

TEMPORARY STAFFING for the HARD-TO-EMPLOY

FINDINGS FROM A BRIEF STUDY
OF ALTERNATIVE STAFFING
ORGANIZATIONS



Temporary Staffing for the Hard-to-Employ

Findings from a Brief Study of Alternative Staffing Organizations

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OVERVIEW

The number of workers employed through temporary staffing agencies has more than doubled in the past 25 years, from 1.1 million in 1990 to about 2.8 million in 2014, and these agencies have become an increasingly important employer of low-skilled, low-wage workers. Researchers have begun to explore the potential and the reality of short-term work through staffing firms in terms of facilitating job placements for workers with barriers to employment, such as welfare recipients, people with disabilities, and workers with limited education. Evidence in this area, which is largely nonexperimental, suggests that such placements can improve workers' employment prospects and earnings in the short term, but on average, these jobs are associated with lower earnings and less stable employment than direct-hire jobs in the long run.

Alternative staffing organizations (ASOs) use the temporary staffing business model to help hard-to-employ individuals secure work. Like conventional firms, ASOs provide staffing services to employers for a fee, but they place a greater focus on the well-being of the worker than a conventional staffing firm would. Rigorous research is lacking on the impact that ASOs produce in the lives of their workers; however, since tryout employment has become more routine, the model deserves further exploration as an employment strategy for workers with barriers. This paper presents the results of MDRC's research on the potential of the alternative staffing sector to employ disadvantaged workers, which included visits to three ASOs to interview staff and conduct observations, as well as conversations with the Alternative Staffing Alliance, a national association for the sector.

KEY FINDINGS

- **The core of the ASO model is rapid, transitional employment that yields immediate income and work experience for disadvantaged workers, with limited supports to boost job retention.** ASOs rely on partnerships with community-based organizations to recruit workers who have received some supports to be “job-ready.” Postplacement job coaching is the most common form of support provided by ASOs.
- **ASOs appear to fill a gap in workforce intermediation for low-skilled workers in regional labor markets.** ASOs that participated in this research believe they are better able to meet the needs of employers for low-skilled workers because conventional staffing firms do not pay as close attention to matching candidates to the specific needs of the customer business.
- **In order to create job opportunities for the hard-to-employ and engage private employers on a large scale, ASOs have to build the capacity to run a viable, competitive business, while balancing their social mission.** This includes understanding the dynamics of the local labor market and the needs of employers, as well as investments in sales and management staff with expertise in the for-profit staffing industry.
- **The young and evolving ASO field could benefit from a variety of research activities.** In order to participate in any evidence-building experiment and to understand their impact on workers, ASOs will need investments in strong internal systems to monitor and track data on participants, employers, and partners.

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INTRODUCTION

Despite improvements in the U.S. economy since the Great Recession, unemployment remains high for many disadvantaged groups, including low-income young adults and men of color. Others face serious obstacles to steady work even when the economy is good, such as people with disabilities, individuals with criminal records, and workers with limited education and work histories. Many in these groups live in chronic poverty and are often trapped in public assistance and enforcement systems at a great cost to themselves and society. Policymakers have been searching for strategies that can provide the hard-to-employ with immediate income and work experience to reduce “scarring” from long-term spells of unemployment and to put them on a path to self-sufficiency.

The search for effective interventions and policy solutions must be grounded in the changing nature of work and workplace arrangements in this country. While technological advances have increased the demand for skills and education in mid- to high-wage jobs, the demand for low-skilled, low-wage workers to do jobs that require physical labor or face-to-face contact has also grown.¹ At both ends of the labor market, competitive forces are driving employers to change recruitment and hiring practices in ways that give temporary staffing firms a more important role.

Across diverse industries, more and more employers are turning to temporary staffing firms to meet short-term and acute labor needs, and also to reduce the cost and risk associated with recruiting and hiring full-time employees.² The number of workers employed through temporary staffing agencies has more than doubled in the past 25 years — from 1.1 million in 1990 to about 2.8 million in 2014.³ Employers in a much wider array of industries have begun to rely on temporary workers. Historically, temporary help was most commonly associated with clerical and office positions, but more than 40 percent of the jobs filled by temporary staffing firms are now in light industry or warehouses.⁴ As a result of this shift toward blue-collar occupations, staffing agencies have become an increasingly important employer of low-skilled, low-wage workers.

Can temporary staffing agencies play a positive role in helping disadvantaged workers with barriers to employment find entry-level jobs? Over the past two decades, as welfare and workforce development policies started to place greater emphasis on short-term, work-oriented social services, researchers have begun to explore the potential and the reality of short-term temporary work through staffing firms in terms of facilitating job placements for these disadvantaged workers.

Research evidence in this area, which is largely nonexperimental, suggests that temporary jobs can improve employment prospects and earnings of disadvantaged workers in the short term, especially if the next best alternative is unemployment. But these jobs are associated with lower earnings

1. Autor (2010).

2. Luo, Mann, and Holden (2010).

3. U.S. Bureau of Labor Statistics (2014).

4. Smith and McKenna (2014).

and less stable employment than traditional, direct-hire jobs in the long run.⁵ Despite the mixed evidence, as tryout employment becomes a routine entry point into a firm, temporary staffing has to be a part of the conversation about employing workers with barriers — perhaps as a step on the ladder to long-term success.

Since the 1970s, a number of organizations working to help disadvantaged individuals advance in the workplace have developed and tested mission-driven temporary staffing agency business models designed to help hard-to-employ individuals secure work and increase their income. Nearly 70 organizations in North America are dedicated to employing disadvantaged workers through a temporary staffing agency business model. Like conventional staffing firms, alternative staffing organizations (ASOs) provide staffing services to employers for a fee; but they also place a greater focus on the worker than a conventional firm would, and connect workers to a range of supports by leveraging community-based public and private resources. This paper presents the results of MDRC’s research on the alternative staffing sector and the potential of the ASO model to employ disadvantaged workers in large numbers.

WHAT DO WE KNOW ABOUT ASOS?

The Alternative Staffing Alliance, a national association, defines ASOs as organizations that “place and support job-ready, disadvantaged workers in competitive temporary and temp-to-hire jobs.”⁶ Temporary placements are the core of ASO activity; the percentage of these short-term placements that turn into permanent hires, a process known as “temp-to-perm” or “temp-to-hire” in the staffing industry, varies widely by ASO (between 10 percent and 80 percent, with a median around 20 percent) and depends on individual ASO goals and the population and industries served.⁷ Nearly two-thirds of ASOs are organized as in-house workforce development programs or subsidiaries of not-for-profit, community-based organizations, including 22 run by Goodwill Industries affiliates; the rest are independent. In 2014, ASOs placed about 30,000 people in jobs, accounting for less than 1 percent of the temporary staffing market. Most operate at a relatively small scale (the median number of people placed by ASOs in a year is about 250), but a few have grown to serve as many as 3,000 people a year.

Both conventional staffing organizations and ASOs make a priority of filling job orders from employers quickly and dependably, and match the best possible worker to meet the needs of the job. But ASOs focus more on the workers and the supports they may need to achieve better outcomes on the job. They balance the interests of employers and workers in each step of the hiring process — in recruiting and screening job seekers and employers, making matches that are mutually beneficial, and providing postplacement services and support to improve retention and worker success. The

5. Andersson, Holzer, and Lane (2009); Autor and Houseman (2010); Hamersma, Heinrich, and Mueser (2014); Heinrich, Mueser, and Troske (2009); Lane, Holzer, and Andersson (2007).

6. Alternative Staffing Alliance (2014).

7. The Alliance surveys the alternative staffing sector every one to two years in order to measure scale and performance and monitor trends over time. The statistics reported in this paper were provided by the Alliance and include findings from the most recent survey conducted in 2014.

extra attention to workers is driven by the organizations' social mission and made possible by (1) using the infrastructure and funding of community-based partners or a parent organization to help with job-readiness, transportation, and other social-service needs; and (2) when possible, reinvesting surpluses back into their social mission.

Most ASOs cover the majority of their costs with staffing revenue. In fact, more than half cover at least 95 percent of operating costs with staffing revenue, making dependence on philanthropy minimal. However, since many ASOs are subsidiaries of a parent nonprofit organization that is set up to serve hard-to-employ populations, the funding and programs of the parent organization frequently subsidize services to job seekers. Some of these ASOs also share overhead costs with the parent nonprofits and have access to in-kind support for administrative and fundraising activities.

ASOs generally serve the lower-skill segments of the temporary help market. For this reason, ASOs place many fewer workers in professional and managerial occupations, health care, and information technology (14 percent of ASO placements are in these sectors compared with 45 percent of all temporary placements in 2013). ASOs tend to place the most job seekers in cleaning and property maintenance (23 percent), production and manufacturing (21 percent), office and clerical work (18 percent), and security services (10 percent). However, the mix of occupations, industry sectors, and employers varies greatly by ASO.

Although the target populations for ASOs differ markedly, overall the sector serves a highly disadvantaged population. According to a 2014 survey of the field, the top population groups served by ASOs are individuals with criminal records, people with disabilities, people who are at risk of homelessness or are transitioning from homelessness, and welfare recipients.

A great deal of what is known about how ASOs operate on the ground comes from a demonstration conducted by the Center for Social Policy at University of Massachusetts Boston (CSP) and the evaluation firm Public/Private Ventures (P/PV) between 2005 and 2011. The organizations conducted an in-depth study of five ASOs that are programs or subsidiaries of larger nonprofit organizations.

The study found that ASOs filled a unique need for their employer customers. Employers who participated in the study reported that conventional staffing firms did not pay as close attention to matching candidates to the specific needs of the business when filling entry-level, low-skill positions. They also saw the supports provided to workers by ASOs as a valuable part of their customer service.⁸ Workers reported that ASOs found better positions for them than conventional agencies and that they received more detailed information about the work setting and job requirements from ASOs, increasing their chance of success.⁹ The demonstration did not include a rigorous impact evaluation to assess either short-term or long-term outcomes for ASO workers. A survey of former ASO workers at the demonstration sites found that about half of the 855 survey respondents (43 percent of the total sample that received the survey) were employed six to eight months after their

8. Carré, Holgate, Takenaka, and Levine (2012).

9. Carré, Holgate, Levine, and Kala (2009).

first job placement through the ASOs; of those employed, about 75 percent were working full time and nearly 60 percent received some benefits.¹⁰

The Alternative Staffing Alliance has reported an uptick in the number of ASOs in recent years, and several of its members are looking for ways to expand and serve a larger number of disadvantaged workers. There is also an increasing interest in social enterprises — revenue-generating businesses with social objectives — as a means to improve employment for people who face obstacles in this area. MDRC, which has over 40 years of experience in developing and testing potential solutions for the hard-to-employ, launched an effort to better understand the potential of the ASO model to employ disadvantaged workers at greater scale and the feasibility of conducting rigorous tests to establish evidence of their impact on workers. As part of this research, MDRC collected information on the sector from the Alliance and visited three ASOs across the country to interview staff and conduct observations.

OVERVIEW OF ASOS THAT PARTICIPATED IN MDRC’S RESEARCH

In order to build on the findings from the earlier demonstration by CSP and P/PV researchers, MDRC visited three independent ASOs in November and December 2014: DePaul Industries, headquartered in Portland, Oregon; First Step Staffing in Atlanta; and TeenForce in San Jose, California. The ASOs are different in size (from 200 to 3,000 individuals served annually) and target population (individuals with disabilities, the homeless, and youth, respectively). They also differ in their approaches to and strategies for growth. While, as previously mentioned, nearly two-thirds of ASOs are in-house programs or subsidiaries of larger nonprofit organizations, the three ASOs featured in this paper are independent nonprofit organizations. (One of these, DePaul Industries, has recently shifted toward a hybrid model by forming a benefit corporation to run its staffing business.)

DePaul Industries

DePaul Industries focuses on placing people with disabilities into jobs. To this end, it has created one of the largest ASOs in the country. DePaul’s staffing division, which it launched in the early 1990s, is the largest of three complementary business lines; the two others are food packaging and security services. DePaul’s food-packaging business is also the largest consumer of its staffing services and accounts for about 10 percent of its placements. In 2014, DePaul employed about 3,000 people through four offices in Oregon and additional branches in Washington, Arizona, Idaho, and Maryland. The organization estimates that about 30 percent to 40 percent of those placed in temporary jobs in Portland (its headquarters and longest-running staffing branch) were hired permanently by their employers in the last couple of years. The median length of time workers in the Portland branch spent on the DePaul payroll was about four months.

The staffing division at DePaul has grown steadily, benefiting from “set-aside” provisions that require federal and state governments to reserve some portion of public contracts for organizations that

10. Carré, Holgate, and Levine (2011).

employ people with disabilities. While the government quotas were helpful in establishing its brand and a reliable customer base, DePaul's staffing division was not able to grow in a meaningful way until it aggressively pursued private employers. Before 2005, DePaul was mostly employing job seekers through public contracts; now about 65 percent of its employers are in the private sector. DePaul does not have to meet any specific disability quotas when placing people with private employers and thus was able to expand its pool of supply to people with less severe disabilities. DePaul also benefited from having a diverse portfolio of jobs under its government contracts, enabling it to pitch its services to different industries. DePaul attributes its growth largely to its focus on sales and customer service — 51 percent business and 49 percent social mission — which allows it to operate as a sustainable business and place more workers at the same time.

The organization has expanded to new geographical markets from its original Portland core by securing an “anchor” client in the public sector in each new market (for example, staffing fire watch personnel for the U.S. Coast Guard in Maryland) and then using those revenues to branch out into local private industries and firms with strong demand for less-skilled temporary workers. As noted above, DePaul also formed a for-profit benefit corporation in 2014 to further expand its staffing operations nationally. A benefit corporation is a new type of for-profit corporate structure that is required to take social and environmental impacts, and not just shareholder values and profits, into consideration during its decision-making processes.¹¹ The benefit corporation status is expected to improve DePaul's ability to attract capital and grow while ensuring that its social mission remains at its core.

An employee unloads deliveries of chips at DePaul Industries' warehouse in Portland, Oregon.

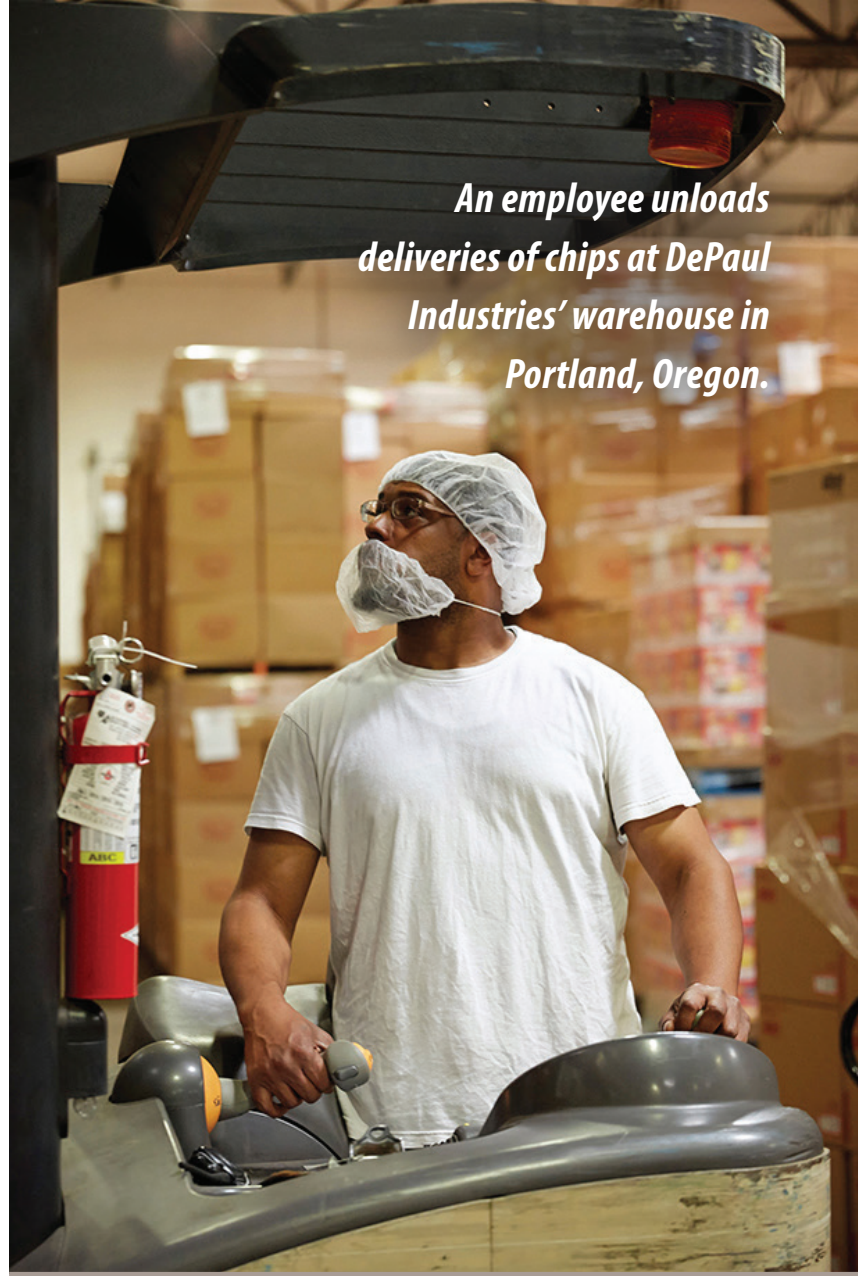


Photo courtesy of DePaul Industries

11. The legal requirements can vary by state, but there are three general requirements. “Benefit corporations: 1) have a corporate purpose to create a material positive impact on society and the environment; 2) are required to consider the impact of their decisions not only on shareholders but also on workers, community, and the environment; and 3) are required to make available to the public an annual benefit report that assesses their overall social and environmental performance against a third party standard” (Benefit Corporation Information Center 2015). More than 25 states have passed some form of benefit corporation legislation.

DePaul Industries employees work on product displays at the company's Portland warehouse.



Photo courtesy of DePaul Industries

First Step Staffing

First Step Staffing in Atlanta was founded in 2007 to help people who are homeless or are at risk of becoming homeless to develop a reliable source of income. Its staffing division works with those who are ready and able to work, while its benefits division works to secure Social Security Disability Insurance and Medicaid assistance for people whose disabilities may prevent them from working. It has also recently started to focus on military veterans who are homeless or at risk of becoming homeless.

While First Step provides incentives for employers to hire its temporary workers, it focuses on temporary jobs as a way for disadvantaged workers to secure immediate income and encourages workers to look for more permanent jobs on their own. In 2014, First Step placed more than 350 people into temporary jobs, and workers averaged about four months on the First Step payroll; about 20 percent of the workers who received temporary placements were hired directly by the employers. At the time of MDRC's visit, First Step was working with a handful of employers, and more than two-thirds of its placements were with a single employer.

First Step believes it must expand its business if it is to serve Atlanta's homeless and near-homeless population effectively, and the ASO has explored multiple paths to scaling up. It has worked as a sub-

contractor to a regional, for-profit staffing organization, hoping that the collaboration would bring it greater recognition in the local market and create opportunities with new employers. But the arrangement did not develop into a strong partnership because the for-profit firm shifted toward filling higher-skill professional and technical positions, and the financial structure of the partnership did not provide incentives for the individual sales staff at the firm to give placements to First Step. Recently, First Step hired a for-profit staffing industry veteran to lead an aggressive strategy of expanding the firm's employer base. It is also assessing the feasibility of buying a larger for-profit staffing agency to quickly acquire a new employer base.

TeenForce

TeenForce in San Jose is one of three ASOs that are known to focus on young adults. The organization started in 2010 with the goal of providing work experience to low-income young adults in the community. TeenForce does not explicitly target young people who are aging out of foster care, but they make up a majority of TeenForce's current job placements due to the need in the community and the partnerships TeenForce has formed with organizations that serve foster youths. The organization targets young adults between the ages of 16 and 20 but serves foster youths up to the age of 24. In 2014, the ASO placed about 200 young people in jobs.

TeenForce is not a subsidiary of a larger nonprofit organization, but it benefits from a relationship with the local Goodwill Industries affiliate, which donates the space for TeenForce's San Jose headquarters and also provides the agency with a set number of jobs for its young adults each year.

TeenForce is exploring ways to expand its scale and impact in local communities. It hopes to do this mainly through partnerships with workforce development and training organizations in new communities where it has identified a need. In this model, TeenForce would function as a specialized job developer for its partner youth-serving organizations. In 2014, TeenForce opened two new branches in the Silicon Valley area based on this emerging model.

A young job-seeker at a hiring fair sponsored by TeenForce in San Jose, California.



Photo courtesy of TeenForce

*Young employees of TeenForce
working to support a local
Chamber of Commerce event.*



Photo courtesy of TeenForce

Young adults make up only about 15 percent to 20 percent of workers placed by ASOs, but according to a 2013 industry survey, they appear to be a growing population for ASOs. Temporary staffing could be an effective strategy for disadvantaged young workers to gain early work experience, as young adults are known to “churn” from job to job and are not as settled into a job with one employer or into a career as older workers are.

TeenForce’s experience suggests that catering to disadvantaged young adults may require some additional considerations. Young adults are more likely to lack work experience than older people, who may have worked before even if they have been unemployed for a long time. TeenForce reported greater need for soft-skills training and coordination of support services with external providers than the other two ASOs. The leadership also highlighted the point that the need for training and support varies among low-income young people; for example, those with stronger family backing require less support than young adults aging out of foster care who have suffered some type of trauma and neglect.

Taken together, the three ASOs featured in this paper present an instructive range of organizations pursuing and looking to expand alternative staffing models that serve disadvantaged job seekers. Information collected from the ASOs and the Alternative Staffing Alliance, as well as knowledge developed from the demonstration project, point to the following key takeaways on the current state of, and prospects for, the alternative staffing sector.

KEY TAKEAWAYS

- **The core of the ASO model is rapid, transitional employment that yields immediate income and work experience for disadvantaged workers, with “light touch” supports toward addressing barriers to employment.**

While ASOs recognize that more training in technical skills and wraparound services may help their workers advance to better-paying jobs, they emphasize that they are not traditional workforce development organizations. ASOs that participated in this research see themselves as part of a community ecosystem of supports for low-income individuals: The ASO’s primary role is to identify and make available appropriate jobs for individuals seeking low-skill but immediate employment. Job seekers may have received or may be receiving training and support from other organizations; from the ASO, they can expect rapid, transitional employment, with limited supports to boost retention. ASOs encourage their base of employers to hire their temporary employees into permanent jobs and provide coaching to help workers persist and succeed in jobs; but ultimately it is up to the worker to find a permanent job and opportunities for advancement and skill development.

ASOs provide some in-house supports to their employees, but in limited and controlled ways. Workers generally receive some assessment and coaching during the screening and intake process. Most support services are delivered during or between assignments and tend to include job coaching, case management, transportation assistance, and assistance with acquiring work apparel. Of these four services, job coaching — the most common support service provided by ASOs — is universally delivered in-house, and involves noninvasive, postplacement advising to maximize the odds of workers’ success on the job. The other three are generally provided through external partnerships, though some ASOs have vans to transport workers and offer job-specific apparel like work boots. While they are not traditional case managers, employment specialists at ASOs form supportive relationships with workers and regularly check in with them and their employers, which may help with retention. They tend to advocate for workers with their customer employers and are quicker to intervene to make a placement work than for-profit firms, which are more likely simply to replace a worker who is having trouble.

- **ASOs appear to fill a gap in workforce intermediation for low-skilled workers in regional labor markets.**

Echoing findings from the CSP and P/PV demonstration project, the three ASOs profiled here believe they are better able to meet the needs of employers for low-skilled workers because conventional staffing firms do not pay as close attention to matching candidates to the specific needs of the customer business when filling these positions, typically favoring quantity over quality. ASOs’ screening and orientation process allows them to provide better initial matching of workers with job orders, according to staff at these organizations.¹² ASOs also tend to provide more extensive

12. As an example, staff members at DePaul said that regular staffing agencies also work with individuals who have common disabilities that are not physical or immediately apparent, including chronic pain and substance abuse

(continued)

customer service to temporary workers at the job site, including mediation between workers and employers to solve any issues that may arise.

An important advantage ASOs have in the staffing industry market is their partnerships with other community service and support providers: ASOs rely on these partnerships to recruit, support, and sometimes train their workers in work readiness activities. None of the ASOs featured in this paper reported difficulties in recruiting workers, signaling a need for such services in different communities.¹³ These ASOs believe that their ability to find actual employment for job seekers whom their partners work to get stabilized and job-ready is hugely valuable to both the partners and to the job seekers. And the ASOs benefit by saving money on recruiting workers, something they say many conventional, for-profit staffing firms have to invest in.

- **In order to create job opportunities for the hard-to-employ and engage private employers at a large scale, ASOs have to have the expertise and capacity to run a viable, competitive business.**

As mentioned earlier, ASOs do not compete with local social service organizations or workforce developers. Rather, they compete on price and cost with other conventional staffing agencies in the local market, and despite their social mission to serve the disadvantaged, they have to deliver quickly an adequate number of job-ready, well-matched workers, as needed by employer customers. This requires a range of skills, capacities, and strategies that are not easily built in the nonprofit world. In order to be successful, ASOs have to:

- **Be demand-driven.** They have to understand in depth and detail the supply and demand dynamics of the local labor market and its relevant micro-markets, in order to deliver entry-level workers who meet existing and emerging needs. Larger ASOs tend to build expertise in particular industries: A demonstrated track record in one sector gives an ASO credibility with other employers in the sector, and ASOs can draw on their nuanced and fine-grained knowledge of employers and jobs in the sector to make better job matches. At the same time, while focusing on specific industries can be beneficial, ASOs have to avoid becoming overly dependent on one sector or a handful of employers. Building relationships with a large number of employers can limit exposure to weakening conditions in one particular sector or among one or two lead employers, which has been a leading cause of ASO failure.
- **Invest in sales and management staff with expertise in the private sector, especially in the for-profit staffing industry.** ASOs need staff who can balance their social mission with the bottom line and run a high-performing business (which in turn is crucial to the mission of creating job opportunities for disadvantaged workers). That means sales staff and managers who

and other mental health conditions. But those agencies are unlikely to know about these disabilities because their recruitment process is not set up to encourage employees to share their conditions or limitations. At DePaul, trained staff members encourage job seekers to share this information, so that they can match workers to jobs that accommodate their conditions and then follow up to make sure that workers can successfully do their jobs (for instance, by checking in to see if a worker with a history of back problems is able to manage his or her pain on the job).

13. Some ASOs have reported challenges in recruiting workers as the labor market improves, according to the Alliance.

can speak the language of employers and are comfortable with selling ASO services through spontaneous outreach, like cold calls and drop-in office visits. Agencies that participated in the demonstration project with CSP and P/PV reported challenges finding the right sales staff, despite new salaries and bonus schemes that were higher than standard nonprofit positions. (These measures created an equity problem with other staff members while still falling short of the expectations of salespeople coming from the for-profit sector.)¹⁴ ASOs featured in this paper also said that finding the right staff, especially at the managerial level, can be a challenge.

- **Build external partnerships with service providers who help the staffing organization deliver job-ready employees who can do quality work.** As mentioned earlier, ASOs rely on community partnerships to recruit and support their workers, and they do not view their reliance on community partnerships to be a challenge to growth. In fact, they say that these partnerships give them a competitive edge by enabling them to deliver better-prepared and better-supported low-wage, entry-level workers compared with other staffing agencies in the low-skill market. Cost savings on recruitment and support allow ASOs to offer a competitive price to employers. These partnerships also allow ASOs to recruit workers with varying degrees of employment barriers; a concentration of high-needs workers who require intensive on-the-job monitoring or coaching is not sustainable for ASOs from a cost standpoint. Even ASOs that are focused on helping highly vulnerable populations will seek an employee pool with different levels of barriers, so that they can meet employer needs *and* pursue their social mission.
- **Invest in marketing and building a track record of success.** ASOs have to market their services and performance records aggressively to build a brand that employers recognize and trust in their local market. While the social mission to help disadvantaged workers makes it easy for ASOs to build community partnerships for recruiting and supporting workers, selling and marketing this population to employers can be difficult. It often requires carefully balancing the social mission with business execution and reputation so as not to stigmatize workers. What types of messages to deliver to employers is a topic of great debate among ASOs — some avoid leading with their social mission and target population; others find it advantageous with certain groups of employers or other stakeholders. ASO staff members interviewed for this paper often mentioned documenting success stories and building a track record of placements as perhaps the most important factor in attracting additional employers and expanding a client base. But systematic monitoring and data collection were also identified as a challenge, mostly due to a lack of resources to invest in information systems and technology infrastructure. These ASOs do not track individual outcomes beyond placements and length of employment on their payroll; they have no hard evidence on the longer-term outcomes for workers that result from placements.
- **Be prepared for fiscal challenges involving cash flow and long-term capital.** Inadequate capital for infrastructure improvements is a major obstacle for ASOs trying to make their businesses grow. ASOs say that expanding into a new community can be relatively cheap and effective with adequate up-front investments in sales, marketing, technology, and management information

14. Carré, Holgate, Levine, and Kala (2009).

systems. But most ASOs are not large enough to generate sufficient revenue from their business for use as expansion capital. Managing a steady cash flow is also a challenge for some ASOs. DePaul, for example, pays its temporary employees weekly but can bill employers only every 30 to 90 days, making it necessary for the ASO to borrow money to cover its short-term costs.

FUTURE DIRECTIONS

Despite the challenges, all three ASOs and the Alternative Staffing Alliance believe that there is potential for the sector to expand and address the needs of disadvantaged workers for transitional employment and immediate income on a much larger scale. Staff members at these organizations believe that the community-driven nature of the ASO model makes it simple enough to be broadly replicable. In other words, the model can be adapted to meet the needs of particular groups of job seekers and employers within a local economy, with a few foundational investments to guide operations (for example, investing in the sales and marketing staff and building partnerships in the community for job seeker referrals and support services). While that may prove to be true, the alternative staffing sector must also consider whether the temporary job placements are improving the lives of their workers in the near term and also in the long run, especially since providing value to workers is integral to an ASO's mission and is the main feature that separates an ASO from a conventional temporary staffing agency.

Research on the labor-market consequences of temporary employment for disadvantaged workers presents a mixed picture. Studies show that placement through temporary staffing agencies can improve workers' employment prospects and earnings in the short term, but these jobs are associated with lower earnings and less stable employment than permanent jobs, on average. Temporary workers also have higher rates of work-related injuries.¹⁵ Long-term labor market success for temporary agency workers is contingent on their transitioning into permanent jobs. Similarly, evaluations of transitional jobs programs, which provide temporary, subsidized jobs, support services, and job placement help to individuals who have difficulty getting and holding jobs in the regular labor market, have found them to increase employment in the short term. But the programs tested thus far have generally not improved long-term employment outcomes for participants.¹⁶

When compared with conventional temporary staffing agencies or transitional jobs programs, ASOs are distinctive in a couple of important ways. ASOs place a greater focus on supporting disadvantaged workers than other staffing firms; and unlike many transitional jobs programs, ASOs are more strongly connected to private employers in the local labor market, which may enable them to provide work experience to their recruits that is more valuable and relevant. Considering these factors, the ASO model may prove to be more effective in helping workers than other temporary employment efforts that have been rigorously evaluated. Based on current data, though, there is no definitive evidence that ASOs produce net employment-related benefits to their workers, especially in comparison with other workforce development and job placement efforts, or even other tem-

15. Smith and McKenna (2014).

16. Bloom (2010).

porary help agencies. Findings from the CSP and P/PV demonstration show that the model holds some promise — about half of the former ASO workers reached through a follow-up survey held jobs six to eight months after the end of their ASO assignment, and three-quarters of those who were employed were working full time. But the results varied greatly among the study sites, and the study was not designed to estimate how these workers would have fared if they did not work with an ASO. More research is certainly needed, as use of contingent work arrangements continues to grow among different employer segments.

In order to participate in any evidence-building experiment, ASOs will first need investments in strong internal systems to monitor and track data on participants, employers, and partners, as well as technical assistance in developing appropriate, meaningful metrics. Better data collection and analysis will not only bring ASOs a step closer to producing evidence of their effectiveness, it will also allow them to improve operations and performance as they grow. For example, tracking participation of job seekers during each step of the recruitment, intake, and placement process may help ASOs see bottlenecks that cause some job seekers to drop off; and gathering periodic data about the types of supports workers receive at partner organizations can help ASOs tailor their support services to better meet the needs of the workers.

The young and evolving ASO field could benefit from a variety of research activities to shed light on the potential of these organizations to provide a sustainable, high-value foundation for economic and career advancement for individuals with significant barriers to employment. There is more work to be done to understand what happens to ASO workers in the long run, perhaps using administrative data on employment, earnings, and public assistance receipt. Use of mobile technology, which has been on the rise in social science research involving transient populations, may also prove to be an effective tool to follow up with ASO workers and track their trajectory over time.

Since ASO workers receive an array of support services and subsidies through external organizations or from a parent nonprofit, it is also essential to understand what those services are and how they affect worker outcomes. For example, many workers receive case management services at community-based organizations while they are employed with ASOs, which may (or may not) produce outcomes that are more positive when compared with those for other, similar ASO workers. There would be value in studying the effectiveness of partnerships involving ASOs and other organizations that train and support disadvantaged individuals, and in understanding in greater detail the supports workers receive outside of the core ASO services.

Currently ASOs partner with organizations that provide initial job readiness and basic skills preparation to their workers, but partnerships for technical training and career advancement are rare. Experiments that promote and test different approaches to aligning ASOs with promising training and advancement strategies for low-skilled, low-wage workers can also be of great value. It is well understood that, for many low-wage workers, simply getting a job does not guarantee long-term economic well-being. In an economy that places a premium on higher education and technical skills, they need ways to advance their careers and improve their incomes to get on a path to long-term self-sufficiency. To that end, studying how ASOs might partner with sector-based training programs or community colleges for instruction and advancement of their workers, while balancing cost and quality of service to their employer clients, can yield important knowledge about the model's abil-

ity to expand in scope. More research on how ASOs may affect outcomes for different populations (such as young people or people with criminal records) would also be valuable.

The “dual customer” approach of alternative staffing, where both workers and employers are clients, also provides a unique opportunity to learn more about engaging employers in demand-driven efforts to hire people who face obstacles finding work. While there is growing recognition that job-related efforts for disadvantaged workers have to be better aligned with employer demand, research on what private employers need and want and how they make hiring decisions is quite limited. The CSP and P/PV demonstration found that ASOs met a unique need for their employer customers in filling entry-level, low-skill positions. Future research could build on those findings by (a) closely examining business motivations for hiring temporary workers and using ASOs in different markets, (b) testing different approaches to marketing to employers, and (c) exploring the characteristics of industries or employers where workers achieve better outcomes. As the temporary staffing model evolves and expands, the intermediary role that ASOs can play in creating opportunities for more disadvantaged populations will also need to evolve and grow.

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ABOUT MDRC

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Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

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- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.