

IMPROVING THE EMPLOYMENT PROSPECTS OF LOW INCOME JOB SEEKERS

Main Report

The Role of Labour Market Intermediaries

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Sponsored by the New Deal Task Force and the Rockefeller Foundation

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EXECUTIVE SUMMARY

Background

The UK/US Seminar on Labour Market Intermediaries has its origins in the January 1999 *Business Forum on Welfare to Work: Lessons from America*. Sponsored by the New Deal Task Force, that event had two primary objectives:

- to examine the experience of US employers in helping people move from welfare into work; and
- to recommend ways in which the US experience might enhance future employer involvement in the New Deal.

With the support of the Rockefeller Foundation, Jobs for the Future, an American research and development organisation, documented the most important elements of successful employer-led programmes. One significant finding was that leading US companies in the study had all developed close relationships with one or more intermediary organisations that provided specialised pre-employment and post-placement services.

As a result of the January forum and Jobs for the Future's research, the New Deal Task Force decided to explore in greater detail the role of intermediaries in improving the employment prospects of disadvantaged job seekers. To this end, it asked Jobs for the Future and DEMOS to undertake a joint research project and to assist the Task Force in organising a UK/US seminar. The goals of this effort, also funded by the Rockefeller Foundation, were to:

- exchange and examine lessons from the two countries; and
- inform Government and the Task Force in the future development of welfare-to-work initiatives.

The Seminar: The two-day *UK/US Seminar on Labour Market Intermediaries* held in July 1999, brought together forty practitioners, policymakers, and researchers from the two countries to discuss strategies for encouraging the expansion and strengthening of local-level institutions linking disadvantaged job seekers with employers. The meeting was structured to maximise discussion and exchange that would inform the project's final report and the New Deal Task Force's recommendations for enhancing the New Deal.

Research Documents: Two initial background papers were prepared for the seminar: a report on US experience, written by Richard Kazis of Jobs for the Future, and another on UK practice and policy, by Chris Evans of DEMOS. The papers address current experience, key challenges, and potential directions for effective, efficient ways to serve both disadvantaged job seekers and employers seeking to fill jobs. Each paper was based upon interviews with policymakers and practitioners, secondary research, and a set of case studies. The two national studies have been combined into a final project report, the main findings of which are summarised below.

Labour Market Intermediaries and Their Roles

Recent trends in helping less-skilled individuals succeed economically put work at the centre of policy and practice. Emerging models emphasise the need to serve 'dual customers:' employers seeking qualified workers and individuals looking to find work and advance toward self-sufficiency. This fairly simple, even obvious, formulation has significant implications for both practice and policy.

Serving these two customers requires bridging and brokering between two very different worlds, and doing so in ways that are customer-oriented, responsive, and entrepreneurial. Work-focused welfare and workforce development programmes place a premium on improving the labour exchange (i.e. how employers and qualified job seekers find each other). However, because their goal is to help disadvantaged individuals move toward self-sufficiency, not just into employment, these efforts typically go beyond job brokering: they take a more active role in improving how local labour markets function, particularly for less-skilled workers.

On the one hand, these initiatives work with job seekers to improve their skills, attitudes, and behaviours, so they are better qualified for available employment opportunities. At the same time, the initiatives work closely with employers, trying to influence firm decisions regarding recruitment and hiring, on-the-job learning, work organisation, and post-employment supports and benefits that can affect an employee's income and career prospects. The most ambitious and most promising efforts work to improve both the quality of job seekers' preparation and the quality of job opportunities.

This balancing act is not easy, but it is at the heart of what it means to be an 'intermediary' in the labour market: organising, convening, brokering, and providing services to groups of individuals and employers. Playing this role well requires the development and maintenance of a particular mix of services, staff skills, organisational capacity, and relationships in the local community and labour market.

While the existence of institutions and organisations that connect job seekers and employers is not new, intermediaries appear to be taking on broader and more varied labour market roles. They are becoming more important local institutions, particularly for low-skill workers trying to enter and move up in today's increasingly volatile and complicated labour market.

Types of Organisations Performing Intermediary Functions

A wide range of organisations can and do perform intermediary functions. (The diversity appears to be somewhat greater in the US than the UK.) Examples include:

- The public sector, through the Employment Service, One Stop Career Centres (US), and local regeneration projects;
- Private sector recruitment agencies;
- Voluntary sector/community-based organisations;
- Employer associations, TECs, Chambers of Commerce, and other industry groups, as well as trade unions and labour-management committees;
- Education and training institutions; and
- Multi-sector collaboratives that include more than one of the above.

Although the emergence of new intermediary organisations is exciting, they are still small in both number and scale. At present, in both the UK and US, the priorities and guidelines of government funding constrain efforts to expand these strategies.

What Distinguishes an Effective Intermediary?

The research conducted by Jobs for the Future and DEMOS identified a number of characteristics of labour market intermediaries which, taken together, distinguish them from traditional brokerage and service providers. Organisations that demonstrate these attributes tend to have significant success placing job seekers in higher quality jobs that they hold longer. These organisations:

- *Understand the labour market well:* Effective intermediaries have sophisticated ways of understanding the most current trends in local and regional labour markets where they place job seekers. These include both high tech and high touch strategies: advanced use of the Internet and other technologies combined with labour-intensive relationships with employers to develop and maintain detailed knowledge of job specific skills that are in demand in particular industries and occupations. Efforts that target specific labour market niches and understand industry trends inside and out are most likely to make effective matches.
- *Know particular employers and their needs:* Some organisations interviewed for this project defined employers as their primary customer; others argued that employers and job seekers were 'dual customers.' However, in both cases, intermediaries placed primary emphasis on building long-term relationships of trust with local employers, based on services they value.
- *Know job seekers and their needs:* Effective job matches that last require intermediaries to connect the right individuals with the right employers. 'Right' does not just mean 'available.' It means qualified, work ready and able to perform in the culture and pace of the targeted workplace. Many job placement initiatives turn to neighbourhood or other local community-based organisations to help screen potential employees, since these organisations have experience assessing the capabilities and readiness of individuals from disadvantaged populations – experience that employers often lack.
- *Are entrepreneurial and customer-driven:* Success as an intermediary requires an eager responsiveness to customers and a willingness to seize market opportunities. Increasingly, it requires customised solutions for different employers or clusters of firms. This kind of responsiveness frequently demands creative approaches to packaging services and activities provided through diverse programmes and funding sources.
- *Keep employment the primary focus:* Effective intermediaries make work the central goal of the programme and structure their efforts so that job seekers see employment as a concrete, attainable goal. Work norms, such as punctuality, attire, and presentation, are emphasised from the outset. Staff 'talk business, not social service.'
- *But also develop ties to non-employment service providers.* Addressing disadvantaged job-seekers' multiple barriers to employment before and after they find jobs can increase the likelihood of their staying employed. Intermediary organisations must be well-connected to local social service providers, including counsellors, substance abuse programmes, vocational rehabilitation and child care referral offices.
- *Use data to improve performance:* Increasingly flexible and sophisticated computer technologies provide opportunities to collect and analyse data about 'dual customers,' as well as an organisation's own performance. Management information systems enable organisations to know more about the skills, work experience, and backgrounds of those they place. They also make it possible for programmes to track placements and the labour market progress of clients. Careful analysis of programme data can identify weaknesses and point toward strategies for improvement.

- *Focus not just on access to employment, but on retention and career advancement:* Intermediaries have traditionally engaged in job matching – and employment and training programmes have typically been assessed on the basis of job placement. However, when career ladders have become more truncated and less obvious and when many entry-level jobs are dead-end positions with little training and minimal opportunity for advancement, the labour exchange function is insufficient to help low skill individuals escape poverty. For this reason, many intermediaries are also engaged in efforts to increase tenure on the job and lay the groundwork for advancement out of entry-level work.

Strategies for increasing retention and advancement have been assessed for the New Deal Task Force in two reports: *Lasting Value: Recommendations for Increasing Retention within the New Deal* and *Business Participation in Welfare-to-Work: Lessons from the US*. Each of these papers highlights ways in which, from initial outreach and intake through the job match and post-employment services, intermediaries and service deliverers can create a comprehensive approach to helping individuals and employers overcome barriers to long-term employment.

Challenges Facing Policy Makers and Practitioners

Enthusiasm for welfare and workforce strategies that rely on intermediary organisations to serve both employers and disadvantaged job seekers is growing. These strategies appear to be an effective response to several current challenges: 1) the reduced role of internal labour markets in career advancement for low skill employees; 2) the demand for more customised and less standardised services by both hard-to-employ individuals and employers with varied labour demands; and 3) the increased emphasis on work-centred approaches to social policy.

At the same time, there is still much to be learned about how best to encourage and strengthen these isolated, generally small efforts. Participants in the *UK/US Seminar on Labour Market Intermediaries*, held outside London in July 1999, grappled with many challenges that face policy makers and practitioners who wish to promote increased labour market roles for intermediary organisations. They generated the following important questions that will need to be addressed if intermediaries are to achieve significant scale, impact and consistency in performance.

- *'One size does not fit all.'* It is unwise to promote a single, multi-purpose, geographically-contained intermediary in a given community. Multiple organisations, serving different types and groups of employers and/or job seekers, will be needed. If this is true, though, how can public incentives be structured to promote particular outcomes while supporting very different institutions and programmatic approaches to brokering and job matching?
- *Organisational culture within community-based and public agencies is resistant to change.* Yet customer service and responsiveness to employer needs are critical to the survival and strengthening of intermediaries. What kinds of professional development strategies are most likely to promote greater organisational responsiveness to labour market realities? How should these initiatives be organised, delivered, and funded?
- *Chronic under-capitalisation constrains the growth and quality of many community-based organisations, Even those that wish to expand their activities as intermediaries might not be able to do so.* What are appropriate roles for public and private-sector institutions in making flexible capital easier for community-based organisations to secure?

- *Job quality appears to be critical to the credibility and success of labour market intermediaries.* Research indicates that the quality of the initial job placement (in terms of wages, benefits, and opportunities for advancement) is the single most powerful determinant of the success of employment and training programmes. Given this evidence, what incentives can be built into accountability systems to promote higher quality placements in local workforce development and welfare-to-work programmes?
- *Intermediaries are often distinguished by the high level of customer service and support they provide, including the time it takes to manage relationships.* Unfortunately, these labour-intensive interactions and their value are not recognised in public funding formulas in either the UK or the US. Given this challenge, what measures of intermediary and programme performance are most important to track? Can performance measures be identified that do not penalise intermediaries for higher levels of customer service while still capturing employment outcomes for individuals and employers? How difficult would it be for organisations to collect and analyse data on their own performance for employers and for their job-seeking customers?
- *Current funding priorities do not give local programmes and partnerships sufficiently flexible options for serving specific groups of employers and disadvantaged job seekers.* If this is true, how can policy be revised to promote more customised solutions for employers in particular industries and markets and for individuals with particular strengths and skill needs? How can funding streams be made more fungible so that creative intermediaries can package them more easily for local customers?

On both sides of the Atlantic, labour market intermediaries are taking on more important roles in workforce development. There are early indications from evaluations and performance data that these organisations and the approaches they take can drive significant improvements in the quality of services provided and outcomes achieved, increasing the ability of public systems to meet employer demand while also reaching the most disadvantaged communities.

I PREFACE: THE UK/US SEMINAR

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II INTRODUCTION: SERVING ‘DUAL CUSTOMERS’

Recent trends in helping less-skilled individuals succeed economically have put work at the centre of policy and practice. Emerging models emphasise the need to serve ‘dual customers’ – employers seeking qualified workers as well as individuals looking to find work and advance toward self-sufficiency.

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On the one hand, these initiatives work with job seekers to improve their skills, attitudes, and behaviors, so they are better qualified for available employment opportunities. At the same time, they work closely with employers, trying to influence firm decisions regarding recruitment and hiring, on-the-job learning, work organisation, and post-employment supports and benefits that can affect an employee’s income and career prospects. The most ambitious – and most promising – efforts work to improve both the quality of job seekers’ preparation **and** the quality of job opportunities to which they have access.

This balancing act is not easy, but it is at the heart of what it means to be an ‘intermediary’ in the labour market: organising, convening, brokering, and providing services to groups of individuals and employers. This paper is about organisations that play these intermediary roles in their communities and strategies for expanding and strengthening their efforts to improve the employment prospects of low-income individuals. It explores the mix of services, organisational capacity, staff skills, relationships and commitments that make some organisations more successful than others at serving both employers and disadvantaged job seekers.

While the existence of institutions and organisations that connect job seekers and employers is not new, intermediaries appear to be taking on broader and more varied labour market roles. They are becoming more important local institutions, particularly for low-skill workers trying to enter and move up in today’s increasingly volatile and complicated labour market.

However, if this promising strategy is to become more common and effective, significant obstacles must be overcome. Innovations in both practice and policy will be necessary to expand, strengthen capacity, ensure quality, and promote the sustainability of intermediary organisations. Challenging questions remain about the best ways to promote these efforts – and the role public investment should play in their development and promotion. The last sections of this paper assess the characteristics of effective labour market intermediaries and make recommendations for policy makers and practitioners interested in encouraging the development of these institutions.

III WHAT'S DRIVING INTERMEDIARY STRATEGIES? LABOUR MARKET, POLICY, AND PROGRAMME TRENDS

People typically find jobs through one of three methods: personal and social networks (friends and family); open-market mechanisms (newspaper or Internet ads, cold calls and walk-ins); and assistance from organisations and institutions that act as brokers between job seekers and employers (such as the Employment Service, temporary help firms, education and training institutions, trade unions, and other organisations).¹

These third parties – frequently called ‘labour market intermediaries’ – can improve the match between employers and job seekers by taking some of the randomness out of the mutual search, increasing access to information, and making it easier for employers and job seekers to find each other and learn enough about each other to make informed choices.² From the employer's perspective, intermediaries can reduce some of the inefficiencies of the labour exchange process by improving the quality of the job match and reducing unwanted turnover. From the job seeker's perspective, intermediaries can help overcome weak family and neighbourhood job networks and limited understanding of how to navigate the open labour market.

While public and private sector institutions – e.g. the Employment Service and temporary help and other placement firms – have played brokering roles between employers and job seekers for many years, the number and kinds of organisations now involved in efforts to improve job access and career advancement is on the rise. So, too, is the scope of the labour market activities of these agencies and organisations.

Three trends are driving the recent expansion of intermediary activities and organisations:

- 1) **Changes in labour markets and the macro-economy**, which are making it more difficult for less-skilled segments of the population to succeed in the labour market and for employers to find and keep qualified workers;
- 2) **New directions in social and employment policy**, which put work at the centre of anti-poverty policies; and
- 3) **Lessons from past welfare and workforce programmes**, which reinforce the current emphasis on work-centred policies, responsiveness to employers and labour market dynamics, and job retention and advancement.

Together, these forces are leading to greater experimentation in both the UK and the US with institutions and policies to improve the efficiency and equity of labour markets.

There are obvious and real differences between the UK and US contexts – the economic trends and the policy environment within which intermediary efforts are developing. Foremost among these are:

- 1) Lower unemployment and tighter labour markets in the US (6.2 percent national unemployment in the UK versus 4.2 percent in the US); and

1 Edwin Melendez and Luis Falcon. 1999. *Closing the Social Mismatch: Lessons from the Latino Experience*. New York: New School University.

2 Bennett Harrison and Marcus Weiss. 1998. *Workforce Development Networks: Community-Based Organisations and Regional Alliances*. Thousand Oaks, CA: Sage Publications.

- 2) The different target populations of welfare policy (lone female parents in the US versus a broader group, including 18–24 year old young people, in the UK).

Nevertheless, throughout this project, the research team has been struck more by similarities than by differences in background economic and policy conditions. Even in terms of overall labour market conditions, for example, UK trends resemble those in the US more than those in many European countries. For this reason, the following pages highlight general trends across the two countries in a way that emphasises similarities more than differences.

Labour Market and Economic Trends

In both the US and the UK, the past two decades have been characterised by: greater employer reliance on external labour markets for finding qualified workers; shifts in the composition of industries and occupations; rising skill requirements; and, during the 1990s, tightening labour markets. Some US firms restructured earlier and more dramatically than their UK counterparts. And, as noted above, labour markets are not as tight in the UK as in the US. However, the general trends away from internal labour markets and toward a high-growth, skills-driven service economy encourage both employers and job seekers to find ways to make recruitment and job matching more efficient, less risky, and less costly.

1. The collapse of the post-war employment relationship. In the post-war period, UK and US workers typically began their careers in entry-level positions that required relatively few job-specific skills. Over time, employees received training on the job, earned seniority-based wage and benefit gains, and advanced through internal labour markets to positions of greater responsibility and pay. This system minimised the risks to both employers and employees of relying on external labour markets to fill open and new positions.

However, in the 1970s and 1980s, employers began to consider this system too costly and rigid. They responded to increased competitive pressures with outsourcing, redundancies, and other restructuring strategies designed to increase their hiring and human resource flexibility.

As a result, old patterns of job search, hiring, training, and advancement are being replaced by employment relationships that are increasingly impermanent and flexible, providing far less job security. Employers rely more routinely on external sources for new employees (e.g. professional recruitment agencies, temporary help firms, newspapers). Flatter job hierarchies and increased outsourcing frequently mean fewer rungs on internal career ladders and the elimination of intermediate jobs that provided less-skilled workers with routes to advancement. Contingent work arrangements – temporary, part-time, and contract employment – have become more common. As internal labour markets become less dominant, labour market outcomes for individuals become less predictable and more variable.³

2. The rise of service industries and occupations. Employment patterns and work organisation within service industries – such as smaller firm size, shorter and less developed internal career ladders, and low levels of private sector unionisation – reinforce the labour market trends described above. The growth of services relative to manufacturing has contributed to wider wage inequality, increased job instability, more flexible work arrangements (including part-time work, independent contracting, and on-call and day labour), and truncated career ladders.⁴

3 Bernhardt, Annette et al. 1998. *Summary of Findings: Work and Opportunity in the Post-Industrial Labour Market*. New York: Institute on Education and the Economy, Teachers College.

4 Stephen A. Herzenberg, John A. Alic, and Howard Wial. 1998. *New Rules for a New Economy: Employment and Opportunity in Postindustrial America*. Ithaca, NY: Cornell University Press. Chapter 2.

3. The changing demand for skills and education. Skill demands are rising across the economy.⁵ In both the UK and the US, the demand for low-skill (and particularly male) workers has weakened relative to the demand for other employees, even as overall employment growth has been strong. Front-line worker responsibilities and breadth of tasks are increasing. Employers expect more and more varied competencies from employees, as well as the ability to learn new tasks and adapt to changing job requirements. Job requirements at the low-end of the labour market have risen significantly: basic numeracy and literacy are expected more frequently, as are facility with basic computer use and 'soft skills' such as communication, teamwork, and problem solving.⁶

To some extent, employers are more concerned about the future than the present. They are increasingly nervous about whether employees will contribute productively in a faster-paced economic environment. These longer-term concerns about rising skill requirements play an important role in employers' labour market calculations and their readiness to collaborate to find predictable sources of qualified workers.

4. The long economic expansion of the 1990s. This decade's economic expansion and increasingly tight labour markets provide strong motivation for employer engagement in partnerships to improve the quality of labour market matching. Poor job matches are particularly costly in tight labour markets: employers have to absorb costs of skill remediation and long and repeated searches for qualified entry-level workers. As low unemployment levels collide with both the greater reliance on external labour markets and rising skill requirements, employers are increasingly interested in ways to improve the quality – and reduce the risks and costs – of recruitment, job matching, and employee retention.

At the same time, communities and population groups are reaping the benefits of the current economic boom unevenly. Issues of growing income inequality during this period of strong growth and the concentration of poverty in particular urban communities have led both countries' governments to experiment with policy initiatives to help distressed communities compete more successfully for economic activity.

A New Policy Environment

Both the United Kingdom and the United States are in the early stages of an unprecedented social experiment: remaking welfare policy to emphasise employment rather than income maintenance. US workforce development policy has also been overhauled, with the goal of maintaining local flexibility while improving performance and accountability of the public employment and training system. In the UK, significant initiatives focused on 'making work pay,' on post-16 education and training, and on lifelong learning, in addition to the New Deal, have been central to the Government's agenda.

Despite their policy and institutional differences, the general direction of social policy in both countries is toward encouraging work, individual initiative and responsibility, and new structures for delivering more flexible local services. These trends make organisations that help people find work, stay employed, and advance in careers more important. They also give greater authority and voice in decisions about workforce policy to employers who are the customers of the public system.

5 Peter Cappelli et al. 1995. *Change at Work*. New York, NY: Oxford University Press; Philip Moss. 1998. *Earnings Inequality and the Quality of Jobs: The Status of Current Research, and Proposals for an Expanded Research Agenda*. Annandale on Hudson, NY: Jerome Levy Economics Institute of Bard College; Gregg P. and Wadsworth J. 1997. 'The changing nature of entry jobs in Britain', in Gregg, P. (ed); *Jobs, Wages and Poverty, Patterns of Persistence and Mobility in the Flexible Labour Market*, Centre for Economic Performance, LSE, London.

6 Philip Moss and Chris Tilly. 1996. *Growing Demand for 'Soft' Skills in Four Industries: Evidence from In-Depth Employer Interviews*. New York: Russell Sage Foundation; Harry Holzer. 1996. *What Employers Want*. New York: Russell Sage Foundation.

Both countries are moving toward a workforce development and welfare system based the themes noted above. The US Department of Labour, in its description of the rationale behind the newly enacted Workforce Investment Act, summarised this direction as follows:

- A 'work first' approach, emphasising labour market attachment over human capital development
- Local programme design and management
- Convenient single point of access to employment, education, training, and information services
- Individual choice regarding training programmes and service providers
- Stronger accountability through information on the success rate of training providers, including measures of retention and advancement
- Leadership and active role for business in ensuring that the system prepares people for current and future jobs.

In this environment, intermediary organisations that can relate well to employers, package and customise local services, unify fragmented programmes and funding sources, and provide more coherent services to both job seekers and employers, are well-positioned to benefit from new public priorities.

One policy challenge in both countries is the weak connection of employment and training programmes to the mainstream education system, particularly the postsecondary institutions whose credentials are increasingly important for labour market success. This shortcoming opens another set of opportunities for local intermediaries: to act as a broker between the education and training systems in ways that serve both employers and disadvantaged job seekers more effectively.

Lessons from Past Workforce and Welfare Programmes

The third factor contributing to increased interest in intermediary strategies and organisations is the growing body of research on 'what works' in programmes designed to help disadvantaged workers achieve labour market success.

Thirty years of research and evaluation of UK and US workforce preparation programmes for economically disadvantaged individuals has found that few programmes produce sustained long-term employment advancement. Government-funded programmes are rarely intensive enough to improve economic outcomes significantly: the two most common strategies in the U.S., for example, are short-term job search assistance with no educational component and short-term stand-alone pre-employment basic education or training. Neither of these approaches has helped low-income individuals find better jobs than they would have on their own.⁷

Additional weaknesses of government-funded employment and training programmes include:

- A tendency to focus too much on individuals' skill development, independent of available job openings
- Inadequate, overly general labour market information about the skill needs of employers and clusters of related firms
- Programme designs that are sequential – basic education first, then a job – rather than integrated

⁷ John Trutko, Demetra Smith Nightingale, Burt S. Barnow. 1999. *Post-Employment Education and Training Models in the Welfare-to-Work Grants Programme*. Washington, DC: Urban Institute pp. 11–13.

- An overemphasis on job placement alone and an under emphasis on long-term post-placement support
- A bias toward full-time job placements, when many disadvantaged individuals need gradual acclimatisation to employment and can benefit from 'trial' employment

The more successful workforce and welfare-to-work programmes avoid some of these pitfalls. They provide a mix of services: job search, basic education, and job training – and work. According to one synthesis of the evidence, effective programmes 'offer a wide range of individualised services; have a central focus on employment; have close ties to local employers; and are intensive, setting high expectations for participation.'⁸

A recent study of active labour market policies in the UK identified several features which are more likely to lead to successful outcomes for the unemployed and for employers:⁹

- A commitment to simultaneously meet both employer and individual requirements;
- Taking local labour market conditions into account in designing policy and examining its effectiveness;
- 'One stop' facilities to improve access for employers to the range of programmes on offer;
- Outreach targeted to the most disadvantaged clients;
- Post-employment supports;
- Partnership approaches at the local level; and
- Staff who can work with both employers and hard-to-employ clients.

These are consistent with a recent review of US research that highlights three design elements that can help improve programme performance and job retention among welfare recipients:¹⁰

1. **Training focused on employment and on job retention**, through consultation with employers on training content, modules on soft skills, and mixing of work experiences with classroom learning;
2. **Quality jobs with quality employers** that pay above subsistence wages and benefits and that value retention of new employees on the job; and
3. **Post-placement support services** for both employers and employees.

This section has highlighted factors shaping the growth of labour market intermediaries in the UK and the US. Economic trends, policy shifts, and the experience of practitioners in the field all point toward the need for building greater capacity to connect employers and job seekers and to provide flexible and customised services to both. The next section defines and clarifies the roles that innovative intermediaries are playing in local labour markets and highlights the range of functions these organisations perform.

8 Julie Strawn. 1998. *Beyond Job Search or Basic Education: Rethinking the Role of Skills in Welfare Reform*. Washington, DC: Centre for Law and Social Policy.

9 M. Campbell et al. 1998. *Local Responses to Long Term Unemployment*, Joseph Rowntree Foundation.

10 Toni Wren. 1999. *Unpublished paper on Wildcat Service Corporation*. New York: New School for Social Research.

IV LABOUR MARKET INTERMEDIARIES: DEFINITIONS AND ROLES

Defining Labour Market Intermediaries

The term 'labour market intermediary' is not a precise one. Some use the term to describe any organisation that intervenes in the labour market. Our view is that intermediaries are distinctive in their commitment to serving 'dual customers' – employers and job seekers. More specifically, from the perspective of public policy, we are concerned with those organisations (public, private, voluntary sector, or some hybrid) that focus on helping both employers and *disadvantaged* job seekers.

The traditional definition of a 'labour market intermediary' refers to organisations that simply match job seekers with employers who have postings. However, that definition is overly restrictive. Today, there is growing experimentation with labour market interventions designed to change both job seekers' readiness and ability to secure better employment **and** employers' recruitment, hiring, training and work-organisation practices. Organisations that have specialised in job matching, such as temporary help firms, are beginning to do more training; education and training institutions are taking more active roles in job placement and in understanding local labour market conditions; and some initiatives are explicitly linking employers, job seekers, and education and training providers in new partnerships.

For this reason, it is helpful to distinguish among three different emphases of local labour market intermediaries:

- 1) Improve the efficiency of the **job matching** process, accepting the labour market as given;
- 2) Accept employer demand as given and work to improve the ability of job seekers and of supply-side **workforce development** to meet employer needs; and
- 3) Change **employer demand for labour** in ways that reduce inefficiencies and inequalities in wages, benefits, job security, and advancement.

Today's intermediaries are consciously attempting to bring a 'dual customer' perspective to an expanded range of functions that combine job matching, education, training, and supports both before and after job placement, and greater responsiveness to employers. This trend, though fairly new and unusual, reflects an acknowledgement that, for many disadvantaged client groups and for many employers, integrated, customer-focused packages of support are more likely to succeed than less comprehensive, more standardised programmes.

Intermediary Functions

Intermediary functions can be grouped in three categories:

- Pre-employment services and support
- The job match
- Post-employment services and support

These are detailed in the Table accompanying this section, which is based upon the evidence collected from case studies and interviews in the UK and the US. Obviously, not all intermediaries perform all functions. The emphasis placed on each varies with the intermediary's objectives and capacity.

Our research identified four key aspects of intermediary efforts that set them apart from other service providers. These are:

Brokering: Intermediaries are connecting organisations. They help bring individuals and employers together in efficient ways. This requires in-depth understanding of the needs and the characteristics of both employers and job-seeking clients. It also requires knowledge of the expertise of diverse service providers, from education and training organisations to social service groups.

Customisation/flexibility: Intermediaries tend to emphasise flexible and customised services to individuals and to employers or groups of employers. They recognise the varied needs and capacities of job seekers and employers and adjust their efforts to address those needs. The emphasis on customised services requires successful intermediaries to become expert at creative packaging of services that are typically fragmented because of funding source, type of provider, or other barriers.

Pre- and post-employment services: Intermediaries are increasingly engaged in providing services that extend beyond the job match to include support for both employers and new employees after employment, particularly in the early months when problems are most likely to develop and the threat of a failed match are highest.

Long-term relationships with employers and job seekers: Consistent with the emphasis on job placement as only one step toward satisfactory service to employers and job seekers, successful intermediaries build and commit to long-term, personalised relationships with both sets of customers they serve.

Intermediary Functions	Job Seeker	Employer
Pre-employment services		
Outreach/marketing	Identify job seekers through community networks.	Direct marketing and contact with employers.
Assessment	Assessment and testing to determine job seeker's needs, capabilities, aspirations.	Assessment of employer labour needs, workplace culture and expectations.
Induction	Introduction to available services.	Introduction to the services available to the employer.
Advice and support	Help individual understand his/her needs and abilities and the options available. Advise on personal barriers, such as debts, childcare, transport and family problems.	Help employers understand programme expectations and available support. Advise on relevant legislative requirements (e.g. health and safety).

Intermediary Functions	Job Seeker	Employer
Pre-employment services		
Soft skills	Provide services designed to strengthen employability skills, such as confidence, motivation, interpersonal and communication skills.	Develop an understanding of the type of person the employer is seeking and help employers gauge the needs and abilities of the client group.
Basic skills	Support basic skills development – literacy, numeracy.	Understand basic skill requirements of postings.
Careers guidance and counseling	Support realistic employment expectations and long-term career planning.	Help employers articulate and develop career ladders within the firm and/or industry.
Vocational training	Support the development of job-specific technical skills needed to succeed in particular jobs.	Support the development of training plans, in-house training; develop customised training; support access to externally provided training.
The job match		
Identifying job opportunities	Provide information on job opportunities and the means to get to and succeed in interviews (e.g. transport to interview).	Identify employer vacancies. This may also include support to the employer in defining jobs, developing job descriptions.
Job matching	Support individuals to identify appropriate opportunities, prepare for and complete the application, and undertake interview.	Help employers find the right recruit through recruitment, shortlisting/screening, and interviewing assistance.
Work experience	Undertake work experience opportunities for a specific period with an employer.	Provide 'trial' and temporary work experience opportunities for potential permanent hires.
Post placement services and supports		
Orientation	Support entry into the company and its culture.	Support preparation for new worker's arrival, develop induction programmes.
Mentoring	Provide mentoring or support the provision of mentoring.	Support the development of in-house (employer) mentors. Support to the employer could include training and on-going advice to mentors.
Counselling	Provide on-going support to deal with personal difficulties such as handling debt, benefits issues, childcare and transport etc.	Provide on-going support to the employer in dealing with client's needs and abilities.

Intermediary Functions	Job Seeker	Employer
Troubleshooting/ Mediation	Provide support in dealing with problems that arise on-the-job.	Act as a liaison for the employer in addressing concerns for or about the client.
Ongoing career development -	Support in identifying and supporting personal and career development opportunities.	Support for in-house training and the delivery of ILAs and University for Industry initiatives.
Re-employment	Help individuals find new jobs if initial placements do not work out.	
Evaluation	Improve programme services through client surveys and feedback.	Improve programme services through customer surveys and feedback.
Administrative support	Package funding streams and disparate programmes into more comprehensive services.	Reduce bureaucratic burdens accompanying programme participation.

Types of Organisations Performing Intermediary Functions

Many different organisations from the private, public, and voluntary sectors, including local partnerships, are expanding the brokerage roles they play in connecting employers, disadvantaged job seekers, and employment and training providers. Traditional boundaries between public and private spheres and responsibilities are breaking down as a wide range of organisations that work with either employers or with disadvantaged individuals are realising the need to extend and expand the scope of their efforts.

There are noticeable and important variations in UK and US experimentation to date. In the UK, the voluntary sector is less well-developed than in the US, while the role of the Employment Service is more central. Sectoral approaches led by employer associations, though limited in both countries, are somewhat more common in the US.

In areas of high unemployment in Britain, UK and European funding systems have supported the development of some creative employment and economic development organisations. However, many of these have relatively weak links to employers. In UK regions characterised by buoyant economies with strong growth, intermediaries operating on a small scale and working closely with a select group of employers with particular hiring needs employers are more common. Because of their targeted services, these organisations tend to receive greater financial support from participating employers.

An intermediary's objectives (e.g. poverty alleviation, neighbourhood development, industry modernisation) help define the priorities it is most likely to pursue. The following pages categorise the kinds of organisations that are playing increasingly active labour market roles in both the UK and the US, including:

- The public Employment Service (in both countries)
- Private sector recruitment agencies pursuing business opportunities;
- Geographically based regeneration organisations whose role is to support employment and business growth and reduce local unemployment (local authorities, TECs and partnership organisations);

- Education and training providers that serve local and regional markets;
- Client-focused organisations (generally not-for-profits) that target particular population groups;
- Employer-focused organisations and union or labour-management groups.

The public sector: In both countries, the Employment Service delivers many services of an intermediary, concentrating on job matching. With the introduction of New Deal in the UK, the ES has an increasingly important role in shaping labour supply. Historically, although the ES has served employers by advertising job vacancies and referring potential candidates, it has not developed strong pro-active relationships with employers. There are indications, however, that this role will develop under the New Deal.

In the United States, recent reform of workforce development policy emphasises the establishment of One Stop Career Centres. One Stops are the government's vehicle for improving labour market information and referrals to jobs and training. One Stops vary in design but share the goal of integrating fragmented services for employers and job seekers. A typical One Stop provides individuals with job search, referral and placement assistance; testing, assessment, and counselling; communication support (phone, fax, computers); assistance with benefit eligibility and receipt; and, to varying degrees, training and education. For employers, One Stops provide preliminary intake, applicant screening, and case management services. A few offer employers fee-for-service consulting and contracting for workplace training. Under the new Workforce Investment Act, One Stops are directed to provide information services to anyone who walks through the door, regardless of income or other characteristics. More intensive services are free to disadvantaged individuals who qualify through various government programmes.¹¹

A few local authorities in the UK are also playing a role in establishing 'place-based' intermediary organisations. In some depressed communities, new entities are bringing together job creation and community development activities with employment and training services (see box on Speke Garston Partnership). Some have been launched solely by the local authority; in other cases, the local authority has taken the lead in convening key partners.

SPEKE GARSTON PARTNERSHIP

The Speke Garston Partnership was established in 1995. This is a local authority-led partnership in which the private sector and other partners have clear roles. The local authority is the accountable body for the purpose of funding and personnel. Activities include encouraging job creation, providing training, helping local people find work, improving the local business environment, as well as initiatives to improve the local economic and social environment.

Through its JET (Jobs, Education and Training) services and programmes, the Partnership has become an important brokerage agency for employers such as Liverpool airport, the Ford Motor Company and other large companies seeking to recruit. By improving their skills, motivation and access to information and counseling services, the Partnership has ensured that local residents can take up such opportunities.

¹¹ One Stops are not simply the Employment Service renamed. A range of different entities and partnerships manage local One Stops. In Boston, Massachusetts, for example, there are three One Stop Career Centres, which were chosen through a competitive process. In one, the Employment Service is a partner. Another, Boston Career Link, is co-managed by three local not-for-profit organisations. Although the One Stops' priorities vary as a result of their geographic location (in terms of industries and individuals served), the three centres compete for listings, placements, and services.

Recruitment agencies and temporary staffing firms: This rapidly growing industry within both the UK and the US is responding to an accelerating labour market trend toward part time, temporary and contract work. Such firms have been expanding in niches at both the high end of the labour market (professional and technical workers) and the low end (welfare recipients and other low-skill workers). Manpower, Inc., for example, has developed contractual relationships with community colleges and community-based organisations in the Seattle, Washington area to help create credentialed career pathways for disadvantaged individuals trying to enter and advance in particular industries. Some firms are attempting to expand their reach into non-traditional labour pools, including disadvantaged workers (see box on TALENT). Others are seeking market advantage and new clients by offering self-paced training in popular software to interested job seekers.

TALENT RESOURCING LTD.

TALENT Resourcing Ltd is a for profit recruitment company. Established in 1993, it employs 70 staff working from six locations in London.

TALENT operates like other recruitment agencies but also plays a central role in a number of regeneration projects, helping people in deprived communities find local jobs. TALENT branches are modeled around a high street employment agency, using window displays to advertise local jobs available. They are strategically located, close to transport hubs or other community focal points such as shopping centres.

Unlike traditional recruitment agencies, TALENT has taken an innovative approach to working with clients in disadvantaged areas and helping them find jobs. About 95 percent of individual job seekers come from deprived neighbourhoods; over 70 percent are unemployed; 70 percent come from ethnic minority groups; and 15 percent have disabilities that affect the work they can do. Although the barriers faced by individual candidates are significant, a high percentage secure jobs with employers in sectors from retail to hospitality.

Colleges: In the US, many two- and four-year colleges play an active role in improving labour supply through training and skills development. Some two-year community colleges – particularly the non-degree and non-credit divisions that are geared to stimulating economic development – are especially entrepreneurial and aggressive in staking out a role in organising sectoral initiatives (see box on Macomb County). In the UK, some colleges are beginning to develop more customised training packages, but few are actively engaged in job matching (see box on St. Loye's College).

MACOMB COUNTY COMMUNITY COLLEGE

The Centre for Training and Employer Services at Macomb County Community College outside Detroit provides customised education, training, and related services to local firms, particularly automotive equipment manufacturers and their first- and second-tier suppliers. Initially focused on one-to-one relationships with individual firms, the centre has consciously grown by creating training consortia of clusters of firms in the auto and plastics industries. College staff help aggregate these employers' demand for training and other services. Through its various initiatives, the Centre provided training to 64 companies and over 10,000 individuals in 1994–95. Trainees increased three-fold and revenues 500 percent in five years.

ST LOYE'S COLLEGE

St Loye's College was established in 1937 to provide quality training for people with disabilities and long term health problems. As a residential college, St Loye's provides an intensive route into training, qualifications and employment. The St Loye's community provides support and inspiration, builds confidence and self esteem. It provides a comprehensive range of occupational health, welfare, occupational therapy and pastoral support to develop necessary social skills. St Loye's has been undertaking what it describes as a 'transformation,' refocusing its efforts to engage employers as the best route to assure that its clients gain and retain employment. This approach has resulted in an increase in the rate obtaining open employment from 55 to 70 percent.

Public/Private partnerships: Over the past decade, public/private partnerships have become increasingly important in delivering business support, workforce development, and community development activities.

In the UK, these partnerships are likely to include representatives from local government, TECs and employers, voluntary and community organisations. Some partnerships have large budgets, operate on a relatively long time scale, and are responsible for major 'flagship' redevelopment projects in town centres and on industrial and housing estates. Others are smaller with more narrowly-focused agendas. Partnerships may be established as private companies or not-for-profit organisations (see box on Gorbals Initiative).

GORBALS INITIATIVE

The Gorbals Initiative was established in 1991 as a local development agency for the Gorbals area of Glasgow. It is one of seven local development agencies in Glasgow. The Gorbals initiative is a partnership organisation set up by the City Council, Glasgow Development Agency, Employment Service and Scottish Homes, all of who are nominated Board members. It is established as a charity, and is a company limited by guarantee. Directors are also co-opted from the local community, business, schools and colleges.

Gorbals Initiative provides a range of services to improve the employment prospects of local residents by supporting the creation of new jobs through business growth strategies and intermediate labour market developments leading to social enterprise development. The Initiative also supports the unemployed through guidance, counselling, information, training and post-employment services. Finally, Gorbals provides extensive job matching services to ensure that local residents get jobs both within the neighbourhood and outside it.

Voluntary sector organisations/community-based organisations: Perhaps the most significant changes in the organisation and delivery of employment and training services in the US and, to a lesser extent, the UK are happening among voluntary sector and community-based organisations (CBOs). In the UK as in the US, voluntary organisations have traditionally been direct service providers for local disadvantaged residents. Dependent on public or charitable funds, most deliver training of short duration with little resource to invest in staff, premises and equipment. Not surprisingly, their performance record has not been strong. However, the growing sophistication of the best of these institutions – and their commitment to being more responsive to employers – marks an important change (see box on Project QUEST).

Voluntary sector organisations are beginning to become more innovative and seek alternative financing strategies that give them more programme flexibility. Some CBOs have established temporary help firms of their own targeted to their constituency (see US case study of Chrysalis). Others are actively pursuing closer and more responsive relationships with employers (see US case study on Wildcat and UK case study on LEAP). Still others organise and promote intermediate labour market jobs, community service, and supported work settings that can help unemployed individuals prepare gradually to meet the demands of private sector employment.

PROJECT QUEST

Project QUEST in San Antonio, Texas, is an ambitious community-based intermediary organisation. It is responsive to employer needs but also demands that participating employers offer good jobs to graduates. QUEST works with employers, local community colleges, public agencies, and neighbourhood residents to broker long-term training for residents with high school diplomas, some work experience, and difficulty escaping poverty-level jobs. QUEST identifies growing sectors with high demand in jobs that can pay above poverty wages and then asks employers in that sector, as a group, to commit to guaranteeing graduates good jobs with advancement opportunities. Employers select the training field. QUEST staff helps employers and community colleges work together to shape an appropriate curriculum. Participants receive community college tuition and other supports, such as child care, tutoring, and medical coverage. Graduates' wages have risen significantly. Retention rates are high. Since the per person cost of QUEST is much higher than can be funded under federal training programmes, QUEST has chosen to secure state, local, and foundation resources instead.

Employer associations: Employer-led intermediaries provide an efficient vehicle for aggregating employer demand and managing the administrative burden of government initiatives. In the UK, employer intermediaries also provide a potential vehicle for delivery of Individual Learning Accounts and the University for Industry, as well as other workforce development initiatives. Linked with National Training Organisations, they can provide the opportunity for the local delivery system to tackle national skills deficiencies and sectoral needs.

In the United States, employer organisations at the local level, such as Chambers of Commerce, are beginning to explore ways to help their member firms find qualified workers and train existing employees for new technologies and skill demands. The local Chamber in Cleveland, Ohio has identified growth clusters in the region and is working with employers and education and training providers to address labour shortages. Eight local Chambers and chapters of the National Association of Manufacturers around the country are collaborating in a foundation-funded project to advance their workforce-related efforts.¹²

Some organisations that were created to help small and mid-sized manufacturers modernise and compete have expanded into labour market intermediaries in their communities, helping firms find qualified workers and local disadvantaged residents find better-paying jobs (see US case study of WIRE-Net and box below on ASSA).

¹² This project, funded by the Ford and Annie E. Casey Foundations, is co-directed by Jobs for the Future, the National Association of Manufacturers, and the U.S. Chamber of Commerce.

AUTOMOTIVE SECTOR STRATEGIC ALLIANCE (ASSA)

Established in 1997, ASSA has developed out of the need for automotive companies in the North East to work together to strengthen the sector through a strategic, co-ordinated approach to training and skills. The initiative was led by Nissan Motor Manufacturing (UK), based in Sunderland, which has steadily expanded its UK operations since it first began production in 1986. ASSA programmes are designed by the industry for the industry. Recruiting and training the unemployed to industry specifications allows the industry to fill vacancies occurring through natural turnover, expansion, and increased staff release for training.

Trade unions: Unions tend to focus more on their members wages and working conditions than on helping the unemployed prepare for and find work. However, in some US communities where trade unions retain a strong presence in particular industries, unions are working closely with management to create education and training benefits that help less-skilled workers advance and increase worker productivity (see box on San Francisco Hotels Partnership Project).

The Wisconsin Regional Training Project, founded in 1992 and jointly governed by business, labour, and public-sector representatives, designs programmes to meet member firms' existing employee training, modernisation, and future workforce needs. With more than 40 member firms from Milwaukee's manufacturing industry, WRTP combines customised services to individual firms with collective planning and collaboration on training needs and other performance-improving strategies.

SAN FRANCISCO HOTELS PARTNERSHIP PROJECT

Created in 1994, this project involves 12 unionised hotels and two of the city's largest union locals. The primary goals include: increased market share for participating hotels; retention and improvement of jobs; and new programmes for employee involvement, training and career development. A joint labour-management steering committee controls funds from state training agencies and from employer contributions.

Problems-solving groups at each hotel deal with issues of job design, workload, training, job security and hotel operations. 1600 workers have received training in critical thinking, problem solving and teamwork. A recent pilot effort trained 160 workers for better jobs within food services and makes them available through the union hiring hall for any participating hotel that is short on banquet staff during the holiday season.

V CHARACTERISTICS OF EFFECTIVE INTERMEDIARIES

The case studies and research conducted for this project highlight common priorities and attributes among labour market intermediaries that are valued by both employers and disadvantaged job seekers. Taken together, these attributes help to distinguish intermediaries from more traditional providers. These organisations:

- **Understand the labour market well:** Effective intermediaries have sophisticated ways of understanding the most current trends in local and regional labour markets. These include both high tech and high touch strategies – i.e. advanced use of Internet and other technologies combined with labour-intensive relationships with employers – for developing and maintaining detailed knowledge of job-specific skills that are in demand in particular industries and occupations. Efforts that target specific labour market niches and understand industry trends in those niches inside and out are most likely to make effective matches.
- **Know particular employers and their needs:** Some organisations we interviewed told us that employers were their primary customer, while others argued that employers and job seekers were ‘dual customers.’ However, in both cases, building long-term relationships of trust with local employers, based on services they value, was highlighted as of primary importance. Some efforts focus on large employers that have name recognition and can hire significant numbers of people: examples include Wildcat’s relationship with CitiGroup or Common Ground’s relationship with The Gap in New York City (see US case studies). Others work with an industry or cluster of firms that share common markets and labour pools such as ASSA. Some organisations have created advisory groups for each industry sector they serve, as a way to maintain steady personal relationships with human resources decision makers in those firms.
- **Know job seekers and their needs:** Effective job matches connect the right individuals with the right employers. ‘Right’ does not just mean ‘available’; it means qualified, work-ready, and able to perform in the culture and pace of the targeted workplace. Many recruitment initiatives turn to neighbourhood or other local community-based organisations to help screen potential employees, since these organisations have experience in assessing the capabilities and readiness of individuals from disadvantaged populations – experience that employers often lack and find quite valuable.
- **Are entrepreneurial and customer-driven:** Success as an intermediary requires an eager responsiveness to customers and a willingness to seize market opportunities where they present themselves. Increasingly, it requires customised solutions for different employers or clusters of firms. When Chrysalis in Los Angeles, for example, saw that temporary help firms were playing an increasingly important role in entry-level labour markets, the organisation established its own non-profit temp firm. Some of the most successful intermediaries in the US and the UK have responded to employer requests with customised programmes rather than trying to convince employers to take an ‘off the shelf’ training programme.
- **Keep employment the primary focus:** Effective intermediaries make work the central goal of the programme. Many disadvantaged job seekers are used to programmes that offer training or support services but are not closely linked to the immediate reward of a job. To counter this legacy of past practice, successful intermediaries gear all their efforts towards employment as a concrete, attainable goal. Work norms, such as punctuality, attire, and presentation, are emphasised from the outset. As one person we interviewed put it, ‘Our staff talk business, not social service.’

- **Develop ties to non-employment service providers:** At the same time, most of the hardest to employ have multiple barriers to employment, ranging from logistical issues such as child care and transportation to physical and emotional disabilities. Intermediary organisations must be well-connected to local social service providers, including counsellors, substance abuse programmes, vocational rehabilitation and child care referral offices. Addressing these barriers to employment before – and while – new entrants to the workforce find jobs can increase the likelihood of their staying employed.
- **Use data to improve performance:** Increasingly flexible and sophisticated computer technologies provide organisations with opportunities to collect and analyse data about their ‘dual customers,’ as well as their own performance. Management information systems enable organisations to know more about the skills, work experience, and backgrounds of those they are trying to place. They also make it possible for programmes to track placements and the labour market progress of job seekers they serve. Careful analysis of programme data can identify weaknesses and point toward strategies for improvement.
- **Focus not just on access to employment, but on retention and career advancement:** Intermediaries have traditionally engaged in job matching – and employment and training programmes have typically been assessed on the basis of job placement. However, when career ladders have become more truncated and less obvious and when many entry-level jobs are dead-end positions with little training and minimal opportunity for advancement, the labour exchange function is insufficient to help low skill individuals escape poverty and dependence. For this reason, many intermediaries aim to reduce turnover on the job and support advancement out of entry-level work.

Strategies for increasing retention and advancement have been assessed for the New Deal Task Force in two reports: *Lasting Value: Recommendations for Increasing Retention within the New Deal* and *Business Participation in Welfare-to-Work: Lessons from the US*.¹³ Each of these papers highlights ways in which, from initial outreach and intake through the job match and post-employment services, intermediaries and service deliverers can create a comprehensive approach to helping individuals and employers overcome barriers to long-term employment.

13 Jack Mills and Richard Kazis. 1999. *Business Participation in Welfare-to-Work: Lessons from the United States*. Boston: Jobs for the Future. Cay Stratton. 1999. *Lasting Value: Recommendations for Increasing Retention within the New Deal*. London: New Deal Task Force.

VI FROM PROMISING PRACTICES TO SYSTEMIC EXPANSION OF INTERMEDIARY EFFORTS

How can promising practices in bridging and connecting the 'dual customers' of the employment and training system be strengthened and expanded to more organisations? What practices and policies can encourage the growth of a range of intermediary organisations in local labour markets?

The partnerships and initiatives discussed in this paper, while exciting and growing, are still the exception. Comprehensive efforts that approach the sophistication and ambition of those described above are small in both number and scale. While organisations seeking to move in the directions outlined above can make progress on their own, public policies, particularly around issues of financing, organisational development and accountability, will ultimately need to change. This project's case studies and research have identified the following lessons that should guide both practitioners and policy makers interested in expanding intermediary efforts:

1. One size won't fit all: There is no single appropriate organisational form for labour market intermediaries. As we have described, a broad range of organisations – public and private – can and do play intermediary roles in their local communities. What works in one community may not work in another: a strong entrepreneurial organisation in one community may fall flat when it tries to replicate elsewhere. Local circumstances, traditions, institutions, and market conditions are important determinants of how – and whether – intermediaries evolve.

This paper has stressed the importance of shaping programmes to fit the real needs of local employers and clusters of employers. Successful programmes tend to be 'narrow-band,' identifying niches in particular industries or industry sub-sectors where they add value to local employers. (Narrow-band and customised programmes are likely to become more common in the coming years, as programme design becomes shaped increasingly by employer need and less by the internal priorities of training providers.)

This implies that there are likely to be a number of intermediaries in a given community, sometimes serving different industries, sometimes overlapping.

In fact, if intermediary strategies are to achieve significant scale within a given labour market, such diversity is necessary. While the potential for inefficiency and duplication of effort must be weighed, competition among intermediaries and marketing to different sectors should be encouraged.

2. The organisational culture of workforce and welfare service providers – both public and non-profit – must change: Significant changes in organisational culture are required to move from serving local unemployed individuals to making employers a primary customer – changes that put customer service, flexibility, and customisation at the centre of organisational strategy. One U.S. programme director argued that changing voluntary organisations' entrenched ways of serving disadvantaged job seekers is more difficult than managing the constraints posed by funding streams, availability of jobs, or individuals' skills.

Success working with employers requires providing a service that is at least comparable to what they can get elsewhere at similar price and quality. Staff must become salespeople. They must sell their services to employers – and must represent to job seekers the expectations of potential employers. Staff who have worn jeans to work must dress for business success and model professional norms for their clients. Staff who have acted as social workers must become more assertive in demanding performance and attitudinal changes from job seekers. Many

organisations have found that they need to hire staff with private sector experience and continually reinforce this cultural shift.

The discipline of the market can help accelerate this change. Employers may be willing to give a non-profit or social service-oriented organisation a chance; but such organisations must send employers job seekers who are likely to succeed – or the employers will go elsewhere to find qualified workers.

Organisational culture also needs to change within the public sector. In both countries, the welfare system has traditionally been geared to income maintenance. The shift to a focus on work requires extensive staff development, a closer connections with local employers and greater collaboration with local partners. For the Employment Service in particular, greater competition from private and non-profit providers will require a more responsive, entrepreneurial approach, one that must be supported with professional development opportunities for long-time staff.

3. Job quality matters to programme and organisational success: There is a natural tendency in both the UK and the US to place less-skilled individuals in any job, based on the view that any job is better than no job. Experience shows, however, that job quality matters greatly to the success of efforts to improve job retention and reduce dependency.¹⁴ Individuals are more likely to stay longer in a job that pays well and offers benefits. If individuals are placed in jobs that offer them little, then their day-to-day problems are more likely to overwhelm their desire to work – and a positive placement will become a quick termination that helps neither the job seeker, the employer, nor the intermediary.

Job quality is also critically important to the ability of intermediaries to succeed and to build a solid reputation in the labour market. Organisations profiled in the project case studies emphasised that job quality is critical to their strategy for improving their reputation and their effectiveness. Organisations that can point to partnerships with quality employers have a market advantage when recruiting other employers. Policy should reward quality through its performance assessment system and through encouragement of higher-wage employers to participate in publicly funded initiatives.

4. Local capacity to perform intermediary functions well needs to be developed and strengthened: As noted above, for local organisations to become more balanced intermediaries requires significant commitment and change. However, even among organisations eager to pursue more effective ‘dual customer’ approaches, capacity problems frequently constrain their ability to provide consistently high quality services.

This is particularly true for many non-profits and community-based organisations. Typically, they are hampered by serious and chronic under-capitalisation and under-capacity that limit their ability to grow.¹⁵ Working capital, venture capital, and capital for upgrading information technology and other facilities and equipment are difficult to secure. Public funding of training and/or jobs typically takes the form of reimbursement after placement. Reliance on performance-based funding prevents community organisations from investing in ways that could propel them to new levels of managerial, technological, and staff competence and effectiveness.

One way to strengthen local capacity is to address the under-capitalisation of non-profits through direct government assistance. Another is to promote partnerships and alliances between non-profits and businesses that can overcome some of the limitations of over-extended not-for-profits.

14 Julie Strawn. 1998. *Op cit.*

15 William P. Ryan. 1998. *Challenges Facing Nonprofit Workforce Development Organisations: Review and Analysis.* Unpublished paper prepared for the Rockefeller Foundation.

5. Public financing priorities should be reassessed and revised: Financing and funding issues are critical to both the quality and the sustainability of intermediary organisations. Intermediaries play important roles in packaging resources in ways that make more customised services possible. However, the more strings there are attached to particular public funding streams, the more difficult it is to accomplish such packaging of resources. Organisations profiled in this study have looked for creative ways to limit their dependence upon government funding, largely because of the inflexibility of government funding guidelines and regulations. Strategies include: creating revenue-generating businesses, developing long-term funding from philanthropic organisations (particularly in the US), and combining diverse public and private resources. The restrictiveness of US public funding has led some innovative intermediary organisations – including Project QUEST in Texas – to decide not to pursue federal welfare or employment and training contracts. Funding restrictions and guidelines-in terms of allowable activities, the integration of different funding streams, and other issues-will need to be revisited in both the UK and the US.

The financing of employment and training raises complex policy issues, particularly as customisation of services to meet the needs of specific employers becomes more common. Traditionally, public funds for training have been justified if the skills being learned were transferable across jobs; job-specific skill development was seen as benefiting a specific employer and, consequently, their financial responsibility.

However, today, as new partnerships are evolving among public, non-profit, and private sector organisations, the traditional distinctions are less helpful. Which costs should employers bear? When should employers be entitled to tax breaks for training and employee development? Should the distinction between job-specific and generic skills still determine private and public responsibilities? What combination of private and public funding should finance intermediaries and their activities? As financing questions are addressed, these basic policy issues will have to be confronted.

In both the UK and the US, where the priority is job search and rapid attachment to the labour force, changes in government funding will be needed to encourage two important strategies for helping disadvantaged individuals stay in and move up in jobs:

- *Achieving a balance between work-centred policies and access to longer-term education and training:* For many individuals, job search or a pre-employment 'soft skills' course is sufficient; for many, it is not. Ultimately, finding the right balance between 'work first' and long-term skill development will require public policy that maximises local flexibility to address the quite varied skill needs of different low-income job seekers.¹⁶ To this end, intermediary organisations are in a good position to broker not just between employers and job seekers, but also among employers and the education and training providers that serve the local labour market.
- *Proving adequate post-placement case management and support:* While public employment and training programmes have emphasised job placement, most successful programmes realise that placement is only a step along the way to labour market success: leaving welfare or finding a career is a process, not an event.¹⁷ Policy will have to encourage, and finance, case management to assist with problem-solving on the job and to help individuals find another job quickly when they need it. Some intermediaries currently provide such post-placement services, but public funding of these services is quite limited.

16 Anthony P. Carnevale and Donna M. Derochers. 1999. *Getting Down to Business: Matching Welfare Recipients' Skills to Jobs that Train (Executive Summary)*. Princeton, NJ: Educational Testing Service. p. 29.

17 This phrase – 'Leaving welfare is a process, not an event' – is one of the basic philosophical tenets of Project Match, a Chicago-based effort to help welfare recipients find work and advance out of dependency

6. Performance measures must reward retention and advancement: Accountability is typically built into public funding for employment and training through performance measures that must be met before service providers are fully paid. These performance measures are powerful incentives that shape the design and delivery of services. Traditionally, accountability measures have focused on achievement of short-term job placement targets. Increasingly, though, new measures are needed that can promote longer-term goals of retention, earnings over time, job quality, and skill development, as well as job placement. In addition, new measures will be needed to measure employer satisfaction with new hires from public programmes and the value-added that intermediary organisations contribute to the job matching function.

In the US, the newly enacted Workforce Investment Act is introducing accountability measures that begin to address issues of longer term outcomes and customer satisfaction. In some states, economic development funds are targeted toward firms or industries that can demonstrate that their new jobs will pay wages above the average rate in the firm or industry. However, these expanded measures are new and largely uncharted territory for public agencies. While these improvements should be encouraged, policymakers must carefully balance the need for accountability with the desire for greater innovation and risk-taking by intermediaries and service providers: decisions about up-front public investments versus 'pay for performance' reimbursement for successful outcomes must be made judiciously.

VII CONCLUSION

On both sides of the Atlantic, labour market intermediaries are taking on more important roles in workforce development. There are indications from evaluations and performance data that these organisations and the approaches they take can drive significant improvements in the quality of services provided and outcomes achieved, increasing the ability of public systems to meet employer demand while also reaching the most disadvantaged communities.

The growing enthusiasm for welfare and workforce strategies that rely on local organisations that can customise services for both employers and disadvantaged job seekers is evident in both the UK and the US. At the same time, there is still much to be learned and assessed about how best to encourage and strengthen these isolated, generally young efforts.

At the request of the New Deal Task Force, *the UK/US Project on Labour Market Intermediaries* took a hard look at both the lessons from current efforts and their implications for policy. In addition to their reflections on the state of intermediary activity in both countries, UK and US delegates at the July 1999 seminar generated the following important questions that policy makers will need to address if intermediaries are to achieve significant scale, impact, and consistency in performance:

- If 'one size doesn't fit all' and it does not make sense to promote a single, multi-purpose, geographically contained intermediary in a given community, what framework and accountability system should guide public investments? How can public funding be structured to promote comparable outcomes through support of very different institutions and programmatic approaches to brokering and job matching?
- What kinds of organisational development and cultural change will be required to help community-based and public agencies become effective intermediaries? How should this support be organised, delivered, and funded?
- If chronic under-capitalisation is a constraint to the growth and quality of many community-based organisations, what are appropriate roles for public and private sector institutions in making more flexible capital investments easier for voluntary sector organisations to secure?
- If job quality is critical to the credibility and success of labour market intermediaries, what incentives can be built into accountability systems to promote higher quality placements in local welfare-to-work and workforce development programmes while maintaining a commitment to equitable access?
- If public support for intermediaries is to be justified and sustained, what measures of performance are most important to track? Can performance measures be identified that do not penalise intermediaries for higher levels of customer service while still capturing employment outcomes for individuals and employers? Will intermediaries be able to collect and analyse data on their own performance that addresses not just job seeker outcomes but also satisfaction of participating employers?



