

## Part of the Solution: Emerging Workforce Intermediaries in the United States

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Faced with the unsettling changes in competitive practice, work organization, and workforce demographics explored throughout this volume, many in Europe look to the United States as a model for labor-market 'flexibility' in responding to them. As used conventionally in policy circles, 'flexibility' carries the positive connotation of agile firm and broader labor-market adjustment to changing market demands and opportunities, an adjustment that may be painful to some but is good for the broader society. The most thoughtful US observers are less impressed with flexibility, however, at least as exercised here; since here it has largely been one-sided, negative, and evidenced less social invention than *lacunae*—in particular the distinctive absence in the United States of effective constraints on employer discretion to lower employment, restructure work, withdraw employment security, or otherwise alter wage or benefit norms in ways generally unfavorable to labor. As we review in a moment, this 'negative flexibility' appears to bring little general benefit, and its social costs are exceedingly high—an experience that recommends caution to any who would seek to adopt the 'American model' elsewhere.

Of greater and more positive interest may be some of the institutional experimentation that has followed from such negative labor-market restructuring. Of particular note are a variety of new 'workforce intermediaries' (WIs)—serving both workers and employers, and sometimes performing functions previously assigned the state—that have become more evident in recent years. These new institutions help solve vexing workforce and employment policy problems, for example in aligning shifting employer demand for skills and public workforce training systems. They mitigate some of restructuring's worst effects among the least advantaged by widening their opportunities at work—both in gaining job access, and gaining resources for advancement once there. They smooth adjustment to new employer demands

among incumbent workers, developing new career paths where the old job ladder system of advancement has broken down. They integrate parts of generally fragmented economic development and workforce systems. In the limiting case, indeed, they appear to offer, under the radically changed labor-market conditions of the present, some promise of reinserting a worker voice throughout the micro-institutional choices involved in restructuring—perhaps even to the point of making it again better serve the general welfare.

At once we emphasize that this promise should not be overstated. The existing WIs are relatively small in scale, uneven in effect, and in no case authoritative for broad labor-market outcomes. Still, we believe they are worth looking at, something we do here in three steps. First, we set the institutional and policy stage for the emergence of these new intermediaries. Second, we explore a series of examples of them. Third, we speculate on how their positive effects might be amplified and made more secure by supportive policy, or linkage to the broader strategy of key market actors.

### 10.1. Institutional and Policy Background: Before and After 'Welfare Reform'

More than any other advanced capitalist economy, the United States relies on competitive labor markets to determine pay, employment, and other aspects of worker welfare.<sup>1</sup> Outside the public sector, only nine percent of workers belong to unions, a level that has declined steadily over the past quarter century and now in fact is lower than a century ago. Union collective bargaining agreements, moreover, generally cover individual firms or establishments, rather than entire industries or regions, and are not extended to non-union employers as they widely are elsewhere, so collective bargaining coverage in the United States is not much greater than union membership. Public regulation of labor markets is also minimal. The minimum wage applies to a relatively small number of workers, has no obvious spill-over on the overall level of wages, and is now more than a third below its late 1960s peak, despite massive increases in productivity since that time. Unemployment insurance is more time-limited than in other countries. Outside a cluster of 'means tested' programs directed to the very poor, the welfare state is largely limited to old-age pensions and insurance. Exclusive of occupational health and safety regulation and equal employment opportunity laws protecting groups from discrimination, the state has few national policies safeguarding workers. Job

<sup>1</sup> This discussion of the broad institutional and policy features of US labor regulation in part draws directly from Freeman and Rogers (1996).

security, training, and even the provision of medical insurance are all determined at the workplace—through collective negotiations for a small number and through employer policy and individual negotiations for the vast majority. The bottom line is that for most Americans, how one fares in the economy depends overwhelmingly on how one fares in the labor market and thus upon the employer.

For more than two decades now, this market-driven system has led the advanced world in job creation. Since 1983, the US unemployment rate has consistently been 3–4 percentage points lower than Europe's (Mishel, Bernstein, and Schmidt 2001: 404). From 1974 to the mid 1990s the US employment/population ratio grew from 65 to 71 percent, while Europe's fell from 65 to 60 percent (Freeman and Rogers 1996). Compared to Europeans, US workers also put in more than 200 more hours at their jobs annually (a difference that itself widened during the period), further underscoring relative US success in generating work (Mishel, Bernstein, and Schmidt 2001: 400). But while the United States is brilliantly successful in generating jobs, it has been less successful in generating wages, or spreading the fruits of prosperity.

Wages have stagnated or declined for much of the US working population. For example, the real hourly wages of men with less than 12 years of schooling dropped 27 percent over 1979–99; wages of high school graduates fell 15 percent; only male college graduates experienced absolute wage increases, and at those were modest: a 10 percent increase over 20 years (Mishel, Bernstein, and Schmidt 2001: 153). Income erosion was especially severe among the young, with the wages of male high school graduates 19 to 25 years of age, for example, falling 24 percent over the period (*ibid.*: 158). And fewer workers experienced life-cycle wage improvement—earning more as they aged and advanced in their careers, gained skills, and attained seniority. In the 1970s the ratio of such life-cycle winners to losers was 4–1. In the 1980s it was halved to 2–1, meaning that one-third of workers actually lost ground as their job experience increased (Freeman and Rogers 1996).

Given a rapid secular shift in labor demand toward more-skilled workers compared to the supply of those workers, flexibility in wage determination assures rising inequality. In the US, men's college/high-school wage differential more than doubled over the last two decades, rising from a 20 percent advantage for college graduates in 1979 to a 42 percent one in 1999 (Mishel, Bernstein and Schmidt 2001: 153); over the same period, the pay of CEOs skyrocketed relative to that of other employees (*ibid.*: 211). But inequality has also increased within educational and occupational strata suggesting the increased importance of sheer luck in labor-market outcomes. Over the same 1979–99 period, for example, the ratio of earnings of female high school graduates in the 90th/10th percentiles increased 25 percent; at the same time,

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similar changes are found within detailed occupations (*ibid.*). Here flexibility benefited the lucky few and harmed the unlucky many.

With real wage drops concentrated on young workers—those most likely to be starting families—poverty has increased, especially among children. For historical reasons, ‘poverty’ in the United States is defined as an income below three times the cost of a minimal diet ‘fit only for temporary or emergency use’. The share of the population living below this level rose in the 1980s and early-1990s, returning to the 1979 poverty rate of 12 percent only after the sustained growth of the late 1990s (Mishel *et al.* 2001: 289). Over the same period, child poverty actually grew from 16 to 17 percent (*ibid.*: 291). At present, nearly one-in-five American children are growing up in such poverty.

A comparison of the earnings of the bottom decile of US workers to their European counterparts may help put these trends in crossnational perspective. Within their respective systems, the bottom decile of US workers earn 36 percent of the US median wage, while the bottom decile of European workers earn 67 percent of the European. On a cross-system basis, using a purchasing power parity measure—contrasting the cost of a comparable basket of commodities across countries—US bottom-decile workers earn just 69 percent of what bottom-decile European workers earn; compared to their colleagues in a rich country like Germany, they earn just 45 percent (Freeman 2000: 44, table 8b; Freeman and Rogers 1996).

Wretched earnings at the bottom of the wage distribution, and the difficulty of making even normal gains in income over the life cycle, contribute to the growth of an ‘underclass’ in the United States—concentrated in our cities, often violently criminal. Lacking any social or economic policies to prevent or remedy this problem, US policy increasingly deals with the underclass through physical incarceration. In absolute terms, all this yields a very large number of people behind bars or under criminal justice supervision. The inmate population of state and federal prisons has increased by more than 600 percent since 1970, growing from 200,000 then to 1.3 million in 2000. And a much larger population of some 6.3 million Americans—that up 240 percent from 1980—is either institutionalized, or on probation or parole (Dickey, Rogers, and Smith 2001).

Such social costs might be thought worth bearing if they somehow contributed to gainful employment among the less-skilled. But this turns out not to be the case. Massive drops in the real wages of less-skilled American men (not to mention massive increases in their incarceration) did *not* improve their employment prospects absolutely, or relative to high-skill workers. In fact, the gap in unemployment between workers with less and more education is substantially higher in the United States than in other OECD nations: high school graduates are more than twice as likely to be unemployed as college

grads—compared to a 1.5 ratio for other OECD nation—and those with less than a high school education are 4.5 times more likely to be unemployed—compared to a ratio of 2.3 for the rest of the OECD (Mishel, Bernstein, and Schmitt 2001: 405). Thus, US experience provides no support for the proposition that downward wage flexibility helps cure unemployment.

Nor, finally, is there much evidence that the work restructuring accomplished by employers in the past 20 years has reconfigured labor market skill demand in ways that, in the future, might promise alleviation of these trends—for example, by generalizing higher skill requirements. On the demand side of the training equation, while US labor markets have shown, since the late 1970s, a strong secular increase in relative demand for skilled as against unskilled labor, overall employer demand for skilled labor remains relatively weak. Indeed, as measured by occupational trends, business demand for more educated workers is actually projected to *slow* over the next decade, not increase. Such occupational measures of course do not capture intra-occupational shifts, but more nuanced investigations of such changes—themselves driven by changes in work organization and technology—are not particularly comforting. Particularly among ‘foundation’ firms employing fewer than 250 workers, rates of investment in new technology are flat. And only a minority of firms—on no estimate accounting for more than 20 percent of overall employment—are making the broad changes in work organization that can be expected to drive long-term increases in the demand for new and deeper skills (Osterman 1999).

Much of the present US labor market, instead, appears to approximate a ‘low-wage, low-skill’ equilibrium. Given a low-skill environment, and little rigidity in wages, even firms operating under increased competitive pressure have continued with low-skill forms of work organization that require little more than obedience and a good work attitude from direct production or service workers. Having chosen such a strategy, however, the skill demands of these firms are low. While they may wish to remedy deficiencies in very basic worker skills, or provide training to a few in the application of expensive new technology, they generally do not demand or promote broad and continuous skill upgrading among their frontline workforce. Such low-skill, low-wage strategies of course lower overall living standards, but that makes them no less profitable or attractive to firms, and their adoption weakens the political thrust for a stronger training effort.

In US employment policy discussions, it has become common to distinguish two broad employer strategies of response to new competitive pressures—a ‘low road’ strategy that typically focuses only on reducing the costs of production or service delivery, and a ‘high road’ strategy that additionally focuses on improving service or product quality or distinctiveness, with some

of the customer premium paid for such innovation passed along to the typically better-trained workers who help produce it. Generalized, low-road strategies lead to sweated workers, economic insecurity, rising inequality, poisonous labor relations, and degraded natural environments. Generalization of high-road strategies, conversely, is associated with higher productivity, higher pay and better labor relations, reduced environmental damage, and greater firm commitment to the health and stability of surrounding human communities needed to attract and keep skilled workers and managers. In terms of social benefit, it is obvious which set of strategies are to be preferred. But there are few market pressures encouraging the 'right' choice, which would have to be deliberately aimed at by public policy, and this the US has generally failed to do. Somewhat more specifically, moving to the high road is associated with various transition costs, which are difficult to sustain given the continued presence of low-road competition. It also requires a series of supports, quasi-public goods, that are typically beyond the capacity of individual firms to supply. These include effective educational and training institutions; better functioning labor markets, with fuller information about requirements for job access and advancement; advanced infrastructure of all kinds; modernization services and other means of diffusing best practice; and, throughout, barriers to low-road defection. Making a high-road transition then in employment policy would require a mix of policies and new institutions variously designed to close off the lower-road options that make high-road transition more difficult, to 'pave' the high road so that more firms can take it, and to support high-roading directly. But this policy and institutional mix has generally been lacking in US labor markets.

It was in this context that the US, in the mid-1990s, ended a 60-year commitment to cash assistance for unemployed female heads of households with dependent children. In the rhetoric of the day 'welfare as we know it' was superseded by a commitment to 'work first'. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established a new program: Temporary Assistance for Needy Families (TANF). Under TANF, assistance was time-limited to no more than two years, though states were permitted very substantial variation in the precise level and kinds of benefits required, with wide resulting variation in the availability of day care, training, transportation, or other assists to former welfare recipients heading off to the world of work (Pavetti 2000). The stated rationale behind this welfare reform, encapsulated in what became an administrative mantra of 'work first', was that 'rapid attachment' of the formerly dependent unemployed to jobs, however poor, was the best guarantor of their long-run income growth and self-sufficiency (Mead 1997).



In the years since, welfare caseloads have been reduced by more than half—dropping from 12 to 5 million in the first five years of reform. (US Department of Health and Human Services 2002). By this simple measure, indeed, the program is widely counted a success. The evidence on where former recipients have gone, however, is more troubling. Early jobs taken by them pay, on average, well below that needed to support the average family at the poverty level, while studies of former recipients show very little subsequent advancement (Gottschalk 1999). Three, four, and five years out, most still remain well below the poverty line. As a way to purge the rolls, then, welfare reform is a success. As a way to ensure self-sufficiency, it is a clear bust.

There is little surprise from this result, as some of the preceding review of general labor markets conditions might have suggested. Former welfare recipients in the US have effectively been dumped into a much larger population of Americans—some 40 million workers—who are ‘stuck’ in ‘dead end’ jobs showing little to no earnings growth even after long periods of job tenure. Even amid the giant job expansion in the United States over the past two decades, the share of the workforce finding itself in this predicament has increased. Of young workers who entered the labor market in the early 1980s, well over a quarter had become trapped in low-wage dead-end jobs by the mid-1990s—or double the rate of entrants in previous decades (Bernhardt *et al.* 2001a). Nor is this ‘dead-end’ effect limited to the less-skilled. Of college-educated women who held a low-wage job in 1990, half were still holding such a job five years later (Rose 1999). What appears to have happened—with the worst consequence for the less-educated, but extending well beyond their ranks—is that a large and growing portion of the American workforce is simply stuck in poverty or near-poverty jobs, with no serious prospects of income growth.

This period of increasing instability and job quality decline has corresponded with the emergence of alternative work arrangements—defined by the US Bureau of Labor Statistics as temporary work, independent contractors, on-call workers, and contract company workers. While these sorts of jobs still account for less than 10 percent of the total laborforce (US Bureau of Labor Statistics 1999), employment growth has been strong. By the 1990s, growth of the temporary employment sector alone accounted for 20 percent of all job growth (Segal and Sullivan 1997). There is a growing body of evidence documenting that workers who use temporary agencies are generally paid less and have poorer benefits than similar workers employed in ‘permanent’ positions (Barker and Christensen 1998; Hudson 1999; Carré *et al.* 2000). There is also evidence, however, that the temporary help industry is not homogenous, and that some workers voluntarily use temporary agencies, presumably for the valuable placement services they provide (Polivka 1996; Polivka, Cohany, and Hipple 2000).

At the bottom of the labor market, the prevalence of such contingent arrangements is twice as high (Lane *et al.* 2001). Many public agencies have looked to temp agencies to help place their workers, often resulting in low-wage, low-benefit, and unstable work (Lane *et al.* 2001). Bernhardt *et al.* (2001*b*) also found that in some instances temp agencies themselves allowed or encouraged negative work restructuring, downgrading job quality in general. The growing importance of these private-sector intermediaries in the labor market has brought policy and academic focus to both public and private workforce intermediaries.

## 10.2. The Resistible Rise of Workforce Intermediaries

At the same time that for-profit temp agencies have grown conspicuous, a number of non-profit and public efforts, led by labor and community leaders have emerged. We focus here on these efforts, which aim to improve job quality and job prospects for low-wage workers. Throughout the country, these emerging workforce intermediaries are building institutions with standing power to perform sorting and placement functions in the labor market. More important, these local efforts are doing so with explicit goals of improving the long-term career trajectory of workers.

The emerging workforce intermediaries have brought actors into new roles in labor markets. For example, while many of these institutions operate with the support or leadership of unions, they are not in the business of collective bargaining or organizing new members. Likewise, the intermediaries led by community groups tend to focus on regional labor markets and broad industry strategies, rather than neighborhood boundaries and traditional community development schemes. Even the public-sector intermediaries have broken with common public program rigidities, finding new ways to engage businesses and deliver services.

The WIs' targets of intermediation are diverse. Some WIs were formed by the 'rapid attachment' focus of welfare reform, but have branched into training and organizing as a means of securing self-sufficiency for their clients and members. Other WIs started by developing programs for incumbent workers and tight labor markets pushed them into programming for recruitment and training of new workers. Still others began with expressly political goals, working to build stronger floors under wages, and have resorted to training as one means to help secure that floor. Most WIs have become more comprehensive over time, evolving as industry and workforce needs change.

In this section of the chapter, we have chosen to highlight a handful of interesting and promising intermediaries that have emerged over the last



decade. This is surely not expressive of the entire range of activity in the nation. It would be impossible to simply identify all labor-market programs in the nation, let alone to catalog their strengths and weaknesses. Rather, here, we offer a limited list to indicate some of the exciting programs at the local level, to consider their strengths, discuss their replication, and to begin to illuminate the weaknesses of these responses to labor-market problems. In some instances, our information is extremely good because we designed the projects ourselves. In other instances, the projects appear promising but our information is less complete.

### 10.2.1. *Beyond 'Rapid Attachment' at the Bottom of the Labor Market*

In the past decade, training programs in the United States, especially those targeted at disadvantaged populations like the TANF caseload, have fallen from favor. Formal evaluations of many public and non-profit training programs have struggled to find any significant impact on workers' earnings (Jacobson 1995; Grubb 1996) and helped increase the popularity of rapid attachment strategies.

But it may be that it is traditional approaches to training, rather than training itself, that should have been discarded by policy-makers. New intermediaries across the nation are developing programs which involve training, and the results suggest the new approaches are working. Many of these intermediaries have found success in pursuing 'sector'-based strategies where the intermediary focuses on specific industries and occupations, and works with industry leaders to improve systems of connecting disadvantaged workers with their jobs. Evaluation of a handful of these initiatives suggests training by these sectoral WIs has substantial and positive effects on participants' earnings (Aspen Institute 2002).

The programs we highlight in this section are focused at the bottom of the labor market where 'dead end' jobs are prevalent. Programs in this area attempt to restructure work in order to make it more financially and personally rewarding. Programs also attempt build new pathways out of the dead-end jobs and into better jobs in the sector.

### 10.2.2. *Paraprofessional Healthcare Institute/Cooperative Home Care Associates*

Home health aide is a classic and predominant 'dead-end' job. The jobs offer low-wages, unstable hours, poor benefits, and isolation from co-workers. Aides work with clients in their homes generally bathing, feeding, and otherwise supporting independent living. Founded in 1985 in the South Bronx as

an employee-owned, for-profit company, Cooperative Home Care Associates (CHCA) has developed a range of programs in order to improve the quality of these jobs. CHCA employs roughly 300 women of color as home health care aides on a contract basis to large service providers and major hospitals.

In a sector characterized by part-time work, low wages, little training or upgrading, high turnover, and uneven service quality, CHCA has approached the problem of simultaneously improving the quality of home care and upgrading poor-quality jobs in three related ways. First, its worker-ownership structure gives employees a voice, encourages firm loyalty, and informally confers quasi-professional status on its member-employees. Second, it provides entry-level training, counseling and support to all, and follow-on training to some, members. Third, and perhaps most importantly, CHCA offers senior aides a guaranteed-hours program, which effectively transforms their work from temporary to full-time.

Results have been significant: wages and benefits are 20 percent above industry average and the typical member is able to work 34–35 hours a week. A nurse education program has enabled several CHCA aides to become licensed practical nurses. Meanwhile, both training and reduced turnover (half the industry average) have improved care: contractors acknowledge that CHCA aides are more reliable and responsive.

The Cooperative's training program is run by a non-profit agency, the Home Care Associates Training Institute, which receives one-third of its funding from public sources and the remaining two-thirds from foundations. Trainees must be low-income; all are minorities, and the vast majority are women. Most test between the 5th and 8th grade reading and math levels; less than half have completed high school or a Graduate Equivalent Degree. Entry-level training includes four weeks of on-site classroom instruction and 90 days of on-the-job training. The pedagogy emphasizes non-traditional forms of instruction, including role-playing, games, simulations, and hands-on demonstrations.

While skill upgrading is touted as CHCAs 'primary innovation', the cooperative's most important contribution may well have been to demonstrate that upgrading 'temporary' workers requires a prior transition to 'permanent' status, and that any such transition requires organization and focus on increasing and regularizing hours.

Moreover, CHCA has used its experience in the industry and strong connection to workers to become a significant voice on state and national policy issues. The Paraprofessional Healthcare Institute (PHI), a CHCA affiliate, has been a prominent force behind the development of the Direct Care Alliance which brings together patient and workforce advocates to improve jobs through improvements in Medicaid and Medicare reimbursement policy.

Additionally, PHI has released a number of influential reports, documenting the staffing crisis in the health care industry and the workforce development, reimbursement, and other policies which can improve the quality of jobs and care. PHI also works to develop worker-owned home health cooperatives to further extend its philosophy of quality care and quality jobs.<sup>2</sup>

### 10.2.3. *San Francisco Hotels Partnership*

Work in hotels, especially housekeeping and food and beverage work is often also seen as a dead-end job. Wages can be poor, hours variable and unreliable, and job stability low, given the tourism sector's vulnerability to the economic cycle. Unions in the industry have done much to improve the quality of jobs in traditional ways, but in San Francisco, a labor/management partnership has been founded to develop new solutions to industry challenges.

The Partnership was created in 1994 as part of a multi-employer contract between 11 first-class hotels and the largest union in the industry. The logic of the partnership is to continue to provide job security and solid compensation to workers, while also allowing for increased competitiveness at the member hotels. These goals are achieved through the 'living contract', which establishes an unprecedented structure for labor-management collaboration on productivity issues.

At the core of the partnership lies a series of problem-solving teams in the hotels that address long-standing workplace issues. These teams are staffed by workers, managers, and neutral facilitators and translators, always with the objective of developing joint solutions with sustained input from all sides. Often there is coordination or information sharing with teams at the other member hotels so that a partnership-wide standard emerges. An early initiative was to implement team-building and communication training at all levels of the hotels—this was critical to any future progress, given the history of hostile labor-management relations. Other initiatives include classes in Vocational English as a Second Language (ESL) and basic skills, alternative grievance resolution, and a welfare-to-work training center for housekeepers. Another project trained more than 200 entry-level workers to be higher-paid banquet servers, allowing the banquet hiring hall to have the best-ever performance in filling job orders for the holiday season. Funded with more than \$1 million in state funds and an additional \$500,000 from employers, these programs have offered more than 223,800 hours of training to more than 1500 labor and management participants.

<sup>2</sup> For more information on PHI/CHCA, see their website: [www.paraprofessional.org](http://www.paraprofessional.org) and also [aspeninstitute.org/eop/eop\\_sedlp.html](http://aspeninstitute.org/eop/eop_sedlp.html). See also the website of the Direct Care Alliance, [www.directcarealliance.org](http://www.directcarealliance.org).

Finally, and perhaps most important, problem-solving teams at several hotels have focused on issues of work content and cross-training in the context of organizational restructuring. In one pilot project, the entire kitchen area was restructured: 27 kitchen job categories were collapsed into three, and two job titles were eliminated altogether. This reorganization spoke directly to one of the main concerns of the employers, that rigid job titles hindered flexibility in how workers were deployed and that therefore put unionized hotels at a competitive disadvantage with non-unionized ones. The union and its workers were involved in every part of the reorganization, and wages were raised and seniority rules were renegotiated in the process. While such joint projects are not yet the norm, the direct and sustained participation of workers in decision making is the hallmark of the partnership model in fully realized form.

As in the CHCA case, local success has ensured expanding influence. The San Francisco Partnership has recently started to work with employers, unions, and community colleges in San Diego, San Jose, and Los Angeles on a long-term program to solve the problem of upward mobility in the industry. While still in the planning stage, the ultimate goal of this project is to create formal career ladders for entry-level workers, both within and across job categories, at the same time meeting the growing need for skilled workers in California's hotel industry (which is predicted to grow twice as fast as the overall economy in the next decade).

On the 'demand side', labor-management teams in each hotel will work on redesigning jobs and promotion policies in order to eliminate existing structural barriers to mobility for entry-level hotel workers. On the 'supply side', workers in participating hotels will receive paid training in a job category different than their own—complemented by education and career counseling and vocational ESL. The Project staff itself serves as a critical intermediary here, by providing hotels with the technical assistance to implement the workplace reorganization, by facilitating the sharing of information among the 29 participating hotels, and by facilitating the complex process of working with local community colleges on training programs. The project is supported by a combination of employer contributions and state training funds.<sup>3</sup>

#### 10.2.4. *The Culinary & Hospitality Academy of Las Vegas (CHA)*

Also working in the hospitality industry, the Culinary & Hospitality Academy of Las Vegas (CHA) was established in 1993 by a consortium of local hotel casinos and unions to provide job training for all union members, as well as

<sup>3</sup> For more information, see Bernhardt, Dresser, and Hatton (2002) and Working for America Institute (2000).

classes in ESL, high school GEDs, and soft skills. Additionally, the academy works closely with the union's hiring hall, so that graduates are first in line for new job openings at the hotels. Since the CHA's inception, more than 16,000 workers have graduated from the academy and over 70 percent have been placed in jobs. Union hotels report that turnover is 50 percent lower among academy graduates as compared to off-the-street hires. Both the placement and retention statistics, as well as the sheer scale of the program, easily surpass other programs in the region.

The CHA is funded almost entirely by contributions from employers, and they are getting a good deal. The training is highly tailored to the industry (there is an employer board that gives advice on curriculum) and the cost is significantly cheaper than at the local community college (\$780 vs \$6,000 per graduate). The system works so well that at this point, employers effectively treat the training center as their main source of entry-level workers—even non-union hotels want to hire the academy trainees. The CHA has been able to secure this central role because it solves two critical problems facing the hotel and gaming industry, which is the primary employer in Las Vegas. First, the academy has solved severe recruitment and retention problems by providing a steady stream of workers to union hotels. Second, by successfully training recent immigrants and welfare leavers, the academy has addressed the growing problems of lack of skills and work experience in the new workforce.

On the worker side, the CHA has become known as the premier source of training and good jobs in the region. The training is free, everyone qualifies for it, and at the end there is a decent paying job—it is this last point, the direct feeding of graduates into the industry's hiring hall, that most distinguishes the academy from the workers' standpoint.

Having gone to scale, the CHA is now focusing on broadening and diversifying its services. While the bulk of the academy's training is currently focused on entry-level skills, ultimately the goal is to provide advanced training in order to open up career ladders that have historically been closed to front-line workers. There is already scattered evidence of increased mobility for CHA graduates (e.g. housekeepers who have become assistant managers, cooks who have become executive chefs). The challenge will be to systematize such career ladders and structure them as part of a formal training program.<sup>4</sup>

#### 10.2.5. *Creating a Way Out*

Each of these three programs has taken on the structure of dead-end jobs, and built training, restructuring, and advancement strategies to improve the jobs. These programs have responded to industry demands, but have also

<sup>4</sup> For more information, see Bernhardt, Dresser, and Hatton (2002) and also Working for America Institute (2000).



attempted to restructure those demands in ways that are friendly to workers. In so doing they offer some of the best examples of the ways that low-wage unstable work can be improved. Moreover, each of these programs has established credibility and used that to spread into more and more difficult issues of work restructuring. In the case of CHCA/PHI, the strategy has been not only to extend their work-owned model throughout the country, but also to help build a coalition of organizations all advocating for improved job and care quality in health care. The San Francisco Partnership has become a model for multiple cities in California (and beyond) and their work is now extending to workers throughout the state. In Las Vegas, the CHA is expanding the influence of the union, and programming is beginning to encourage more mobility in the industry. In each case, the competence, ambitions, and influence of these projects have grown over time.

#### 10.2.6. *Ensuring Access and Advancement in Better Jobs*

Even if they are not caught in the poverty-wage, transient employment that characterizes dead-end jobs, many workers find themselves stuck in jobs with no real opportunities inside their firm and no clear signals on opportunities outside it. These workers may have made it off the first rung of the ladder, but they do not have jobs with a secure future and clear career trajectory. For example, non-professional tracks in insurance, financial services and business services have extremely short ladders—in many instances the only step up is to shift supervisor. Advancement in clerical work usually requires a college degree, not the kind of training that is easy to get on the job or after work. The health care sector often looks the same way; most hospitals discourage movement from food service to patient care to technical work. In manufacturing, competitive pressures have pushed many firms to cut back on training, just when training investments are most needed. In these firms, workers are expected to produce more with the same skills, or firms shift inexorably toward lower-end product market strategies. Projects that connect workers only with the first job in an industry often falter as the workers find themselves stuck with no way up. A handful of projects have taken on expansive roles as multi-purpose intermediaries in their respective labor markets. Osterman's chapter in this volume on Project QUEST offers one example of a training program that helps build access and advancement for disadvantaged workers. Here we discuss a few other important examples.

#### 10.2.7. *Hospital and Health Care Workers Union Training and Upgrading Fund, Philadelphia*

In Philadelphia, the Hospital and Health Care Workers Union has been placing, training, and upgrading skills for its members and prospective members

since 1974. The fund has been managed by labor and management partners to ensure that workers and firms interests are well represented. An employment center functions as a hiring hall, connecting members and other interested workers with openings called in by employers. Programs allow workers to build new skills and move into better jobs in the industry. Some training programs are focused on union members. But many programs reach not only members, but other workers as well. For example, workers displaced by economic restructuring receive career counseling, placement, and occupational training at the training center. Additionally, since the mid-1990s, the union has used the infrastructure provided by its training and upgrading fund, its connection in the industry, and its reach into the community to provide training for prospective workers for the industry. Presently, about 60 percent of training and program participants are union members, while the remainder come from outside the union.

The union employs a range of strategies in its training programs and explicitly focuses on building career paths in the industry as a strategy in the interest of members. Training programs offer everything from basic education (literacy, ESL, etc.) to specific health-care certifications. In any given year, the program serves literally thousands of union members and prospective members. Perhaps most important, the Fund has leveraged its resources, industry connections, and community legitimacy to attract public funding for work with Philadelphia's underemployed workers.

The union's programs are impressive, not only because they have been so effective for workers, but also because they contribute to a comprehensive union strategy. Efforts in the training programs build community legitimacy by offering good jobs, serve members by improving job quality and career progression, and secure an important role for the union in the local health care labor market by serving employer needs. Moreover, the union has used its credibility and experience in health care in devising strategies to help organize the region's childcare industry as well. The union's child care efforts include not only traditional organizing of the sector's workforce, but also pulling together providers, workers, parents, and advocates in a coalition to lobby for improved child care funding. Thus, their success in health care is providing a foundation for success in child care as well.<sup>5</sup>

#### 10.2.8. *Wisconsin Regional Training Partnerships (WRTP)*

The WRTP now has a membership of more than 100 firms collectively employing approximately 60,000 workers in southeastern Wisconsin.

<sup>5</sup> For more information, see [www.1199etjisp.org](http://www.1199etjisp.org) and also Working for America Institute (2000).

While the most established programming supports workers and firms in the region's manufacturing industry, a number of new partnerships have been founded bringing joint labor/management attention to building quality jobs and a quality workforce in hospitality, health care, information technology, and construction. The original manufacturing partnership was founded in 1992 and the WRTP is the largest sectoral training consortium in the country with the most-advanced program goals.

The WRTP develops programming in three major areas of activity: incumbent worker training, modernization, and future workforce development. As regards the first, new technologies and new work organization require workers with new skills. For many workers, the transition to a 'continuous innovation' environment is impossible without considerable training. WRTP members have prioritized activities that can aid firms as they seek to develop and/or improve their workplace education centers. The WRTP provides assistance as firms develop new centers. WRTP staff direct firms to external resources available for workplace skills centers, such as funding sources and curriculum developers; they also work inside firms to help develop the labor/management collaboration on which any successful skills center relies. Without labor collaboration on the project, the skills taught at the center can easily be irrelevant to worker needs and shop-floor skill gaps. Without the context of workforce buy-in and contribution to the development of the skills center, the significant investment in a workplace skills center can be wasted. The WRTP facilitates cross-site and cross-union learning about workplace skills centers and has also helped a series of small shops develop jointly operated centers. Finally, the WRTP helps firms and unions develop workplace awareness of the centers through peer advisor networks.

Competitive pressures require that firms have access to and adopt rapidly advancing technology. In response to this industry need, the WRTP focuses considerable attention on modernization of member firms. Often, new technology and new work organization go hand-in-hand. Many firms, especially the WRTPs smaller member firms, do not have sufficient resources to commit to modernizing their own firms. The State of Wisconsin has developed a Manufacturing Extension Program (MEP) to assist firms as they identify, adopt and adjust to needed technological modernization. The WRTP is collaborating closely with the state MEP to ensure that member firms have access to its resources and that those resources will help to serve member firms. Again, collaboration between member firms can improve learning and knowledge of technologies and the challenges that come with modernization. Both management and labor union members can investigate options and discuss the effects of modernization with firms that have already adopted new technologies. This shared experience can ease the process of modernization

and improve the efficiency with which new technologies are adopted by allowing firms to avoid common mistakes.

Finally, as regards future workforce needs, WRTP programming is directed to both school-to-work initiatives and programming for dislocated and disadvantaged workers. In the last few years and in partnership with the Milwaukee Jobs Initiative (itself a labor, business, and community partnership to help extend good jobs to economically isolated residents of Milwaukee's central city), more than 500 workers, mostly African Americans and Hispanics, have been placed at WRTP member firms at an average wage of over \$10.00 per hour. This is most usefully compared to welfare to work results in Milwaukee where wages average in the \$7.00 or \$8.00 per hour range (Bernhart, Dresser, and Rogers 2001).

As the WRTP has expanded its work into new sectors, the WRTP's role as a new kind of intermediary has become more apparent. The WRTP does not seek to replace the services provided by community-based organizations (recruiting and supporting new workers), the local technical college (which trains workers in preparation for jobs or at the work site), or employers and unions (which hire and establish work rules). Rather, the WRTP seeks to integrate the system by facilitating communication across sectors and establishing standards and norms for performance. The WRTP provides infrastructure (in the form of information and connections) required to improve the performance of other players in the labor market so that each can focus on what it does best. And, as in the case of many other examples in this chapter, the success of programming in one sector—in this case manufacturing—has provided a foundation for extending programs in new sectors.<sup>6</sup>

### 10.2.9. *'Jobs With a Future' in Dane County*

In 1995, the Dane County (home of Madison, Wisconsin) Board of Supervisors constituted the Economic Summit Council—a blue-ribbon commission comprised of leaders from Dane County business, labor, public and non-profit sectors. The Summit Council was charged with developing a strategic vision for economic and workforce development in Dane County. One element of this plan is a community career ladder project to make 'jobs with a future' (JWF) available to all Dane County residents. The Center on Wisconsin Strategy (COWS) has provided lead technical and design assistance for the project.

Following a review of our experience with the WRTP, of best practices from around the country, and detailed quantitative and qualitative analysis of

<sup>6</sup> For more information, see [www.wrtp.org](http://www.wrtp.org) and Bernhardt, Dresser, and Rogers (2001).

local labor-market conditions and needs, COWS identified three key sectors for development of sectoral intermediaries that could support high performance work organization on an industry wide basis. In these sectors—manufacturing, health care, and insurance and finance—COWS then conducted extensive interviews with human resource and training personnel at leading firms to identify the skill and workforce needs shared by the firms in each industry: this work recently led to decisions in each sector to establish sectoral consortia to address these needs.

The JWF Manufacturing Partnership has pursued a number of skill development programs for incumbent staff. Perhaps most impressive has been the development of basic skills programs at five member firms in conjunction with the technical college. None of these firms would have been able to develop the basic skills programs, or fill classes, on their own, but their workers now have a range of basic skills classes and supports available to them. Manufacturing partners have also worked on recruitment and developed a pre-employment training program in order to recruit new workers to the industry.

The JWF Health Care Partnership has focused on improving the quality of entry-level jobs in the industry. One identified means of improving the jobs is to improve pathways into other health care careers. To that end, local employers and the local technical college have developed short-term training for workers to move up. They have also begun discussions on industry turnover and the best means of increasing retention of frontline care-giving staff. One identified means of increasing retention was providing more opportunities for skill development. To that end, local employers have increased the training on skills for incumbent workers. Recently, the Health Care Partnership has begun to explore the state's nursing shortage and look for a role in facilitating conversations and developing programming to solve it.

Originally, the JWF Finance and Insurance Partnership focused on the development of training for technical programming positions. However, more recently the focus has been on business strategies for retaining customer service staff. Member firms now benchmark performance against each other, and participate in strategy roundtables to discuss means of improving retention of workers. The Partnership has also worked with the Dane County Job Center to improve recruitment in the city's economically disadvantaged communities.

The JWF experience suggests that there is a real role for intermediaries which pull together employers for discussions of workforce development issues. Firms participate because they gain better knowledge and services through the discussion. Workers at member firms get access to improved training opportunities and upward mobility. The public sector gains by having an



easier way to identify and respond to industry needs—the technical college has created literally dozens of courses on the basis of information gathered in partnership meetings and projects. Finally, disadvantaged workers gain better information about the labor market and career opportunities in specific industries. Like the WRTP, and many other emergent WIs, JWF does not seek to replace elements of the system. Rather, JWF provides the infrastructure for communication and problem-solving and private-sector leadership that the local workforce development system lacked.<sup>7</sup>

#### 10.2.10. *Strategic Focus, Increasing Scope, and Growing Ambitions*

Whether focused on improving entry-level, dead-end jobs, or aiming to improve training and advancement for workers throughout a sector, these WIs and others like them are helping to forge local solutions to labor-market problems. By targeting multiple employers, and building workforce development solutions for them, these programs have begun to show real promise as a means of improving outcomes for workers and the unemployed. Perhaps most important, as the scale of these projects grows, they become increasingly able to confront the restructuring of work, both through aiding in positive restructuring and by blocking negative forms. For example, the WRTP has begun to work with member firms to begin limiting those firms' use of temp agencies to fill open positions. The WRTP is using its own knowledge of the firms and offering its successful model of training and recruitment as a concrete alternative to recruitment by temp agencies. In so doing, they are turning 'temp jobs' back into permanent work at participating firms. Similarly, training and recruitment services of CHA in Las Vegas have reduced casinos' resistance to unions and helped leverage organizing victories in new properties. The projects are as unique as the localities and sectors that have spawned them, but they do tend to move towards increasing scale and influence on the structure of work as they grow.

The infrastructure supporting, informing, and extending these local efforts is fairly weak, but it too has grown. In some instances, the organizations themselves have helped build it. This is most clear with CHCA/PHI, where the connections in the health care industry allowed them to play the key role in developing a national coalition to advocate for quality jobs and care. It is also clear in the case of the San Francisco Hotel Partnership which is now extending its model to cities across California. Given the central role of labor unions in many of these projects, the national AFL-CIO and its Working for America Institute have played a central role in documenting and

<sup>7</sup> For more information, see Dresser (2000).

disseminating the success of union-led projects. Additionally, the national AFL-CIO has helped facilitate peer-to-peer learning and technical assistance across regions and sectors. As is also shown by Louise Trubek's chapter in this volume, such horizontal networks are important and likely become more so as this field of practice grows.

### 10.3. An American Model for Training?

While still in their infancy, we believe these sorts of 'high road' workforce intermediaries show considerable promise as the foundation for a new sort of 'American model' in training. In effect, they provide at the regional level what is not provided nationally—a genuine infrastructure of industry and union collaboration that both drives industries toward more demanding skill demands and provides the flow of information, and assurances against free-riding, needed to meet them. Given pressures for devolution, moreover, there is no reason why such efforts could not be more effectively integrated into public labor-market administration.

A large share of such WIs self-consciously set themselves the task of organizing particular industry sectors. And here, despite their variation, they commonly seek three sorts of efficiencies not delivered by existing labor market institutions. First, there are economies of scale obtained by expanding the breadth of employer participation within a regional labor market. Unlike modernization, workforce development, or job connection activities that adopt a narrowly customized firm-by-firm approach, a sectoral approach makes it possible to benchmark public and private sector efforts to advanced industry practices. And information sharing and standard-setting processes across organizations that account for a significant share of the market enable the participants to share the cost of replenishing the skilled labor pool. With enough market share, they gain the capacity to leverage accountability from modernization and training institutions to high-road production or service delivery. Instead of reinventing the wheel in one workplace after another, scaling up new programs spreads out the cost of their development and delivery.

Second, sector-based WIs leverage economies of scope by extending the range of policy areas responsive to the shared needs of organized firms. The development of a diversified program aligns modernization, training, and related labor-market services to the most advanced practices in the sector. Just as the scale of the initiative can capture the accumulated wisdom of learning across firms to augment common elements of curriculum and training routines, the scope of the project achieves efficiencies in program development across policy areas defined by the segment of the workforce they are

intended to serve. The same set of core competencies apply whether the individual is employed, unemployed, under-employed, disadvantaged, still in school, or returning to the paid laborforce. The alignment of institutional and public policy supports for skill upgrading with a progression of proficiency standards enables workers to build on what they already know to get to where they want to go throughout their careers.

Third, a successful sectoral initiative develops positive network externalities as a growing number of employers, unions, public sector, and community-based partners come together and find ways to solve recurrent problems and meet convergent needs. By sharing information, identifying the best practice models, conducting experiments, defining curricula, and routinely benchmarking among themselves, the participants are able to sustain and diffuse high-road production or service delivery. Legitimizing and disseminating advanced practices throughout a growing share of the sector facilitates joint investments made by all the stakeholders in the formation of a skilled and committed workforce. As the sector becomes more competitive relative to the low-road, the high-road firms within it may become more tied into the regional economy. With the institutional and public policy supports knitted together by a successful intermediary in the regional labor market, the sector contributes to job opportunity and career security within the region. As these initiatives help tie together their economies, they also help tie individuals into more promising careers. Like the best community-based training programs, sectoral initiatives help provide provide 'bridges' across social boundaries to better jobs (Harrison and Weiss 1998; Melendez and Harrison 1998).

Summarizing across these efficiency effects, successful sectoral initiatives create a 'win-win' situation for firms, workers, and new labor-market entrants from the community. Such initiatives may increase demand for a skilled and committed workforce; enhance learning across business, labor, and community organizations; facilitate benchmarking and standard-setting across them; enable related firms to pool their investments in human capital; leverage the accountability of public institutions to the high road; realize efficiencies in the delivery of supports and services; build the capacity of a wider range of players in the labor market; clarify entry-level skill requirements and advancement opportunities; and improve the employment relations climate in the area.

#### 10.4. Getting to Scale, Building a System

It is not much of a step from the sectoral base to the more functional integration of regional labor-market services, with representatives of regional

sectoral consortia providing the natural ballast and direction for program administration. Whatever the many confusions of US training reform at present, the clear and broad direction is toward greater state discretion in the administration of workforce development systems. The recent Workforce Investment Act (WIA) explicitly invites state experimentation, and provides resources either directly or through 'individual training accounts' to capture resources to sustain it. Many states have accepted this invitation, albeit in the context as well of the massive dislocations associated with welfare reform. And many of the most advanced changes have inclined toward some version of the 'partnership' model, assigning intermediaries a greater role in setting standards, monitoring training, determining the regional content of training, and so on. Gradually what seems to be happening is that sectoral intermediaries are taking on a more and more formal role in the public system, in effect filling out the membership as well as program of many of the 'Workforce Investment Boards' (WIBs) that are mandated by WIA on a regional basis. Thus, one could easily imagine that were the independent impulse to sectoral consortia more fully realized, these changes in the public system themselves could accelerate.

Consolidation of labor-market services, moreover, might be naturally extended to include elements of the fledgling MEP program that has grown up in the United States. While presently under attack in the budget proposals of the Bush administration, this program enjoys broad business support. Federally supported but essentially state-based, it provides technical assistance to small- and medium-sized manufacturers to upgrade their operations through better use of new technology, information systems, and work organization. It is now capable of reaching tens of thousands of firms annually with such assistance on upgrading. Operating at some \$300 million annually, it is the most significant US program acting directly on the demand side of the training equation.

The result would be, in effect, a series of regional labor-market boards, with financial resources to apply to both the supply and demand sides of that equation, and considerable leverage within a more organized private sector.

How movement to such a system might be encouraged is also straightforward enough. Without mandating such industry organization, participation in it could reasonably be offered as a condition for discounts on public training assistance—the rationale being that public dollars are best spent where private leverage and representativeness is demonstrated—with reciprocal premia applied to supports for non-participating firms. Such boards could be charged as well with local implementation of the national skills standards, providing some baseline coordination of their activities. And the process of organizing regional industry and labor—based on our experience, perhaps surprisingly, not a desperately hard thing to do—could be supported through

demonstration grants and a minimal national technical assistance infrastructure. The Department of Labor has recently signaled its interest in doing just this, with 'Regional Skills Alliance' grants provided for replicating high-road partnership work on the order of \$20 million annually.

Of course, whether any of this happens fast enough to capture the energies now unleashed by reform-mindedness and devolution is not something we can confidently predict. But it is certainly a development worth watching, and for Europeans the fact that it is already happening unselfconsciously, without almost any explicit public support, may carry some interesting lessons. Based on the experience in the most liberal of polities, with the greatest hostility to government, with the weakest associational structures in business and the most decimated labor movement, it appears that there is at least a plausible way to functional, flexible, and politically supported labor-market administration—at the regional level. That level of administration appears to capture the operative efficiencies of associational action, while being sufficiently tutored by local experience, and allowing a speed and flexibility in government response, to satisfy firm demands for such attention to their new competitive realities.

### 10.5. The Role of Organized Labor

Finally, however, a note on the future role of one of the most important 'players' in the new intermediary discussion, namely organized labor. Unions have perhaps the most to gain through higher valuation of intermediary functions, since they themselves, at least in part, are such an intermediary. They enjoy a loyal if shrinking base of members that generally trust their leadership, and certainly the importance of the role they play in navigating present labor-market conditions. Their competitive advantage in the intermediary world derives in part from this obvious resource, but in part too from their close historical understanding of the micro-politics of standard setting, training, evaluation, job placement, and job advancement. But the real prize of involvement, of course, would be greater union ability to influence the terms of employment beyond its organized base, greater ability to respond to changes within it, and through the harmonization of those two conditions greater ability to reduce or simply overcome the employer resistance that is currently killing unions as an important institution in American life.

But organized labor has been relatively reluctant to get into the intermediary game, at least relative to the obvious opportunities it would seem to offer. This is chiefly because it has seen such involvement as a distraction from its most immediate problem, namely declining membership. Under the 'new



voices' leadership team headed by John Sweeney, which took charge of the national AFL-CIO in 1995 after the first contested leadership election in the federation's history, labor has sought to make 'changing to organize'—that is, to make the internal organizational changes to expand its dwindling membership base—the centerpiece of all its efforts. But at least as organizing has traditionally been understood, WI activities of the sort described here have been accorded a distinctly secondary importance in achieving it.

Now, however, it is commonly recognized that the 'changing to organize' program has been a failure. Seven years into the 'new voices' team's leadership, union density is even lower than when they took office. And so there are signs that labor will alter this view, as it looks more broadly to different strategies for advancing its power. Suggestions on these abound, but the most promising all involve a break with the single-minded concentration, characteristic of the postwar American labor movement, on achieving majority membership in individual employment settings, in order to be the exclusive bargaining agent on behalf of workers there, and eventually to achieve and then administer a collective bargaining agreement with their employer.

Instead, the new thinking is some old thinking—to return to earlier aspirations in American labor to be 'the voice of many that speaks for all', to care less about immediate achievement of majorities and more simply about building worker presence in the economy, to be less concerned with jumping the many hoops of the existing legal system, to be more directly political in its local operations, to be more intent on changing broader opportunities for employment at work under acceptable terms: economic democracy linked to social democracy. The natural direction of taking these suggestions seriously would be a labor movement that was much more dependent on its ties to friends outside its immediate ranks, more accommodating and inclusive of diverse membership, and more concerned in general with establishing itself as the conscience and steward of the broader economy. It is too soon to tell if American labor will move in this alternative direction. If it does, however, the emerging WI considered here will, we are quite certain, be seen as vital to its future course.<sup>8</sup>

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<sup>8</sup> For discussion of some of the debate around this choice, and its particular implications for labor's structure, see Rathke and Rogers (1996) and Freeman and Rogers (2002).

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