excessive heat or cold), general plant and equipment conditions (e.g. fire equipment, safety signs, lighting and ventilation), and appropriateness of emergency warning systems. It is the responsibility of the local Manpower staff to ensure that temporary employees are not knowingly sent to customer premises and work areas which are unsafe or present an undue hazard.

For office services, detailed information is collected about the data entry or office automation equipment a temporary employee might use. In addition, information is gathered on what types of documents a temporary hire would be expected to produce, the form in which the word processing work will be given to the employee, desired accuracy level and speed in document production, and a ranking of the clerical skills the firm would like the temporary to have.

SERVICE DESCRIPTION ASSESSMENT. A customer seeking temporaries for industrial or office work completes an "Assignment Order" indicating the number of persons desired, detailed job descriptions, and the specific equipment, software, machinery, or tools to be used. To aid in the matching of temporary employees to jobs, Manpower uses a uniform service description that identifies the skills, experience levels, and equipment requirements for each and every temporary assignment. Organized by job category, this system makes it easier for customer clients to order the correct temporary help. Office services are classified into 103 different jobs and data processing into an additional 17 jobs.

Industrial services assignment orders are also accompanied by a supplementary form that asks highly specific descriptive questions about the job tasks to be performed and required skills for a given assignment, as well as a ranking of how important each skill and task are to the overall job. The job task descriptions, in turn, correspond to particular Ultradex skill assessment tests. Additional questions concern issues such as whether the temporary will need to know the metric scale or shop math, which hand the temporary will use the most, whether instructions will be given orally or in writing, and whether the temporary will be working independently or as part of a group.

Intake and assessment

A notable feature of Manpower's intake and assessment procedures is that they are at once highly systematized and structured *and* highly personalized and individualized. The intake procedure begins with a standardized in-depth interview of the temporary employee applicant by a service representative at a local Manpower office. Information is obtained on the applicant's work history and preferences, and the skill areas in which he or she has experience. Applicants describe the kind of work environment and responsibilities they would prefer. Names and addresses of references are collected. Based on the person's experience and interests, the appropriate

⁴²Each of these characteristics are graded into different categories. For example, under "initiative," the Manpower service representative is instructed to ask herself "to what degree did the applicant volunteer information during the interview" and to indicate which of the following phrases best describe the applicant: assertive, contributes willingly, needs prompting, or indecisive.

assessment tests are administered. These may be tests from the Ultraskill (office work) or Ultradex (light industrial) test batteries, or they may be tests of typing, steno, data entry or data control skills.

After the applicant leaves, the service representative summarizes the interview by identifying such things as assignments to look for, desired training, and availability requirements. In addition, personal and interpersonal characteristics observed by the service representative during the interview and test-taking are noted. These characteristics include cooperation, confidence, adaptability, responsiveness, initiative, appearance, and communication.⁴²

Manpower's assessment tests are designed to be diagnostic, rather than pass-or-fail tests. Their function is to critically analyze a worker's overall talent by identifying and measuring skills and aptitudes. The tests that make up Ultradex and Ultraskill incorporate actual work samples so that workers get a taste of what they may do on the job and can decide whether or not they like it. A frequent unexpected result of these assessment tests, according to Manpower managers and customer service representatives, is that workers come to recognize skills that they did not realize they possessed. According to Fromstein, skill assessment can have unanticipated positive effects on productivity: "When you tell someone who thinks they have no skills that they have a natural ability to do small-parts assembly and explain what they can do with it...it has a massive impact on what they can do, and aids productivity by itself " (Bell, n.d.).

The design process for the development of Manpower's assessment tests⁴³ begins with a determination of the need for and purpose of the testing. This stage is followed by a thorough job analysis which uses extensive on-site observation, interviewing, and research to determine which job categories will be the subject of testing. The next step is task analysis to determine the critical tasks performed in each of the job categories selected. Task analysis also identifies the skills, knowledge, abilities, and personal characteristics necessary to perform the important tasks. In the third stage of development, exercises are constructed that attempt to replicate the job tasks and to measure the skills, knowledge, abilities, and behaviors that have been identified as necessary for successful job performance. These test prototypes are then revised after extensive field testing with representative samples of workers.⁴⁴

ASSESSMENT FOR INDUSTRIAL WORK. Largely due to automation, manufacturing has undergone radical changes in the types of worker skills required. Increasingly, dirty and heavy work is handled by machines, and, as a result, manufacturing work is becoming cleaner and less physically taxing. In addition, many manufacturing positions are now filled by women. As U.S. manufacturers put more emphasis on product quality, they are paying greater attention to the performance of production workers who carry out more precise light industrial jobs. Hiring errors in this type of manufacturing environment can be very costly in terms of lost productivity.

While the desirability of measuring the skill levels and aptitudes of office and clerical workers has long been accepted, much of the work performed

⁴³The information in this paragraph is from Manpower, "Manpower Test Development and Validation Information Pack," mimeo, March 1991. For further description of the phases in the design, validation, and implementation of Manpower's selection systems for industrial and office workers, see Anthony Zinsser, "Developing an Automated Office Selection System," Guidance & Assessment Review, Vol. 3, No. 1; and Krysten Stepke, "How to Develop Effective (& Legal) Personnel Tests," Legal Administrator (Manpower reprint; not dated).

⁴⁴The tests are validated in accordance with the standards set by the American Psychological Association and the guidelines issued by the Equal Employment Opportunity Commission.

in light industry is typically categorized as unskilled, and the workers often consider themselves unskilled. Conventional employee selection systems in manufacturing have tended to rely on subjective assessments of factors such as attitude and appearance or have put a premium on speed for quantity production.

Manpower developed its tests for industrial workers in order to increase the sophistication and precision with which it selects and places industrial employees, thereby, in Fromstein's words, "match(ing) the selection process in the light industrial area to the process in the office worker category, which is quite efficient" (Bell, n.d.). Manpower designed an assessment system for industrial workers by identifying the measurable skills used to perform the critical tasks common to all light industrial work, whatever the product. This approach reflects Manpower's premise that the concept of unskilled industrial labor is obsolete in the context of today's manufacturing production processes.

Ultradex was issued in the Fall of 1987, after an investment of \$3 million over three years of research and development. Manpower research teams visited 29 customer companies in 12 industries, interviewing workers and their supervisors about their jobs, observing employees in action, and, whenever possible, performing the tasks themselves. The outcome of this in-depth research process was a battery of seven tests used to measure light industrial skills, and to predict on-the-job performance and the productivity of industrial workers in jobs such as packaging, inspection, small-parts assembly, and machine operation. The tests are unique, according to Manpower, in that they can be used both as achievement and aptitude tests.

All applicants take two basic Ultradex tests: sorting and checking, and inspection. These tests measure the skills that Manpower believes are most crucial to industrial jobs: speed pertaining to dexterity, ability to follow instructions, desire to do quality work, and attention to detail.⁴⁵ Depending on the experience and interests of the applicant, one or more of five task-specific tests also may be administered. Alternatively, when the local office receives a work order—for example, for five printed circuit board (PCB) assemblers—the local office may call in a group of workers to take the appropriate test. A crew of temporary workers would then be assembled based on their test performance results, interviews, and work availability.

In addition to the sorting-and-checking and inspection tests, there are five other Ultradex tests. These tests are designed to measure the following specific skills and abilities: 1) the ability to work with a hand tool to assemble and take apart small objects (as in small engine repair or other assembly jobs requiring the ability to follow a blueprint); 2) the ability to use fine finger dexterity to manipulate and assemble small parts, as in jewelry assembly, PCB assembly and electrical wiring; 3) the ability to perform work requiring continuous, rhythmic movement of both hands and arms, such as collating, packing, and moving parts; 4) the ability to use hand-eye coordination and rapid, continuous wrist/finger movements for tasks such as working with a soldering iron or other precise, repetitive work; and 5) the ability to keep and verify production records.

⁴⁵The inspection test requires the test-taker: (i) to distinguish between pictures of perfect components and those that do not match; and (ii) to identify and tally the reason for the observed defects (i.e. missing part, broken, sized incorrectly, additional part, and coloring or shading wrong). For the sorting and checking test, test-takers sort a pile of items into labeled bins. The items are labeled very similarly (e.g. 35D4377 versus 33B3477). Next the test-taker goes through a pile of items and checks them off from a list. The remaining items are then recorded and counted.

Four of the tests are performance tests and three are pencil-and-paper tests. The tests are administered to several workers at a time to make the testing situation as similar to the work environment as possible. The test administrators observe how applicants interact with others as an indicator of how they will interact with co-workers on assignment. Observed behaviors that appear to affect performance negatively or tolerance for various tasks are noted. These behaviors include lack of comfort with a repetitious task, carelessness or lack of precision, lack of counting skills, lack of bi-manual coordination, and limited attention span.

Ultradex has allowed Manpower to boost the caliber of its industrial temps by matching worker aptitudes and preferences to specific jobs. It has been an important tool in increasing the share of Manpower's temporary industrial business in total placements from 20 percent to about 50 percent.

ASSESSMENT FOR OFFICE WORK. Manpower began developing a selection system for word processing operators by looking at existing office selection tools such as timed typing tests for electric typewriters. These tests place heavy emphasis on speed, measured by a words-per-minute formula. The company found that timed typing tests are not a valid or fair evaluation for word processing operators using an electronic device with automatic editing, word wrap, and memory features. Speed has become secondary to accuracy because "in the automated office, speed in the production of documents depends on the operators' knowledge of the equipment (or software) and how to use it efficiently, and not on how fast an operator can pound the key board."⁴⁶

Manpower's updated selection system for evaluating a word processing operator consists of two parts: a set of Recognition and Proficiency Tests that measure an operator's knowledge of a specific computer system, and a hands-on performance test (Ultraskill) that assesses the skills used to produce work on the computer system accurately and efficiently. The company's first set of Recognition and Proficiency Tests was introduced in 1983. Ultraskill was released in 1985.

Manpower's Recognition and Proficiency Tests are multiple choice tests administered with the aid of a keyboard template. They test an operator's understanding and ability to recall the most efficient way to execute functions. Applicants complete these Recognition and Proficiency Tests for each software package⁴⁷ and operating system on which they have experience and would like to work. The number of correct answers applicants receive on each test is translated into either basic, intermediate, or advanced proficiency levels.

The Recognition and Proficiency Tests are administered in conjunction with a hands-on test of word processing clerical skills called Ultraskill. Applicants sit at word processing workstations equipped with the same tools they are likely to find on the job. Using the actual hardware and software found in the workplace, Ultraskill assesses an operator's ability to create, edit, and print a professional mailable inter-office memo within a

⁴⁶ Manpower, "Manpower's Word Processing Evaluation and Placement System," October 30, 1990, mimeo.

⁴⁷ Recognition and proficiency tests have been developed for software packages with the following applications: word processing, database management, desktop publishing, graphics, and electronic communications.

reasonable time period from either a handwritten rough copy or as a machine-dictated document. The rough copy contains many errors and decisions to be made regarding proper spelling, punctuation, grammar, use of numbers in the text, etc. The specific skills critical to document production which are evaluated are spelling, punctuation, proofreading, following instructions, following a format pattern, editing, machine transcription, and speed. Ultraskill measures speed in terms of total document production time.

Manpower is currently designing assessment tests for clerical jobs including mailroom work, receptionist positions, customer service representatives, filing and records clerks, and similar jobs involving working with computerized forms.

Training

Taken together, an operator's test results on Ultraskill and the recognition and proficiency tests indicate the kinds of word processing jobs, skill improvement, and computer training, if any, that would be most appropriate for the temporary employee. In addition to its Skillware computer training programs, Manpower offers brush-up Skill Development Modules to strengthen skills in such areas as typing, spelling, punctuation, copy changes and editing, formatting business correspondence and tables, and word processing (machine-specific function knowledge). Client customers are not charged directly for the skill improvement or training the temporaries assigned to them receive nor are temporaries paid for the time they spend taking a training program in preparation for an assignment.

Skillware is a system of computer-based training that uses self-paced instruction and easy-to-understand language to give trainees hands-on experience with the hardware and software they will actually use on assignment. Each training module teaches the use of one kind of hardware or software program, according to differing degrees of difficulty and application. Manpower currently trains on 12 computer systems and 150 software packages, including a wide variety of word processing, database, spreadsheet, and desktop publishing programs.

Skillware can be used to train a complete novice, to cross-train individuals on multiple programs, or to upgrade skills. Typically completed within several hours, the training programs are job-specific, instructing the temporary employee in the skills that the client has requested. Trainees are led step-by-step on their computer screens from the start to the completion of a task (i.e. from disk insertion to printing a document). Each trainee assumes the role of an employee in a fictitious company. Instructions are in every-day English, and the learning is designed to be enjoyable, and to instill a sense of success and confidence. Frequent reviews and quizzes check progress.

Manpower also offers Skillware training for data entry operators. The training is designed to introduce the trainee to the specific hardware and operating system selected, and presents basic data entry functions, terms,

equipment, and procedures. Exercises are automatically printed and scored for immediate feedback to the trainee, and are designed to build speed and accuracy.

After any Skillware training, temporaries receive an operator support manual to take to job sites as a quick reference guide. The support manuals are designed and written at Manpower, and are heavily indexed for easy reference. In addition, employees have access to hotlines provided by the service for easy access to information regarding software and hardware problems.

By continually updating and designing Skillware programs for new office equipment technologies and for new software program releases, Manpower has developed the ongoing capability to prepare a steady supply of temporaries for jobs in high-technology work environments that are constantly integrating new technologies and applications. The company's goal is to maintain a pool of experienced and trained employees who can walk into assignments and start work immediately with a high level of productivity and confidence. Manpower's strategy has been to keep ahead of its clients' computer needs, to train its own cadres of skilled temporaries on new hardware and software, to supply these workers to its customers to train their permanent staff, and to staff its customers' offices temporarily while permanent staff is being trained.

Skillware has been translated into nine languages, enabling Manpower to serve companies with personnel who are transferred from one country to another. The company estimates that it provides training in computer-based skills to approximately 60,000 temporaries a year.

To date, all of Manpower's training programs and skill development modules have been designed for temporary employees working in office or clerical occupations. However, Manpower is considering developing training programs for its light industrial workers who perform jobs such as packaging and assembly.

Job matching and placement

To match workers with open assignments, the service representative uses information about the customer client (from the Work Environment Service Call Report), information about the specific requirements of the job (from the Assignment Order), and information about the temporary employee's skills, preferences, work history, and interpersonal characteristics (from the applicant's Interview Worksheet, assessment test results, and reference request forms). If the temporary has worked for Manpower before, an Employee Profile will also be available in the local office. This profile keeps current the temporary employee's assignment history, performance, and training history. From Manpower's point of view, the ideal employee is adaptable and flexible, not only in accepting an assignment on short notice, but also in being willing to work in different kinds of environments.

Performance evaluation

On the first day of a one-day assignment or the second day of a longer assignment, the Manpower service representative responsible for assigning the temporary will call the relevant personnel officer at the customer company to check on the worker's performance. Manpower provides a service guarantee: a customer who is dissatisfied with the performance of the temporary assigned to them does not pay. This guarantee generates feedback, allays customer fears about using an unknown service, and builds marketing strength (Hart, 1988).

An extensive Quality Performance Program has been developed to manage and monitor quality throughout the Manpower organization. At the heart of this program are Quality Performance Appraisals. Industrial and office work customers are interviewed to gather information about how the temporary employees assigned to them performed and about the temporary's attitude and adaptability. These performance appraisals become part of the employee's file at the local office. Temporary employees complete an Employee Performance Appraisal in which they can report whether they enjoyed the assignment and if they felt they used their skills to the fullest extent. Ten other review processes have been developed for customers, employees, local Manpower offices, national account customers, and Manpower staff that evaluate employee performance, customer satisfaction, validity of skill assessment tests, and efficiency and effectiveness of computer training provided by the company.

Summary and Conclusions

The actual assignment by Manpower of a worker to a job—the “job match”—is the outcome of a complex and comprehensive process of *ex ante* assessment and evaluation of the worker, the customer firm, and the specific job. Our review of Manpower's practices suggest four particularly important features of this company's employment process that are of interest to policymakers concerned with improving assessment and training programs, and job search and referral systems.

The first is *the sheer volume of detailed information that is generated and used to make the job match*: information about the temporary employees, the jobs available, the local labor market and economy, and the business needs of Manpower's customers. Information about the applicant from his or her interview and skills assessment evaluations is used to form a “prediction” regarding the work environments and jobs in which each individual will be most productive and successful. To this is added the job and work environment analysis, since the success of any single temporary help office depends critically on the ability of that office to identify accurately the skills that are in demand in the local labor market. Indeed, the formula that Manpower has developed for producing successful job matches relies as much on detailed information about the job and work environment as it does on information about the occupational skills, aptitudes, and work habits of the temporary employee.

Since customer firms are in effect contracting with Manpower to evaluate and select temporary employees for them, they face strong incentives to give Manpower access to their workplace and to provide detailed information about their work environments, job requirements, and the skills and aptitudes they want in their temporary hires. Manpower, in turn, has the resources to send members of its staff to gather comprehensive information about its customers' work sites and needs.

Underneath this layer of highly specific information about workers and jobs is Manpower's in-depth knowledge of its customers' business needs and of the local labor market and economy. This knowledge includes information about occupations that are expanding and contracting, skills that are becoming more valuable in office and light industrial settings, and new training that should be offered to particular groups of temporary workers. This knowledge is an important ingredient in the firm's ability to compete for job orders and to improve the efficiency of its job matches. It also allows local Manpower offices to anticipate the future needs of its customers and thereby recruit and/or train temporaries to fill future expected job orders.

The second area of Manpower's employment operations we want to highlight is the company's *"reverse funnel" approach to skills assessment*. The assessment tests are the driver of the reverse funnel that identifies multiple job possibilities for each temporary employee. The skill evaluations help identify potential employment opportunities that match the job seeker's skills and aptitudes. Training adds the possibility of further expanding those opportunities.

The reverse funnel process benefits workers if it provides them with useful information about the level and marketability of their skills and leads to avenues of work not previously considered. It also makes good business sense for Manpower. Because the firm's revenues depend upon placement, Manpower has an economic stake in identifying as many marketable skills as possible in each individual in its pool of temporary workers.

Manpower's assessment tests are based on thorough job and task analysis that breaks down job categories into the critical tasks performed and the skills, knowledge, abilities and personal characteristics necessary to perform these tasks. This methodology appears to be quite flexible, raising the possibility of designing assessment tests targeted to specific sets of occupations or jobs, in particular work environments, and for particular populations.

A third notable feature of Manpower's employment operations is *the design of its computer training programs for office workers*. The essential characteristics of these training programs are as follows (Bureau of National Affairs, 1989):

- Training is specific to the machines that the employee needs to operate;
- Training is directly related to job requirements and is based on hands-on instruction with job-related work samples;

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- Content is standardized with benchmarks for proficiency levels for each piece of equipment or software on which an employee trains;
 - Everyday language is used in self-paced tutorials to explain computer functions and applications; and
 - Training is very time-efficient, which is crucial given the number of software packages a temporary office worker may be called on to use.

Three features of Manpower's training programs deserve emphasis. First, Manpower's training programs presume that computer-based skill training for lower-skill and entry level positions is important. While this may seem uncontroversial, prior to the attention given to these jobs by staffing firms, few companies devoted formal training resources to workers in clerical occupations.

Second, because they can be so readily customized to the specific needs of client companies, and because they can be quickly updated and adapted to new releases, Manpower's training programs give the firm's local offices the capability to create and recreate the supply of workers with the skill sets currently in demand in their local market.

Finally, Manpower's approach to training responds to some of the basic realities of today's job market. It gives the firm's temporary employees a chance to promote their marketability by upgrading their skills or learning new skills to meet changing technology and job requirements. In theory, Manpower's training modules permit both skill upgrading toward somewhat higher paying jobs and cross-training for lateral mobility in the job market. However, given the relatively narrow occupational range of temporary jobs provided by Manpower, potential mobility attributable directly to Manpower's training programs is probably fairly circumscribed.

A fourth notable feature of Manpower's employment operations is *the access that local Manpower offices have to desirable temporary employment opportunities*. This ability to provide suitable employment opportunities depends on three key factors: 1) Manpower's information base on its temporary employees, customer firms, and their jobs, including its knowledge of its customers' needs and the local labor market and economy; 2) the ability of the local Manpower office to identify quickly appropriate temporary employees for a customer's job order, and then to follow-up with an evaluation of customer and employee satisfaction; and 3) the fact that employers *want* to hire workers who have been pre-screened, prepared, and trained by Manpower.

Our review of Manpower's employment operations suggest a market that works—at least for a segment of the American workforce. From Manpower's perspective, investments in assessment, training, and knowing customer needs have a payoff. And because of its close relationships with its customers, Manpower—the entity that facilitates job matching—actually has access to the jobs that its employees seek. This is in contrast,

for example, to the highly automated, high-volume job referral system run by the U.S. Employment Service (ES), a system that is not designed to offer prospective employees and employers highly individualized brokering services (Bishop, 1993).

In the next and final section of this study, we turn to the implications for U.S. labor market and employment policy that emerge from our analysis of Manpower, Inc. We highlight lessons for public policy that can be drawn from Manpower's strategies and efforts in the areas of job search, training, and transitions to and from employment. We also address the possibilities of public/private partnerships that could tap the experience and expertise of firms such as Manpower. Finally, we assess how transferable Manpower's strategies might be when applied to different occupational groups, different populations, and to public, as opposed to private, sector labor market institutions.

IV. Implications for Labor Market Policy and Further Research

We were drawn to this study of the job-matching strategies and technologies of staffing firms because we believe the current era of increasing labor market insecurity demands creative and aggressive approaches to the design and delivery of employment and re-employment services for American workers—and because we feel that the experience of the temporary help industry and of firms such as Manpower may be instructive. More and more workers are finding themselves in the growing “gray area” of the labor market located between permanent, year-round employment and unemployment. And growing numbers of Americans are turning to temporary work and the firms that provide it as part of their job search strategy.

In this final section, we turn to the implications for U.S. labor market and employment policy that emerge from our analysis of Manpower, Inc. and the staffing industry as a whole. We explore the potential roles that temporary work and staffing firms might play in a revitalized employment system and suggest areas for productive and creative collaborations between the private and public sectors. At the same time, we emphasize the critical need for additional research on the labor market histories, transitions, and prospects of different groups of temporary workers. Without such research, definitive conclusions cannot be drawn concerning the transferability of the lessons culled from the job-matching and skill development models of firms such as Manpower to various types of workers and work.

Developments in the Staffing Industry, the Economy, and Federal Policy

The overview of the staffing industry presented in this paper, coupled with the case study of Manpower’s skills assessment and job matching services, suggest important ways in which temporary service firms have evolved far beyond their initial labor market role as brokers for short-term work. While staffing firms still provide emergency fill-in help, some firms now offer a wide range of sophisticated services for their customers, sometimes even functioning as *de facto* extensions of company personnel and training departments. This range of varied services has been developed by an industry that has responded creatively and aggressively to the evolving needs of customer firms that are shedding permanent workers not directly responsible for their core businesses and experimenting with a range of employment relationships including part-time hires, sub-contractors, and an increasing reliance on temporary hires.

A symmetrical deepening of temporary help firms’ relationships with their other key constituency—the workers they place in jobs—has also occurred. Firms such as Manpower have added to their initial screening function the capacity to test and evaluate employees’ skills and to provide upgrade training in response to customer demand for specific skill sets. To attract

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IV. Implications for Labor Market Policy and Further Research

the best temporary workers, staffing firms are willing to make some investments in the future of their employees (particularly if those investments are recouped through expansion of volume and market share). In addition to improving their ability to make good matches between workers and customer job assignments and expanding services such as skills assessment and training, some firms are trying to make it easier for temporary employees to move into full-time employment if they are offered a position. Others are beginning to provide medical insurance, vacation pay and other benefits to employees with long tenure.⁴⁸

Roughly six million temporary employees are assigned to jobs each year. For many of these, temporary work is an important first point of entry into the labor market; for others, it is a key component in a strategy to get back into the labor market after a chosen or forced dislocation. Perhaps one of the most important developments in recent years has been a change in the ways in which workers use temporary assignments. Although hard data is lacking, anecdotal evidence indicates that workers recently displaced from permanent work who are seeking permanent re-employment comprise a rapidly-growing segment of the temporary workforce.

Heightened job insecurity and the reliance on contingent work in place of permanent employment arrangements have increased the need for policy instruments and institutions that can help American workers make faster, smoother, and more successful labor market transitions. Public policy faces a challenge: to move away from a traditional, static concept of "unemployment" toward a dynamic program of "re-employment." President Clinton's emphasis on "economic security" and the Labor Department's embrace—at least at the rhetorical level—of re-employment as a central labor policy theme are clear steps in this direction. In March, the President sent the Re-employment Act of 1994 to Congress, noting that the existing unemployment system "too often delays people getting back to work instead of accelerat[ing] their return to the work force." The proposals contained in the bill are a first effort, as one Labor Department document puts it, to begin to "fundamentally change the way the government helps people who are unemployed move quickly back to economic security by offering them the chance to choose the services they want and need" (U.S. Department of Labor, 1994).

The question we explore in the remainder of this paper derives from this challenge: *What role can and should temporary work and temporary help firms play in a new employment policy system?*

Management consultant and Harvard professor Rosabeth Moss Kanter (1994) has recently argued that as economic security based on holding onto permanent jobs disappears, public and private sectors must both try to strengthen workers' "employability security." Kanter argues that what can best provide this kind of security are institutional innovations that "will enhance people's value and connect them with future opportunity." A variety of reforms could enhance the ability of workers to move quickly and successfully into new work and careers that make for secure and stable work lives. These include: better education, skills assessment, and

⁴⁸ As the number of desirable temporary workers laid off from companies from which they received full-time benefits increases, and as the demand for temporaries begins to outstrip the available supply, pressure is mounting on staffing firms to provide benefits which, until now, they have not provided, including: medical insurance, vacation days, and retirement savings plans. Another factor pushing firms toward providing benefits is the demand from client employers who do not want temporaries doing the same jobs as permanent employees to "feel like second-class citizens." While the majority of temps do not receive any of these benefits, there are signs that some firms are reconsidering their positions on benefits. (See "Why Temp Agencies are Starting to Give Workers Fringe Benefits," San Jose Mercury News, March 27, 1994, p. PC1.)

training opportunities, both in school and on the job; improved labor market information; more flexible options for gaining access to new employment opportunities and to income support during transitional periods; and portable pensions and health benefits. Some of the momentum for promoting and fostering these reforms and innovations must lie with private sector firms and their human resource strategies. Here, temporary help firms might have an important role to play. Most of these changes, however, will require significant changes in the policies and priorities of public sector institutions.

What role should the temporary help industry play in a new system designed to increase economic security for American workers? Temporary work in general has developed a bad name because, as it is currently structured, it can undercut economic security: wages are lower, benefits less generous, and investments in worker skills more limited relative to permanent work. In addition, a significant segment of the temporary workforce would rather be permanently employed. Yet, these problems are not inherent in the nature of temporary work. Rather, they are a function of the institutional and social contexts within which temporary work is organized in this country. Moreover, there are aspects of temporary work and the activities of temporary help firms that might be creatively combined with other labor market and social policies to contribute to greater "employability security." Can the temporary help industry enhance people's value and connect them to future opportunity, as it serves larger numbers of people who have been "restructured" out of permanent jobs? The answer is not yet evident. If so, the industry would have a legitimate claim to a larger role in national policy and re-employment efforts. If, however, the industry falls short—either generally, or for specific subgroups of the American workforce—then its role in the policy debate should, understandably, be more limited.

What Role for Temporary Work and Staffing Firms? More Research and Information Needed

In this study, we call for more dialogue and interaction between firms in the temporary help industry and public sector policymakers and practitioners charged with helping Americans find their way into or back into the labor market. We believe this call is justified for several reasons. Temporary work already plays an important function in many individuals' job search strategies and work choices. Moreover, there is evidence that the profile of the temporary worker is changing and that the industry is now serving large numbers of dislocated workers. The industry claims that it is placing significant numbers of people in long-term jobs. In addition, "best practice" staffing firms have developed considerable know-how in the areas of assessment, training, job matching, and placement.

As a result of our research, we believe that temporary employment could be a useful work model for some populations targeted for employment assistance if it is integrated into a structured package of services and opportunities. Such a package might include income support, skills assessment, training, job placement assistance, and case management services.

Two aspects of the staffing industry's experience stand out as particularly relevant for national policy strategies. These are:

1. *short-duration employment* that enables workers to rotate through different workplaces and jobs, giving them greater perspective on their options and a greater network of connections with people who have jobs to offer; and
2. *skills assessment, training and placement expertise*, currently located in the industry's firms that can help improve the job matching process in both the private and public sectors.

Unlike permanent work, temporary employment can be compatible with doing other things at the same time, such as going to school, taking training courses, enrolling in a pre-employment or job-readiness class, or engaging in a period of job search or career investigation. It can be an important source of information for workers about different work environments, employers, and jobs, and about their own aptitudes, interests and skills. And, it can be a rational and strategic element in an individual's job search plan.

However, we also firmly believe that there is not yet sufficient information about the industry, its practices, and its impacts on its employees to draw definitive conclusions on many critical questions concerning the benefits and costs of temping in the United States. At the same time that temporary help firms should be brought into more creative dialogue and collaboration with public sector policymakers on how to improve the employment or re-employment prospects of American workers, there is a critical need for further empirical research on the profiles and labor market trajectories of the temporary workforce—and on the practices of a range of different firms in the diverse temporary help services industry.⁴⁹

Temporary work may have better results for some groups in the workforce than for others; working for certain kinds of firms may lead to more upward mobility and career advancement than for others. To be able to determine the breadth of transferability of some of the lessons from the successful products and activities of the temporary help industry, or to argue with full confidence for a dramatically increased reliance on temporary work as a part of a re-employment system, rigorous research must be conducted on two broad questions: 1) how well does the industry serve its existing workers in terms of mobility, advancement, and opportunity?; and 2) how transferable is the industry's success with certain populations and occupational niches to a more general public and other kinds of job opportunities?

Several issues warrant further investigation:

INDIVIDUAL MOTIVATIONS FOR TEMPING. While various surveys have identified the most common reasons people give for pursuing temporary employment, we have little information on the extent to which different motivations or circumstances explain individuals' decisions to become—or remain—temporary employees. Using individual work histories, it

⁴⁹The National Association of Temporary Services (NATS) has issued a useful survey of employees of temporary help firms. While it addresses some of the questions posed here, there is still a need for more extensive and refined surveys that separate out the experiences and attitudes of workers in different segments of the industry and, perhaps, different kinds of firms within those segments (NATS, 1994a).

would be helpful to know more about the backgrounds and profiles of people who have different motivations for temporary employment: those who want to work permanently for temporary help companies; those who would prefer permanent work but cannot find it; and those who are using temporary work as a short-term job search strategy.

COSTS OF AND RETURNS TO TRAINING AND SKILLS ASSESSMENT.

As a group, temporary firms are providing more training, work-readiness activities, and skills assessment for their employees than in the past. But are these efforts to add value translating into higher earnings and better career prospects for temporary employees over time? It would be helpful to know: 1) the improvement in wages of temporary workers that can be attributable to returns to training; and 2) changes in job mobility related to skills assessment and training. To analyze these issues, survey data would have to be collected on: the incidence, frequency, duration and type of training received by temporary workers; hourly wages before and after training; and job assignments before and after training.

TEMPING AND JOB MOBILITY. A critically important set of questions that requires more data focuses on the labor market mobility of temporary workers. Who gets permanent jobs as a result of temping? Who advances in the labor market? Are their backgrounds, skills, and personal attributes different from those who do not transition to permanent employment or do not secure higher wages or better placements over time?

Three different types of job mobility need rigorous documentation:

1) temporary work as a way to "audition" for a permanent job; 2) upward mobility and access to job ladders within one's field of temporary employment; and 3) lateral mobility into different industries and occupations. Data is also needed on how frequently these routes lead to higher incomes and status.

Are there certain segments of the temporary service industry where mobility is more limited than others, such as specific low-wage, low-skill segments of the job market? Is the mobility of particular groups of temporary workers—such as minorities, youth, immigrants, and retirees—more constrained than that of others? Our initial guess is that the answer to both these questions is "yes." Serious research is needed if we are to be able to make defensible assertions about the transferability of lessons from the temporary help industry to the employment challenges facing diverse populations.

"CREAMING" AND LABOR MARKET STRATIFICATION. The most obvious challenge to the claim that the success of the temporary help industry can be instructive to government-sponsored job placement efforts is the argument that staffing firms such as Manpower are successful precisely *because* they "cream" the pool of those looking for work in specific occupational sectors. That is, perhaps private sector temporary service firms are successful because they attract motivated, employable individuals who are already relatively well-equipped to negotiate the labor market.

In contrast, the U.S. Employment Service (ES) is left with the "difficult"—and unprofitable—cases, which may largely explain employers' lack of interest in using the ES for any but the lowest-level hires.

There is no doubt that the temporary help industry creams to a significant extent. The industry attracts a highly-educated segment of the population. Almost three out of four respondents to a recent survey of temporary employees reported that they have more than a high school education, far above the national average (NATS, 1994a). Moreover, the best firms in the industry try to identify and build loyalty among the most employable segments of the temporary help pool (such as suburban housewives with college degrees), just as the best colleges cream the pool of applicants available to them.

It is equally clear that the U.S. Employment Service serves a very different population. In the mid-1960s, the mission of the Employment Service changed and its placement criteria shifted to emphasize economically disadvantaged populations. In the years that followed, its ability to place clients has contracted significantly. The ES share of referrals of new hires dropped from nearly 20 percent in the 1960s to 8 percent in the early 1970s, where it has remained. The share of job seekers using the Employment Service has also dropped—from 30 percent in 1978 to 21 percent a decade later (Bishop, 1993).

While the existence of creaming is obvious, several important questions are still unanswered. What is the process by which creaming is accomplished? Who, if anyone, gets turned away from temporary work, why, and how? Is there a hierarchy of temporary firms which enables industry leaders to be selective, while other firms have no choice but to take any worker who comes through the door, and to work with customer firms more likely to provide less appealing, more exploitative job assignments?

APPLICABILITY OF THE TEMPORARY WORK MODEL TO OTHER POPULATIONS. If creaming is a prerequisite for success in the staffing industry, then questions must be raised concerning the extent to which the industry's technologies and methods are applicable to other subgroups of workers who are looking for employment. The methodologies that work for assessing, training, and placing the populations served by temporary firms may be more difficult and costly to adapt for harder-to-employ populations. As the federal government considers strategies for assisting different target populations' transitions to employment, the extent to which the temporary help industry model can work for different subgroups becomes critically important.

APPLICABILITY OF THE TEMPORARY WORK MODEL TO OTHER OCCUPATIONS. A related issue is whether and to what extent the lessons of the staffing industry's assessment and placement models are applicable to jobs in different industries and occupational niches. Temporary help firms have been successful by identifying relatively narrow segments of the occupational distribution (e.g. light industrial assembly) and then

breaking down each segment even further into job assignments that can be specified in detail. How broad a band of jobs can the temporary help industry fill well? Under what conditions is this employment process and work model likely to be successful for jobs in work settings other than those in which the industry is currently active? And what would it take to refine assessment tools and placement strategies for jobs with different characteristics?

Possibilities for Public/Private Collaboration and Partnerships

Despite the concerns expressed above, we still see significant reason and opportunity for expanding the dialogue between the temporary help industry and the federal government as the nation develops new strategies for improving and speeding workers' transitions through the labor market. As noted earlier in this section, we believe the staffing industry can make two distinct contributions to the design of a comprehensive employment and re-employment system. The first is the use of *short-duration employment* as a component of job search strategies in an increasingly unstable and difficult economic environment. The second has to do with the capacities and expertise of temporary help firms, rather than the potential benefits of temporary work itself: the *design and implementation of assessment, training, and placement services*.

Although the Re-employment Act of 1994 focuses primarily on the challenge of helping people who have lost their jobs find new opportunities quickly and successfully, the Administration's broad blueprint for rethinking national employment policy targets not just one but three traditionally traumatic and costly transitions. In addition to the transition *between jobs*, three separate federal policy initiatives seek to address the equally problematic transitions of *school to work* and *welfare to work*. We believe that in each of these areas temporary work and temporary help firms have something positive to offer.

Developing temporary employment as a transitional strategy

For some workers in particular occupational niches, temporary help firms already offer the possibility of exploring different work options and environments. Individual workers, however, are constrained in their ability to combine temporary work with publicly-provided re-employment services. Income eligibility requirements for federal training programs can be a disincentive to combining temporary employment with training and re-training. More significant, the reimbursement formulas that guide federal training deliverers under the Job Training Partnership Act (JTPA) discourage them from placing graduates in temporary jobs.⁵⁰

The federal government should look closely at the pros and cons of *restructuring unemployment and other benefits to remove obstacles to participating in training while also holding non-permanent employment*. Such restructuring would open up possibilities for *combining temporary work with education, training, and re-entry programs*. In general, federal programs assess whether individuals need either employment or training. However, for unemployed, laid-off, and dislocated workers, or potentially-displaced workers in

⁵⁰Reimbursement is determined, in part, by follow-up standards that include a count of how many graduates are working 180 days after program completion. If the agency places a graduate in a temporary job, he or she might very well be working elsewhere or be between jobs at the time of the follow-up survey, a risk that training deliverers want to minimize.

"at-risk" firms and industries, it may be desirable to create programs that offer workers structured options for combining training with temporary or part-time work. These options may appeal to workers who want a source of short-term income and/or are interested in exploring alternative work environments and occupations, as well as those who resist full-time training.

There are already some suggestive attempts to create models that use temporary work as part of a transitional strategy for hard-to-employ populations. America Works is a private, for-profit company that has contracted with several state welfare departments to place welfare recipients in full-time, permanent jobs with private sector firms. The company recruits the welfare recipients and offers basic interviewing and job skills training in preparation for entry-level positions. Employees are sent on four-month temporary assignments with intensive monitoring by America Works staff, and at the end of the four months, the employer has the option to hire the employee full time. If the worker becomes a permanent employee, America Works does not charge a conversion or finder's fee (Rodgers, 1991).

Another model for building temporary work into a structured transitional employment program would combine a pre-employment program with temporary employment as a transition toward permanent work. Pre-employment programs generally focus on job readiness and job search skills. Frequently funded with federal monies, these efforts usually include a basic education component and/or a support services component that addresses career development and life-skills through individual counseling, referrals, and peer support groups. Because of the target populations for these programs, many of whom have weak academic backgrounds and troubled personal lives, graduates are often unprepared for full-time employment, even when the program is combined with vocational skills. For some types of pre-employment programs and their graduates, temporary and/or part-time work may in fact be a better transitional strategy than full-time work. Temporary, part-time positions may be a creative way for these candidates to benefit from employment in a work environment where they can practice the skills they have learned, continue to build self-esteem, and experience realistic work expectations and responsibilities—and where the particular stresses of full-time, permanent work are absent.

Staffing Trends, a new temporary help services firm, is launching a program that will combine pre-employment and job-readiness training with temporary work.⁵¹ Incorporated in February 1993, Staffing Trends is the only national, minority-owned and operated temporary help service. (It is also the exclusive minority partner of Manpower, Inc.) The company provides office, marketing, and light industrial temporary personnel. Through a service agreement with Manpower, Staffing Trends has access to the training, skills assessment, and aptitude measurement tools developed and used by Manpower. One innovative Staffing Trends project currently in development will provide an opportunity for young adults in urban areas to receive remedial academic assistance, job readiness training, and office skills training in preparation for being placed on temporary assignments. The program will initially recruit urban minorities who are unemployed or

⁵¹ Staffing Trends is co-owned by the Barfield family, owners of Bartech, Inc.—the largest African-American owned technical temporary services firm in the United States—and by Manpower, which has a minority equity interest.

underemployed and have the desire to improve their skills in order to obtain work. The intent is to create a "second chance" for those who have limited employment experience, inadequate skills and have had difficulty getting access to employment. While Staffing Trends will provide skills assessment and placement services, the project will require additional public or private funding for its education and training component.

Temporary work might also be integrated into emerging models for improving the school-to-work transition in the United States (Kazis, 1993). As high schools begin to incorporate work experience into their academic programs to motivate young people and help them learn about different career options, temporary work rotations through different workplaces could be an innovative and effective program model. Most notions of apprenticeship and work-based learning involve attaching a student or trainee to one employer and one work site. The work model of staffing firms, and the premium that today's labor market puts on adaptability, suggest the possibility of structuring work-based learning programs for young people (and adults) around exposure to multiple work environments and jobs. Staffing firms, in concert with groups of local businesses, might be able to partner with secondary schools, post-secondary institutions and other education and training providers in the development and management of placement and on-the-job training components of a school-to-work effort.

A final approach to using temporary work as part of a broader effort to improve the opportunities of different populations to advance in the labor market is one that has had some success in Europe: the establishment of temporary service firms that target specific population groups. In Belgium and the Netherlands, for example, there are semi-public temporary service firms that focus on the handicapped, immigrant workers, older workers, and women who wish to return to the labor market but are having trouble finding work (Bronstein, 1991). It is worth considering whether such efforts in the U.S. could help address some of the challenges of reaching hard-to-serve populations.

Capitalizing on the experience of temporary help firms with assessment, screening, and placement

Temporary help firms have a great deal of expertise in the area of matching workers to jobs that could be beneficial to public sector planners. The best of these firms have successfully developed products and services that have been tested in the crucible of the marketplace. In the arenas that are central to Manpower's and other temporary help firms' success—including labor market information systems, skills assessment strategies, and low-cost, self-paced training packages—the public sector might benefit from some technical assistance.

The kinds of diagnostic tools and feedback mechanisms that Manpower and others use to develop and utilize *high-quality labor market information* about their customer firms and the available jobs, as well as the attitudes, aptitudes and skills of the employees they are trying to place, could be

helpful to the Employment Service and to community-based agencies that do placement for Department of Labor programs. The ability of Manpower and other firms to help workers with relatively low skills recognize that they have more abilities and options than they have used in previous jobs is a powerful tool, one which many not-for-profit organizations that work with welfare recipients and other populations might find extremely useful.

Some temporary help firms have experience in areas related to the *certification and credentialing of skills*, particularly for entry-level workers. Few institutions in this country in either the public or the private sectors, have comparable experience in the design and development of skill assessment and certification for lower-end jobs. As the federal government tries to create a system of national occupational skill standards and certification,⁵² the experience of these companies in designing skills performance tests, particularly in the areas of computer use, might be instructive.

One important aspect of the staffing industry's success is the ability of its firms to identify and target particular industries and occupations and to serve those niches well. Temporary help firms segment their *outreach to customer firms and their placement activities*. Some firms specialize in only a few occupations or industries. Others are more "full-service" firms, but they still target their efforts carefully and have broad experience on how to improve the likelihood of successful placement.

In general, increased communication and exchange between the industry and the federal government that enabled federal officials to learn from the experience of the industry's leaders in product development, cost efficiencies, and market strategies would be useful. Such interaction could also lead to more intensive relationships between the private and public sectors, either as contractors or as partners in innovative service delivery. Private firms could become vendors to the public sector for products and services. They could also develop joint ventures with the government to deliver services to particular target populations. Examples of possible partnership opportunities or joint ventures include:

- **SKILLS ASSESSMENT TOOLS AND METHODOLOGIES.** Manpower and other firms have developed sophisticated assessment tools and methods, particularly for certain relatively low-skill occupations (e.g., Ultradex). It might make sense for public sector programs or agencies to buy the right to use those tools in assessing the skills of dislocated workers, workers threatened by plant closings, welfare recipients, or other groups. Public agencies might also want to contract with temporary help firms to conduct assessments.
- **DEVELOPMENT AND DISSEMINATION OF TRAINING PACKAGES FOR WORKERS ENROLLED IN PUBLICLY-SPONSORED TRAINING PROGRAMS.** Many temporary help firms have developed their own training packages, particularly for computer software and hardware. Staffing companies have already broadened the usage of these training programs to include training the permanent staff of their client customers.

⁵²See Batt and Osterman (1993) and Tyson (1990).

There may be opportunities for partnerships with the public sector in the development of more user-friendly self-paced training packages.

- **STAFF DEVELOPMENT FOR U.S. EMPLOYMENT SERVICE OR OTHER PUBLIC JOB REFERRAL PROGRAMS.** Perhaps one of the best opportunities for a partnership with the private sector is in the area of staff development. It is well-known that the Employment Service and other publicly-funded agencies have serious problems with the quality and efficiency of customer service. Firms in the temporary help industry live or die based on the quality of their service to both their customer firms and their temporary employee base. Technical assistance on how to improve customer service, on wage and incentive structures in private firms and how they might be adapted to public and non-profit sectors, and on training approaches for front-line personnel could be an important contribution.

Of course, if such partnerships were to be developed, a number of difficult questions would have to be addressed about how they would be structured, financed, and managed. Complex and controversial public policy questions emerge whenever public and private sector institutions are in the same "business," begin converging on similar markets, products and services, or create joint ventures. And historically, in this country where free-market ideology has triumphed, there is significant animosity and distrust of both government capacity and motives. As a result, instances of conflict between private employers and the public sector are far more common than examples of collaboration. While researching this paper, while we heard interest on the part of temporary help firms and government agencies in developing new ways of working together, we also heard several anecdotes of pressure from the temporary help services industry that stopped state employment services from providing no-fee referrals to temporary placements.

Several tricky policy questions include:

- If the government wants to improve its ability to assess, screen, and refer its clients, when should it "buy" those products and services from for-profit firms as opposed to "make" its own testing, assessment, and referral services? Which services should it buy? At what cost?
- If private sector firms cream and there is no way for certain population groups to take advantage of the integrated services and employment contacts of those firms, there may be an equity argument for the public sector providing the same services and goods. Under what circumstances should such efforts be encouraged? And under what conditions are they likely to be successful?
- How should profit margins of temporary staffing firms be set if they become involved in public/private joint ventures? Should agencies that charge individual workers a fee for placements be barred from participating, as they currently are under the Wagner-Peyser Act that regulates the Employment Service?

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- If the public sector were to collaborate with temporary help firms, what kinds of quality standards should it put into place as protection against less scrupulous actors in the industry that may not be able to deliver the services and products requested?
 - If partnerships were developed to improve the re-employment prospects and economic security of particular population groups, should job-related benefits for temporary workers employed in those partnerships be subsidized by the government?

These are not insignificant questions; and there are others like them that would have to be worked through. At the same time, though, for at least some of the potential partnerships described above, there may be good reason to begin discussions now.

Conclusion

Our case study of Manpower, Inc. emphasized four key "ingredients" of the firm's employment process that enable Manpower to successfully match its temporary workers with its customer firms: the sheer volume of detailed information generated and used to make the job match; the company's "reverse funnel" approach to skills assessment; the particular design of its training packages; and the access of local Manpower offices to desirable temporary employment opportunities. Our assessment of these four features as well as the changes in the labor market that are now in full swing, lead us to believe that temporary help firms have hit upon a combination of services—*short-duration employment that generates income, combined with assessment and training opportunities*—that can be a helpful transition strategy for some individuals negotiating their way through an increasingly unstable labor market. And our knowledge of existing federal employment and training policy tells us that these innovations from the private sector have not yet been incorporated into publicly-sponsored programs and policies.

At the same time, though, we are left with a quandary. In order to evaluate the merits of a temporary work model as a transitional employment strategy for different populations, we need to know more about who temporary work does and does not work well for and why. Furthermore, when firms in this industry are very good at serving particular groups of workers in particular occupational niches, we do not know whether they are effective precisely because they stick to those types of workers and niches. And we do not know whether the essential pre-condition for their success—the goodwill and cooperation of customer firms—which in turn is the basis for access to high-quality firm and labor market information and to jobs, can be transferred to "government-run programs." In sum, the question of transferability and generalizability remains difficult to answer and there is clearly a need for better data to guide research and policy development in this area.

For this reason, in addition to the research agenda proposed above, it is perhaps time to develop a series of demonstration projects that encourage the use of temporary work and staffing firms as partners to government efforts to improve the transitions from work to work, school to work, and welfare to work. Such an initiative could create the basis for collaboration and solving the various design, implementation, and policy challenges involved. It could be of limited duration, open to public comment and scrutiny, and subject to documentation and analysis. Done right, it could constitute a significant step toward exploring strategies for integrating temporary work and the temporary help industry into federal employment and re-employment policy. And it could also break through the ideological posturing that has characterized existing debates on temporary work in the United States.

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VI. Appendix: Previous Research on the Temporary Help Services Industry

Over the past three decades, analysis of temporary work and the temporary help industry has gone through several phases. Business management literature from the late 1960s and 1970s viewed temporary work as an issue of flexible work style, in particular for female clerical temps. Temporary work was depicted as appealing particularly to women who only want supplemental income and who prefer flexible employment so that they can combine family responsibilities with work.

The next phase of investigation focused on explaining the 1980s boom in temporary employment and sorting out the relative influence of demand versus supply-based explanations. Empirical work by Lapidus (1993) challenged the notion that married women with children were more likely to temp than other women because temporary work afforded them needed flexibility to combine work in and out of the home. Golden and Appelbaum (1992) concluded that the boom in temporary employment was demand-driven and had to do with broad structural changes in the U.S. economy.

Martella (1991, 1992) studied the direct experience of temporary workers by conducting a survey of 96 female temporary clerical workers in Philadelphia and its suburbs. Martella also did follow-up in-depth interviews with a subsample of the survey respondents, and interviewed the owners and managers of 11 temporary services. The study supports the conclusion reached by other analysts that, for most women, life-cycle choices do not explain the decision to accept temporary work. In particular, Martella does not find that temporary work affords special advantages to women with families. Rather, most women surveyed by Martella use temporary work as a substitute for regular, full-time employment while in a transient situation, as an alternative to unemployment, or as a means of finding permanent work. Martella argues that the temporary help industry exaggerated both the appeal and the actuality of scheduling flexibility.

Recent literature contains a strong policy focus addressing such issues as whether or not and how to extend both social and workplace protections to contingent workers in the United States (duRivage, 1992; Callaghan and Hartmann, 1991). These policy concerns stem from evidence that temporary employment is inferior to permanent employment with respect to wages, benefits, and job security, as well as from the recognition that public and private employment policies in the United States are designed for full-time workers with permanent attachments to the labor force.

A relatively recent emphasis in the literature is the investigation of the implications of greater use of temporary labor for corporate performance and productivity improvement approaches, such as the adoption of various

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high-performance work system models (Appelbaum and Batt, 1993). As American corporations transform their production systems and engage in workplace reform, there is debate concerning the adoption of so-called "ring-core" staffing patterns, "just-in-time" staffing practices, and a shift toward an entrenched "two-tiered workforce." In particular, there is concern that these staffing practices and attitudes can promote a low-wage, high turnover staffing strategy, deter training and investment in workers, and hinder long-term productivity growth (Appelbaum and Batt, 1993; Callaghan & Hartman, 1991).

Data on the various sorts of temporary work arrangements that organizations rely upon are unfortunately rather limited as are studies attempting to analyze firm demand for temporary labor. Mayall and Nelson's survey (1982) constitutes the only source of firm-level information for the early 1980s. Two firm surveys were conducted in the latter half of the 1980s, one by Abraham (1988, 1990) and the other by Christensen (1989).

In collaboration with the Bureau of National Affairs, Abraham surveyed 799 firms in 1985. With 442 usable replies, the survey yielded information on the use of agency temporaries, short-term hires, and on-call workers, as well as evidence on employer reasons for relying on flexible staffers, and on the organizational characteristics associated with flexible staffing use. Abraham distinguished between three separate motivations on the part of organizations for relying on temporary workers or contracting work out:

(i) enhancing the firm's ability to adjust both the quantity and the skill mix of labor input to changing circumstances, while buffering the regular work force; (ii) taking advantage of low market wage rates by turning a particular task over to an outside individual or organization; and (iii) allowing the firm to take advantage of specialized services that many firms cannot produce economically in-house. Abraham's evidence suggests that the first two motivations were most important in determining employer use of temporary labor, while the third factor was most important in the determination of the demand for contractors providing specialized services.

In 1987 Christensen surveyed human resource executives in 2,775 U.S. companies in nine industries. A total of 521 companies sent back usable responses. The executives were questioned regarding their firms' use of four staffing arrangements (part-time labor, internal temporary pools, temporary agency hires, and independent contractors) and six scheduling arrangements. The study presents data on the incidence of use of the different types of arrangements, and information about what firms perceive to be the advantages and disadvantages of contingent labor in controlling costs, productivity, work quality, and performing routine management and administrative tasks. The survey also asked company officials to rate their satisfaction with the job performance, administrative costs, and ease of supervision of the four types of arrangements.

Belous (1989) presents information on the use of contingent labor in several anonymous firm case studies. Belous' analysis focuses on the rationale of management for using different types of contingent labor.

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