

## Temporary Employment Agencies: Strategic Challenges Ahead

Remarks by Jeffrey Grabelsky  
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*Jeffrey Grabelsky, special assistant to the president of the Building and Construction Trades Department, AFL-CIO, and Director of Cornell University's Construction Industry Program, made these comments at a May 29 seminar on workforce development for union activists from North America and Western Europe. Grabelsky describes the AFL-CIO's Building and Construction Trades Department's national campaign for temporary employment agencies that dispatch construction workers, which provides a window on a larger phenomenon: the emergence of contingent labor in the new economy and the ways in which this trend transforms employer-employee relations. This seminar was sponsored by the Albert Shanker Institute and the New Economy Information Service.*

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Last year the Building and Construction Trades Department launched a national campaign targeting temporary employment agencies that dispatch construction workers. This initiative -- the "Temp Workers Deserve a Permanent Voice At Work" campaign -- provides a window on a larger and very significant phenomenon: the emergence of contingent labor as a defining characteristic of the new economy and the ways in which this trend transforms employer-employee relations.

Non-standard employment -- or what John Lloyd would call atypical employment -- characterizes the experience of probably thirty percent of the workers in the United States today. And it has profound implications both for union organizing and for skills development, and those are the two issues that I want to address. In the economy in the 21st century employers are increasingly offering work but not jobs. Employers are looking for a more flexible and fluid labor force. They're looking for labor on demand without the traditional legal and ethical obligations that employers have had to bear in years past. The temp agencies that we're targeting are labor market intermediaries that connect workers to employers and, as such, they grease the wheels of the modern economy.

One of the things I think we should explore at some stage of the game is the comment that John Lloyd also made, which goes beyond the question of skills development, that the strategies and structures of the modern labor movement are largely predicated on the assumption of a relatively stable relationship between an employer and a group of employees. And to the extent that contingent labor in general and temp firms in particular call into question that assumption, I think they pose a fundamental challenge to the labor movement and demand new strategies and structures that we need to think about very seriously.

What I'd like to do in this very brief presentation is three things. One, just share with you what we've learned about these temporary employment agencies from our campaign over the last year and a half; two, to talk very briefly about the campaign itself; and three, to suggest some of the implications of this temp agency phenomenon both for union organizing and for skills development.

So first, what have we learned about these temp agencies? When I talk about temp agencies I'm talking about for-profit companies that do all their recruitment, screening, hiring and dispatch of workers to client employers in exchange for a fee. This phenomenon is characterized by very rapid growth. In the last ten years, the number of workers who were dispatched on a daily basis into the economy by temp agencies has increased 300%, from about one million a day to three million a day. This represents one of the fastest growing sectors of the labor market.

## Temp Agencies Go Beyond Construction and Clerical

Let me emphasize that there's no sector of the economy that's immune to this temp agency phenomenon. These temp agencies are dispatching lawyers and landscapers, computer technicians, teachers, home health care workers, whatever the sector, whatever the occupation, these temp agencies are stepping in.

One of the things that we've learned that I'll talk more about is those sectors of the economy that have a variable demand for labor like construction represent the growth sectors for these temp agencies because their services are so well-suited to the dynamics of those industries. Just by way of example, from 1982 to 1998 when the workforce increased by forty-one percent, very robust growth, employment among these temp agencies increased by 577%. There are currently over 7,000 companies with over 30,000 offices doing over sixty billion dollars worth of sales annually.

To drive this point home, today the largest employer in the world, Manpower, is a temp agency. So we think that this represents a significant and transformative trend in the economy that the labor movement has to come to terms with. As I said, these temp agencies dispatch workers into virtually every sector of the economy, but what we have found to be the most significant change among these temp agencies is not just the rapid growth in the number of workers that they dispatch, but the changing distribution of jobs to which these workers are dispatched.

Back in the early 90s roughly half of all of the workers that were dispatched by temp agencies were dispatched into clerical fields, about twenty-five percent were dispatched into what the temp agencies describe as the industrial and construction branch, and roughly twenty-five percent went into a broad category we describe as "other", which covers virtually every other job you can imagine. By 1999 the number of workers dispatched into clerical fields had grown, but as a percentage of the pie it had declined from forty-eight percent to thirty-six percent. And now the largest single sector is in industrial and construction, which has got thirty-eight percent. The "other" category still covers about twenty-five percent of the workers. This drives home the point that in those areas of the economy where there is variable demand for labor, these temp agencies step in and establish a niche.

In construction, there are about 250,000 workers who are dispatched on a daily basis. And that number is increasing at the annual rate of about fifteen percent. So over the course of the next ten years, if the building trades do nothing to respond to this phenomenon, there'll be as many workers dispatched out of temp agencies as will be dispatched out of union hiring halls in the construction industry.

We've also discovered that there are temp agencies that develop a niche and focus on a particular piece of the economy. We are primarily focusing our attention on temp agencies that only dispatch construction workers. That's all some temp firms do. The industry leaders are Tradesmen International, Contractors Labor Pool, Trade Source, which is the largest and fastest growing of these firms.

There are also firms like Labor Ready, which many of you may have heard of, which is now an international company that dispatches blue collar workers, thirty percent of them go into construction, the other seventy percent go into virtually every other kind of blue collar job there is. Labor Ready last year dispatched almost one million workers and did about a billion dollars worth of work. From 1993 to 2000, the number of offices they had increased from seventeen offices to 850 offices, with a presence in every state of the United States and offices in Canada, in the U.K., et cetera.

Labor Ready is an interesting example because they dispatch blue-collar workers, but they also look for other niches. For example, they're setting up Service Ready to service the hotel and restaurant industry. They're setting up Marine Ready to service the maritime trades. And, one of the lines of work they're getting into, which the labor movement needs to take very seriously, is strike breaking. Here is a case where employers have a variable demand for labor and Labor Ready has jumped into some major labor disputes to supply strike-breakers.

## **No Longer Just A Cheap Labor Source**

The key thing that we want to get across is that these temp agencies in this new economy satisfy a range of needs both for employers and for workers. They have a very sophisticated marketing strategy to employers. When they first got started, they said, "Come to us; we're the source of cheap labor." Now, what they say is: "You're going to have to pay a premium to come to us. You could probably get an electrician or a sheet metal worker or a teacher, for that matter, off the street more cheaply than you can coming to us. But by paying the short-term cost, what we'll do in exchange for that fee is all of the recruitment, screening, hiring and dispatch. You can then cut your core workforce by as much as a third, pay that workforce better wages, make it impenetrable to union organizing, and just call us when you need additional workers. What these temp firms are doing now is enabling non-union employers to operate more like unionized employers who have a relationship with the union hiring hall.

Their recruitment strategy to workers is also very significant because what they're essentially saying to contingent workers out there is, "If you are caught in the contingent world, what we can do is provide you with a kind of stability and security that you can't get otherwise. We can provide you with portable wages and benefits that you can carry from employer to employer to employer." And so, increasingly workers who have been excluded from the union sector are turning to these temp agencies because, while it might not be as good as being represented by a union, it's better than operating out on the street as a contingent worker.

These temp agencies create what we describe as a co-employment arrangement, that is the temp agency pays the workers, the client-employer supervises the workers. The question then becomes, who is the employer? And, the answer quite frankly from our experience is they'll argue they're the employer if it serves their needs under one set of circumstances and argue someone else is the employer, if it serves their needs in other circumstances. This triangulation of employment relations confuses a whole range of legal and ethical issues that the labor movement needs to look at very closely.

In the interest of time, I don't want to talk about our campaign in any detail, except to say that we have four basic goals that we're pursuing. One is primarily educational. We're trying to get our members and leaders to understand the significance of this phenomenon so that we can be better prepared to get ahead of the curve as employment relations are more profoundly transformed in the years ahead. Our second goal is to organize the workers who are dispatched by these kinds of firms and bring them into union membership. Our third goal is to identify and target the employers who are utilizing these temp firms and to sign them to collective bargaining agreements. And, our fourth goal is to level the playing field through a range of legislative, legal and other public policy initiatives, in order to alter the way these temp firms do business and to take away some of the unfair competitive advantages non-union employers derive from using them.

Now, let me address the implications of this phenomenon both for union organizing and for skills development. First, in relation to union organizing: given the reality of a less stable employer-employee relationship in this new economy, we think it's going to be necessary for the labor movement to move beyond organizing strategies that focus on single employers and organizational structures that presuppose employment stability. There's a kind of historic irony here: the union strategy and structure of the building trades, which emerged out of the 19th century economy, may in fact offer an appropriate model for the new employment relations in the 21st century. That is a model that provides union membership and representation, training opportunities and wages and benefits that are portable from employer to employer regardless of the employer you are working for.

Second, in relation to skills development, as employers increasingly rely on an external labor market and turn to these temp agencies to connect their labor needs with an available workforce, it's going to become important to think about skills development that's not so closely tied to particular employers, but rather a skills development strategy that looks to train workers independent of their current employers. And again, I think the building trades model of apprenticeship training may be appropriate in this case. That is, union

membership provides the benefit of training opportunities in which you can take the skills you acquire through a union-sponsored program from employer to employer.

At the same time we should be prepared for the possibility that these temp agencies will position themselves as a countervailing alternative to union-based training programs. These temp agencies are currently focused on recruitment, screening, hiring and dispatch, but they're getting into the training business. Under current circumstances, it's only through collective bargaining and the discipline that collective bargaining imposes on employers that we see industry-wide investments in training. Fees paid by employers to temp firms could potentially support training programs that compete with union-based apprenticeships.

So, in conclusion, number one, we think that contingent labor, in general, and this temp agency phenomenon, in particular, are transforming the industrial and economic landscape in ways that raise fundamental questions, fundamental challenges for the labor movement in relation to both strategy and structure. Number two, organizing this vast and growing contingent and temp workforce will require new and creative approaches in the labor movement. It's an enormously difficult challenge. And finally, developing the necessary skills to staff this new economy when employers generally see that task as someone else's responsibility, may in fact present a great opportunity for the labor movement to step into this vacuum and to say, "With our training capacity, commitment and experience, we can provide your workforce of the 21st century."

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