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FLEXIBLITY AND COMMITMENT IN THE UNITED STATES LABOUR MARKET

PAUL OSTERMAN

Employment Sector
INTERNATIONAL LABOUR OFFICE GENEVA

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Preface

This paper is part of a series of four papers that have been prepared for the research programme "Adjustment of labour markets to economic and structural change: labour market flexibility, security and labour market policies" by the labour market policy team (LMPT) of the ILO's Employment Strategy department. The three other papers deal with changes in Denmark, France and Japan.

It is common today to ask for fundamental changes in the policies and institutions of the labour market. Numerous authors have proposed a radical overhaul of these and the social protection systems in general, because the labour markets are said to face a secular change towards more and more short-term and flexible jobs. These jobs would not allow , as did the longer term employment relationships from earlier decades, to qualify for many of the benefits of the social protection system, such as unemployment, health, retirement, etc. The increase in non-standard work arrangements would therefore require a new look on social protection and labour market policies.

However, many of these prescriptions were not based on a thorough analysis of the changes in the labour market but on some emerging trends, which seemed to indicate such a secular shift (this refers especially to the "end of work" literature) and a certain scepticism about the real extent of changes remained. Was salaried work really vanishing? Was there no long-term commitment between workers and employers anymore? Had job stability gone or at least was it on the way to fade away?

Our project took a closer look on such assertions and did find an astonishing degree of job stability going together with flexibility for some groups but not for the whole labour market. This was especially true for Europe, but even in the United States, as research has noted, the link between workers and their companies was weakened, but not broken.

The following paper deals with the US labour market and looks at the question of flexibility and commitment. It finds that while the United States' labour market is in no sense near a "bourse" market, it has gone towards a weaker attachment between firms and their employees.

This poses a challenge to labour market institutions and public policy.

Compared to the "typical" European country, the US has indeed always had much lower employment tenure and a more mobile labour market. This mobility difference was seen as the reason for the difference in their job creation record. As other papers in the series will show, jobs can also be created in an institutional setting with longer employment relationships. This points to historical differences in the labour market institutions in which the private and public sectors of a country's economy are embedded.

Rashid Amjad
Director a.i.
Employment Strategy Department
Employment Sector

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The American labour market has, over the course of the current expansion, been paradoxical and difficult to easily characterize. Job growth has been impressive and unemployment has fallen to remarkably low levels. At the same time, wage growth has been very sluggish for much of the workforce, inequality has increased, and many people believe that the benefits of the boom have not been fairly distributed.

The currently low unemployment rate would seem to suggest that security is high and an early analysis of job tenure data in the 1970s and 1980s suggested that American job stability patterns were not very different from than the Japanese. Set against this is the widespread perception that, compared to Europe, layoffs are relatively easy, people quit jobs frequently, and that this flexibility is an important element in explaining recent U.S. success.

In the first part of this report I employ aggregate data to attempt to sort out these issues at the level of the labour market as a whole. I then examine in more detail what we know about the behaviour of firms as they consider their strategies towards the labour force. The final section of the paper considers some public policy issues.

National level data are collected on two measures of overall employment stability: employment tenure and worker dislocation. Employment tenure measures the number of years a worker has been employed with a specific firm or organization. Dislocation data enumerates employees who lose their jobs through large scale layoffs such as those associated with a plant closing or a substantial reduction in force. Individual dismissals (e.g. for poor performance) are not counted in these numbers.

Taken as a whole, the evidence does not offer any easy or simple answers. However, several conclusions can be drawn. First, the United States is in no sense near a bourse market or one in which most employees are free agents. The job tenure data show that long-term employment relationships remain quite common. In addition, some developments within the firm, such as the adoption of high performance work systems, point in the direction of continued incentives for the firm to maintain stable employment relationships.

Set against this, however, is substantial evidence that there have been shifts in the American labour market in the direction of weaker attachment between firms and their employees. Job tenure has in fact fallen, dislocation is higher than is normal at this point in the business cycle, and contingent employment has increased. Perhaps more importantly, but harder to measure, is that the ideology of managers has shifted in the direction of a vision of the firm which de-emphasizes the role of fixed assets, including labour, and instead focuses on flexibility and out-outsourcing.

The paper concludes by discussing how public policy might respond to these developments. The paper shows that unemployment insurance has become a more uncertain tool and the U.S. employment service is generally ineffective. The best evidence of movement in the direction of creative public policy is initiatives at the local level regarding the creation of new labour market intermediaries. Although these are quite promising they are in the early stages of development and have not yet achieved the scale required to have a major impact. There is substantial opportunity, however, for the development of these intermediaries and it remains to be seen whether supportive Federal policy can interact with continued energy at the local level to help bring these opportunities to fruition.

Introduction

The American labour market has, over the course of the current expansion, been paradoxical and difficult to easily characterize. Job growth has been impressive and unemployment has fallen to remarkably low levels. At the same time, wage growth has been very sluggish for much of the workforce, inequality has increased, and many people believe that the benefits of the boom have not been fairly distributed.

These conflicting trends are reflected in the attitudes of the American workforce. In a recent poll conducted by Business Week[1] 75 percent of Americans believe the benefits of the "New Economy" have been distributed unevenly and 69 percent say business is doing a poor or fair job of raising living standards. In another measure of uncertainty the fraction of Americans who were "frequently concerned about being laid off" stands at over 30 percent, compared to 20 percent in 1989.[2]

One dimension for characterizing the labour market is what might be termed the "flexibility-security" axis. In simple terms, at one extreme the labour market might be organized in such a manner that people, once employed in their career job, stay there for long periods of time. This labour market provides high levels of security (at least for those who obtain these jobs) but is very slow in responding to shifting demand conditions or technological shocks.[3] At the other extreme is a job market in which firms hire and fire at will and in which employees feel no compunction about quitting jobs and moving on to better opportunities. This labour market is very responsive to shifting conditions but may entail costs such as lost human capital and the personal consequences of insecurity. There is also a possible third dimension to this trade-off in which the behaviour of the firm and the worker is offset, or compensated, by public policy and government programs. So, for example, at the firm level high flexibility might be the norm but security, either income security or assistance in finding another job, is available via public provision.

Just as it is difficult to characterize the American labour market in general, so is it hard to know just where it lies on these axes. The currently low unemployment rate would seem to suggest that security is high and an early analysis of job tenure data in the 1970s and 1980s suggested that American job stability patterns were not very different from than the Japanese.[4] Set against this is the widespread perception that, compared to Europe, layoffs are relatively easy, people quit jobs frequently, and that this flexibility is an important element in explaining recent U.S. success. Indeed, in a recent speech Alan Greenspan argued that technological change is making jobs less secure and has led to a "heightened level of potential job dismissal."[5] This is one of his favoured explanations for the failure of wages to rise very much during the expansion.

Other strands of evidence also point in conflicting directions. The business press of full of stories of difficulty companies have in attracting and retaining high skilled employees, particularly in technology industries, and this implies that, at least on the demand side, that firms should be doing their best to retain these workers. On the other hand, as we will see, layoffs continue at a

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[1] "Hey, What About Us," Business Week, December 27, 1999, pp. 52-55.

[2] Leonhardt, D. (2000): "Lingering Job Worries Amid A Sea of Plenty," The New York Times, August 29, p. C1.

[3] However, in such a high security labour market there may be other margins on which adjustment may occur such as hours of work or re-deployment of polyvalently skilled labour.

[4] Hall, R. (1982): "The Importance of Lifetime Jobs in the U.S. Economy," American Economic Review, vol. 72, no. 4 (September), 716-724.

[5] New York Times (2000): "Technology Is Heightening Job Worries," July 12, p. C2.

surprisingly high rate and firms seem more footloose than ever, relocating their operations in even higher numbers.[6]

Establishment based data show a very high rate of job turnover and reallocation. Data from the state of Maryland[7] for the period 1985-1994 shows that 22 percent of employment spells dissolve within their first three months.[8] When these very short spells are eliminated and the data are further restricted to establishments with five or more employees the flows are still quite high. The worker flow rate (the sum of hires and separations divided by the base level of employment) was 32.3 percent per quarter in non-manufacturing and 19.4 percent per quarter in manufacturing. These patterns are, however, consistent with lengthy employment tenure for many workers: in the same dataset 42 percent of non-manufacturing and 32 percent of manufacturing employees were at the same job for nine or more years. What reconciles these seemingly disparate patterns is heterogeneity: the high turnover is limited to a sub-set of employees and firms.

In the first part of this report I will employ aggregate data to attempt to sort out these issues at the level of the labour market as a whole. I will then examine in more detail what we know about the behaviour of firms as they consider their strategies towards the labour force. The final section of the paper will consider some public policy issues.

Aggregate Measures of Stability

National level data are collected on two measures of overall employment stability: employment tenure and worker dislocation. Employment tenure measures the number of years a worker has been employed with a specific firm or organization. Dislocation data enumerates employees who lose their jobs through large scale layoffs such as those associated with a plant closing or a substantial reduction in force. Individual dismissals (e.g. for poor performance) are not counted in these numbers. The next two sections provide time trend data on tenure and dislocation.

Job Tenure

Job tenure — the number of years an employee has been with his or her organization — reflects both layoffs and quits. Stability can fall either because layoffs increase or because quits rise and there are clearly different welfare implications from the two trends. However, if we keep these qualifications in mind tenure provides a useful measure of the level of turnover in the labour market.

Since 1983 the Current Population Survey has collected data on job tenure. There are a number of complicated technical issues involved in working with these data and I will describe them momentarily. However, a good sense of the data can be gained from Table 1 below. This table is in two parts: the first shows trends in median tenure and the second shows the fraction of people who have been with their employers for ten years or more. It is important to control for age and sex in these calculations and I provide data for several age groups.

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[6] Corporate migrations within the U.S., which averaged 5,400 per year from 1980-94 averaged 11,400 in the late 1990s.

[7] In 1990 10.4 percent of Maryland employment was in manufacturing compared to 16.9 percent in the United States, 33.1 percent of Maryland employment was in services compared to 24.5 percent in the United States, and 27.5 percent of Maryland employment was in wholesale and retail trade versus 22.3 percent in America.

[8] The data in this paragraph are taken from Simon Burgess, Julia Lane, and David Stevens, "Job Flows, Worker Flows, and Churning," Journal of Labor Economics, vol. 18, no. 3, 2000.

Table 1a: Median Years of Tenure

	1983	1987	1991	1996	1998
Men					
Age 35-44	7.3	7.0	6.5	6.1	5.5
Age 45-54	12.8	11.8	11.2	10.1	9.4
Age 55-64	15.3	14.5	13.4	10.5	11.2
Women					
Age 35-44	4.1	4.4	4.5	4.8	4.5
Age 45-54	6.3	6.8	6.7	7.0	7.2
Age 55-64	9.8	9.7	9.9	10.0	9.6

Table 1b: Percent of Employees With Ten or More Years of Tenure

	1983	1987	1991	1996	1998
Men					
Age 35-39	36.9	34.8	35.6	30.5	29.7
Age 40-44	51.1	48.5	46.3	41.7	39.1
Age 45-49	57.8	53.0	53.5	50.8	47.4
Age 50-54	62.3	59.4	58.5	54.9	52.8
Age 55-59	66.2	63.2	61.0	55.7	56.5
Women					
Age 35-39	21.6	23.8	26.1	22.9	24.0
Age 40-44	23.4	27.9	32.0	30.4	31.8
Age 45-49	33.0	36.4	39.3	38.1	38.4
Age 50-54	42.5	43.0	43.4	45.8	44.6
Age 55-59	51.0	50.8	51.4	52.1	49.2

Source: Bureau of Labor Statistics; Employee Tenure Summary; **http://stats.bls.gov/newsrels.htm**, September 23, 1998, Table 1

These data show that for men there has been a substantial decline in job tenure for all age groups. Women, with the exception of the oldest group, have experienced a slight increase in tenure. This is presumably due to the growing attachment of women to the labour force (i.e. a supply phenomenon). It is also possibly attributable to the fact that women work in industries, which have been less subject to restructuring over the past decade.[9]

As noted above, there are a variety of problems with using these data in the form just presented. These include changes in questionnaire design and in the exact wording of the questions and the tendency of people to round their responses to the nearest five-year interval.

[9] For the labour force as a whole median tenure has not changed over the period. In 1983 it was 3.5 years while in 1998 it was 3.6 years. However, these figures do not control for the age or gender composition of the workforce.

Neumark, Polsky, and Hansen have gone to some length to correct for these issues for the data up through the 1996 survey. They reach the following conclusion[10], which is broadly consistent with the raw data presented above:

In the aggregate, there is some evidence that job stability declined modestly in the first half of the 1990s. Moreover, the relatively small aggregate changes mask rather sharp declines in stability for workers with more than a few years of tenure. These sharp declines are partially offset in the aggregate by gains in job stability for low tenure workers at the beginning stages of attachment to an employer.

To get a sense of these patterns Table 2 below reproduces some of their results. The table shows retention rates, which are the probability that a person will remain in the same job over the specified period. In this table the data are organized by sex and by initial years of tenure.

Table 2: Retention Rates, 1983-1995

	1983-87	**1987-91**	**1991-95**
Men			
0-<2 years tenure	.363	.361	.396
2-<9 years tenure	.654	.567	.588
9-<15 years tenure	.884	.848	.791
15+years tenure	.678	.707	.637
Total	.601	.566	.568
Women			
0-<2 years tenure	.324	.335	.396
2-<9 years tenure	.568	.535	.555
9-<15 years tenure	.830	.789	.720
15+years tenure	.591	.704	.647
Total	.514	.509	.532

Source: David Neumark, Daniel Polsky, and Daniel Hansen, "Has Job Stability Declined Yet? New Evidence for the 1990s," Journal of Labor Economics, vol. 17, no. 4, 1999, p. S51

As we would expect, the probability of retention generally rises with tenure although it is surprising that it falls at 15 plus years. The main point, however, is that it is apparent in these data that retention rates have fallen over time for employees with medium or long term tenure on their jobs. For example, among men with between nine and fifteen years of tenure, the probability of remaining with their employer between the survey intervals dropped from .88 to .79. In contrast to the cruder tenure data presented above, these patterns also hold for women.

What conclusions should we draw from these data? It does seem clear that ties between employers and employees have loosened and in this sense the U.S. labour market is increasingly "flexible." However, at the same time it is also apparent that on balance attachment remains strong. To use the example just cited, although lower than earlier, the retention rate of men with nine to fifteen years of tenure is still nearly 80 percent. Furthermore, the data clearly demonstrate that the probability of retention increases as tenure rises, as would be expected. There is much more

[10] Neumark, D., Polsky, D. and Hansen, D. (1999): "Has Job Stability Declined Yet? New Evidence for the 1990s," Journal of Labor Economics, vol. 7, no. 4, pt. 2, 9, p. S31.

turnover among low tenure (and presumably younger) employees than among more experienced ones. This implies that the main margin of flexibility is among young people and this is just what one would normally expect. In short, although ties have loosened, there is nothing in these data to suggest that the U.S job market resembles in any way a bourse in which all workers are constantly on the spot market. The question, of course, is how deeply the tendency towards looser relations will go, and this is a question I will take up shortly.

Dislocation

One obvious measure of stability in the labour market is the probability of being laid-off. Clearly this probability will vary with the business cycle. The question is whether, independent of the business cycle there has been a tendency for layoffs to increase or decrease. One reason to expect an increase would be if the ties between employers and employees have loosened so that at any given level of economy activity layoffs are higher than in the past. Alternatively firms may have recently engaged in restructuring or rebalancing their labour force, for example to reduce the proportion of managers to front line workers, and this could lead to a one time increase in layoffs.

The popular press seems to suggest that layoffs are higher than might be expected given the strong economy. The Wall Street Journal, for example recently ran a lead story with the headline "In Current Expansion, As Business Booms, So, Too, Do Layoffs." The story went on to report that according the Challenger, Gray and Christmas Inc., a personnel consulting firm, announced layoffs in 1999 were the highest level in a decade and, at 675,000 were well above the 111,285 in 1989.[11]

Data and impressions of this sort are, however, fundamentally anecdotal. The best systematic way of addressing this issue is to draw upon the Dislocated Workers Survey conducted by the U.S. Bureau of Labor Statistics as part of the Current Population Survey. Conducted every several years since 1984 the survey collects data on the fraction of employees who lose their job due to layoffs. The survey defines layoffs as job loss due to either plant closing, slack work, or position or shift being abolished.

There are several important ways in which these data understate the rate of layoffs. First, they ask only about one layoff (the longest) over each survey period whereas many people may well have experienced multiple episodes. Second, people may have been laid off for reasons other than the three cited above (in fact, the surveys ask about other reasons, but most researchers consider the wording too vague for use). There are also technical issues, particularly with respect to somewhat different question wording and survey frequency over the total time period.[12]

Because of substantial changes in survey design, raw data can only be compared with confidence for the last three surveys. Table 3 shows the absolute numbers of dislocation reported in these surveys as well as what fraction of the labour force these represent.

[11] Wall Street Journal (2000), March 13, 2000, p. A1.

[12] Farber, H. (1997): "The Changing Face of Job Loss In The United States," Brookings Papers on Economic Activity: Microeconomics, pp. 155-128.

Table 3: Dislocation, 1993-1999

	Number displaced (twenty years or older)	**Dislocation rate** (per cent of the labour force)
January, 1993-December, 1995	9.4 million	8.0%
January, 1995-December, 1997	8.0 million	6.6%
January, 1997-December, 1999	7.6 million	6.1%

Source: Bureau of Labor Statistics

It is apparent in these data that as the economy improved from the early 1990s dislocation declined. What also appears to be true, however, is that the rate of decline slowed in the latter part of the 1990s even as the labour market reached unprecedented levels of strength. This suggests that while an improving economy raised the level of job security it may not have done so at the pace, which might have been expected.

A more careful analysis of trends in these data requires a longer time series and this, in turn, means that a series of sophisticated adjustments need to be made to the earlier surveys to render them comparable to the later years. Efforts along these lines have been undertake by Henry Farber, although his research does not include the latest survey (1997-99). Table 4 shows the pattern of dislocation rates since the surveys were initiated, and also shows how these patterns vary with different demographic groups.

Table 4: Three Year Dislocation Rates, 1981-1997[13]

Year	**All**	**Men**	**Women**	**Age 20-24**	**Age 45-54**	**Age 55-64**	**Managers**	**Blue Collar**	**College Degree**	**High School Degree**	**Unemploy-ment Rate**
1981-83	11.3	13.2	9.1	13.9	8.7	9.3	8.2	21.2	6.0	12.8	9.0
1983-85	9.0	10.4	7.4	10.0	7.4	7.8	7.0	16.8	5.2	10.1	8.1
1985-87	8.1	9.3	6.7	8.1	7.0	7.2	7.4	12.8	4.8	8.9	6.8
1987-89	7.1	7.9	6.3	7.3	5.8	6.7	6.4	11.1	4.5	8.0	5.7
1989-91	10.2	11.8	8.4	11.7	9.0	9.2	9.3	17.3	7.1	11.2	5.9
1991-93	9.5	10.9	8.0	9.3	8.5	9.9	9.7	13.7	7.0	10.3	7.1
1993-95	9.4	10.4	8.3	10.6	8.6	8.0	7.8	13.5	7.0	10.1	6.2
1995-97	7.5	7.9	6.9	8.4	6.8	7.4	6.3	9.1	5.8	7.7	5.3

Source: Henry Farber, Job Loss and Long Term Employment in the U.S., 1981-1997" Industrial Relations Section, Princeton University, January, 2000

It is apparent that, as before, the data show a strong cyclical component, with dislocation rising when the unemployment rate is high and falling when it declines. It also appears, however, that as in the earlier data, the decline in the 1990s is not as steep as one might expect given the cyclical strength and this implies that there may have been some long run increased in the propensity for dislocation.

[13] The dislocation rates are the fraction of the labour force, which experienced dislocation over the relevant three-year period. The Farber estimates differ from the ones presented earlier because of his various adjustments as described in the text.

Several other interesting patterns appear in these data. Throughout the period the dislocation rate for women is below that of men, however the gap is closing by the 1990s. Indeed, in the most recent survey, reported earlier, the dislocation rates of women and men are identical. As would be expected, young people are dislocated at a higher rate than are older workers. However, by the end of the period the gap has shrunk and this carries with it at least some hint that dislocation is more linked to restructuring than in the past. Similarly, while managers and college educated employees continue to enjoy an advantage relative to blue collar workers and those with only a high school education those gaps have also narrowed, again implying some degree of restructuring.

An important question regarding dislocation is what are the consequences. Do people who lose their jobs readily find comparable employment or are there substantial costs? The data suggest that the costs of dislocation are substantial, although they have been reduced in the recent expansion.[14] On average about 35 percent of those dislocated are not employed at the time of the survey. Of those who do find jobs, more hold part time work at the time of the survey (15.8 percent) than they did when they lost their job (11.5 percent). The average earning loss experienced by those who do find work is 12.6 percent. These costs are lower for college educated than other people, but the adverse earnings consequences are higher for people with substantial job tenure who are laid-off. Although the probability of being re-employed does increase with time since dislocation, the earnings penalties are not reduced and hence there is a substantial long-term cost associated with dislocation. Finally, as noted, in the current expansion the costs of dislocation have been reduced, but by no means eliminated.

In short, the bottom line with respect to the dislocation data is essentially the same as with respect to the tenure data. Dislocation rates are somewhat higher than would be expected purely on cyclical grounds and this does imply that there has been a structural shift in the labour market away from long term attachment to employers. On the other hand, dislocation has declined and there is no evidence in the data that everyone in the labour market has become a free agent. Finally, the fact that there are substantial costs on average associated with dislocation implies that the institutions and behaviours in the job market are not well designed to accommodate a pure bourse-like market.

A Summary Measure of Labour Market Transitions Over Time

The overall extent of labour market transitions is influenced by layoff rates and by quits. One way of measuring how much movement occurs in the labour market, and to what extent this movement has increased, decreased, or stayed the same, is to employ the out-going-rotation-groups from the Current Population Survey. These are subsets of people from the CPS who are re-interviewed one year later. Susan Houseman and Anne Polivka have provided transition data for two periods, 1986-87 and 1995-96[15]. These are not full transition matrixes because they only examine the situation one year later of people who were employed at the time of the survey (that is, they do not look at the subsequent status of people who were unemployed or out of the labour market). However, they are very useful for getting a sense of the flows in the job market. The data are presented in Table 5 below.

Table 5: One Year Labour Market Transitions of Employed Persons

[14] The data in this paragraph are taken from Farber (2000). Similar findings are reported in Osterman, P. (1999): Securing Prosperity; How The American Labor Market Has Changed and What To Do About It (Princeton: Princeton University Press).

[15] Houseman, S. and Polivka, A. (1999): "The Implications of Flexible Staffing Arrangements for Job Stability," Staff Working Papers, The W.E. Upjohn Institute for Employment Research, no. 99-56, May.

	Employed, Different Employer	Unemployed	Not In Labor Force	Employed, Same Employer
1986-87	.103	.033	.075	.786
1995-96	.113	.029	.076	.780

Source: Susan Houseman and Anne Polivka, "The Implications of Flexible Staffing Arrangements for Job Stability," W.E. Upjohn Institute, Working Paper 99-56.

These data reflect a slightly improved job market over the period (in that the fraction employed after one year rises slightly). More interestingly, the data provide a good sense of the extent of job movement. After one year just over three quarters of employees remain with the same firm, about ten percent have changed firms, and a bit over ten percent are not working. Whether this indicates substantial or modest movement lies, of course, in the eyes of the beholder and depends on comparisons with other standards (e.g. what comparable figures might be in other nations). It is also worth noting that while the period witnessed a rise in the fraction remaining employed it also witnessed a rise in the fraction changing employers. This is consistent with the data on declining job tenure.

Supply Side Flexibility

As already noted, shifts in job tenure can be caused either by actions on the part of firms or on the part of employees. In this section I will provide some data on employee driven mobility.

The most natural measure in this regard is quits. We would like to know both the level of the quit rate and its trend over time. Unfortunately, these data are not collected (the quit series was eliminated as a result of Federal budget cuts in the 1980s). The best that can be done is to examine what fraction of the unemployed arrived in that status due to quits. These data are presented below for three dates: 1989 which was the last business cycle peak, 1992 when the unemployment rate was at it's high point for the past decade, and 1999. Table 6 shows how quits compare to layoffs as a cause of unemployment. New entrants and re-entrants to the labour market are not considered.

Table 6: **Quits As a Fraction of Unemployment Due To Quits and Layoffs**

	1989	1992	1999
Quits	.255	.174	.229
Temporary Layoffs	.212	.229	.248
Permanent Layoffs	.532	.595	.521

Source: Employment and Earnings

It is no surprise that these data show a cyclical trend, with quits declining in bad times (in 1992 the unemployment rate was 7.0 percent, compared to 5.4 percent in 1989 and 4.3 percent in 1999). It is also notable, however, that quits decline as a fraction of unemployment in 1999 compared to 1989, which implies greater caution on the part of the workforce.

A second form of employee flexibility is geographic mobility. Migration is a complex process, which is linked to a variety of factors many of which have little to do with the labour market. Nonetheless, a common image of the United States labour market is that, in contrast to many European nations, Americans are willing to move in search of better jobs. How much geographic mobility is there?

Table 7 provides data on geographic mobility between March 1998 and March 1999 for people of different age groups and labour market status.[16] A move between states in most instances would seem to imply a new job but need not necessarily. A move between regions represents a substantial distance and most likely involves a new employment situation (although intra-firm transfers are certainly possible). Whether these data represent substantial or modest mobility depends on what one expects to find.

Table 7: Percentage of Persons Moving By Labour Market Status, March 1998-March 1999

	Moved Between States	Moved Between Regions
Employed		
Age 25-64	2.5%	1.0%
Age 24-44	3.3%	1.3%
Unemployed		
Age 25-64	5.4%	2.6%
Age 25-44	6.1%	2.95

Source: Bureau of the Census

The Behaviour of Firms

The foregoing material focused on patterns as revealed in national data sets. I now turn to an examination of what we know about the human resource practices of firms. I will begin with a discussion of the evolution of ideas and attitudes within firms regarding business and human resource strategy. I will then turn to a discussion of layoffs and the use of contingent employment. Finally, I will discuss legal restrictions on layoffs by employers.

Changing In the Conception and Organization of the Firm

To an important extent what drives changes in the pattern of attachment between employees and employers are shifts in the structure and business strategy of enterprises. There are three major developments, which are important. These are: (a) shifts in the understanding of in whose interest the firm acts; (b) shifts in what is seen as best practice regarding what activities the firm should engage in and in its relationship to suppliers; (c) changes in ideas about organizational form and what types of work organization represent the most efficient and productive techniques of production. The first two of these point to weaker attachments between employers and employees while the last can imply a strengthening of ties. As a result, the net effect of these is, at least theoretically, unclear.

Broadly speaking, it is possible to distinguish between a stockholder and a stakeholder view of the goals of the firm. It seems clear that the pro-stockholder perspective is currently triumphant. In the academic literature the implicit assumption, deriving from micro-economics, has always been that economic efficiency is maximized when firms maximize profits and, since the owner of these profits are the owners of shares, firms should in this view maximize the wealth of their stockholders. This view has been given greater credibility and a more sophisticated defence by emergence of the so-called “finance view” of the firm. From this perspective the firm is nothing more than a “nexus of contacts” or a collection of financial assets. The problem is how to maximize

[16] The data are taken from Table 8 of the Current Population Reports P20-531, Geographic Mobility, issued by the Bureau of the Census in June 2000.

the return on these assets and this requires a market for corporate control, which permits the buying and selling of these assets and hence applies the discipline of market forces to those who manage them. This discipline is effective because if the assets are mismanaged the stock price will fall, inviting takeover by those who will do a better management job, and hence raise the stock price.

In the 1980s this finance view rationalized the surge in takeovers supported in part by financial innovations such as junk bonds. In his Presidential address to the American Finance Association Michael Jensen argued that we are living through a new industrial revolution caused by vast technological and organizational changes. These, along with globalization, have created excess capacity in many mature industries and this in turn requires cutbacks in many firms in order to free-up capital for more productive uses. He goes on to comment[17]

While the corporate control activity of the 1980's has been widely criticized as counterproductive to American industry, few have recognized that many of these transactions were necessary to accomplish exit over the objections of current managers and other constituencies of the firm such as employees and communities.

While incumbent managers may have erected some defences, the trend remains in the direction of greater attention to the financial health of stockowners. Although hostile takeovers may be more difficult, mergers and acquisitions have increased to record levels after a period of decline in the late 1980s and early 1990s. Institutional investors, such as pension funds and mutual funds, have become increasingly active in prodding firms to take actions to raise the stock price.[18] Boards of Directors are under pressure to become more assertive in monitoring the actions of managers. The dominate rhetoric of executives is shareholder value. When Kodak recently announced that it was increasing its planned layoffs from 10,000 to 16,000 people a spokesman explained the change by referring to Wall Street dissatisfaction with the previously announced lower number and commenting that "You cannot ignore important constituencies like shareholders."[19]

The finance view stands in contrast with the traditional conception of the American firm in which the wide dispersion of ownership gave professional managers a great deal of leeway in how they ran their business. Although these managers, and their defenders, never overtly questioned the assumption that ultimately they were managing in the interest of stockholders, in fact there is some reason to doubt that this was the case. While from the perspective of finance theorists the managers may have engaged in empire building or even more wasteful activities (and they probably did buy too many corporate jets and hire too many friends) these managers also had an implicit stakeholder view of the firm and hence made decisions (increasing wages when profits were high, being reluctant to layoff except under duress) which were sometimes shaded towards the interests of employees and away from the immediate interests of stockholders. The managerial firm may not be dead, but it is under intense pressure and hence the debate over the legitimate objectives of the firm has been more directly engaged.

This view of the firm is re-enforced by a perception that the attitude of the firm towards its workforce has changed. Perhaps the strongest impression held by observers critical of the current scene is that today, unlike in the past, healthy companies are laying off employees. Obviously layoffs per se are nothing new but the issue is whether previously they reflected distress whereas today, with the inhibition against firing members of the "family" weakened, firms now discharge large numbers of employees even when times are good. This impression is reinforced by headlines

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[17] Jensen, M. (1993): "The Modern Industrial Revolution, Exit, and The Failure of Internal Control Systems," American Journal of Finance 48, no. 3 (July): 851.

[18] Useem, M. (1966): Investor Capitalism (New York: Basic Books).

[19] New York Times (1997): 19 December 1997, C4.

such as "Earnings Up, Workers Down," which referred to an MCI layoff[20] and by statements such as the following by Edwin Artz, Chairman of Proctor and Gamble: "We must slim down to stay competitive. The consumer wants better value. Our competitors are getting leaner and quicker, and we are simply going to have to run faster to stay ahead. The public has come to think of corporate restructuring as a sign of trouble, but this is definitely not our situation."[21] In a similar vein, a spokesperson for Xerox commented "I know it can sound very heartless when you're making these decisions when individual's careers are affected, especially when you are making money. But I think it's a new reality."[22]

Is this reality really new? A natural test is to compare layoffs in the current period with those in the past and see if the underlying reasons have shifted. The question is not whether layoffs have become more frequent but rather whether the reasons for layoffs have changed. In a comparison of reasons for layoffs in the 1970s with the 1990s (analyzing announcements in the Wall Street Journal), Osterman found that in the 1990s a greater proportion of layoffs were due to restructuring as opposed to poor operating results.[23] In a similar vein, Farber and Hallock found that stock market response to layoff announcements was more positive in the 1990s than in earlier periods.[24]

The second major development concerns how firms strategize about what activities they choose to engage in. The current dominate viewpoint is that firms should limit their activities to their "core competencies," that is to the activities in which they have a special competitive advantage. This has led to a sharp increase in outsourcing and in partnership or cooperative arrangements among firms. It has also meant that the firm is constantly rethinking and recalculating what is inside its boundaries and what is on the outside.

An example of this reconstructed corporation is Cisco Systems, the leading supplier of internet routing computers. Cisco owns only two of the thirty-four plants which produce its products.[25] It does not follow, however, that this tendency towards outsourcing inevitably leads to less stable careers. While companies such as Cisco outsource their production it is increasingly in the case that large stable firms such as Selectron and Flextronics are the recipients of these contracts and these firms, who do the production for many firms, may themselves provide stable jobs. Flextronics, for example, is an 8 billion dollar firm with 55,000 employees.[26]

The third development concerns new ideas regarding how work is accomplished within the organization. There are two important strands here. The first is restructuring, or what was termed re-engineering. This typically involves a reduction in organizational layers and increased use of information technology to manage the work. The second strand is at the work group level and involves the adoption of so-called High Performance Work Organizations.

The classic exposition of re-engineering is the book Reengineering the Corporation. The emphasis is on using information technology to obtain substantial cost savings via improvements in business processes such as order processing, inventory management, supplier relations, and the like.

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[20] New York Times (1995): 6 August, F2.

[21] Wall Street Journal (1995): 4 May, p. 1.

[22] Ibid.

[23] Osterman, P. (1999): Securing Prosperity; How The American Labor Market Has Changed and What To Do About It (Princeton: Princeton University Press), p. 39.

[24] Farber, H. and Hallock, K. (1999): "Changing Stock Market Response to Announcements of Job Loss: Evidence from 1970-97," in Proceedings of the 51st Annual Meetings of the Industrial Relations Research Association, (IRRA: Madison, Wisconsin), pp. 26-34.

[25] Business Week (2000): August 28, p. 94.

[26] Business Week (2000): August 28, p. 178.

Business success comes from these savings, not from "soft" concepts like culture or employee oriented values, and the savings in turn come in part from the downsizing, which the new processes permit. James Champy, one of the authors of Reengineering the Corporation commented: "To prevent or discourage companies from undertaking layoffs would ask them to be non-competitive and potentially go out of business. It could mean not just fewer jobs but no jobs."[27] Co-author, Michael Hammer, writing in the Wall Street Journal defended large-scale downsizing as resulting from process improvements, which are driven by customer demands.[28] Whether Champy and Hammer are right or wrong is not now the point. Rather, the point is the dramatic change in popular managerial rhetoric.

On the other hand, developments with respect to work organization point in the other direction. One of the most important ways in which American firms responded in the 1980s and early 1990s to competitive challenges was by adopting a set of work practices which came to be termed "high performance work systems." This vocabulary is most commonly applied to blue-collar work but many of the innovations are equally applicable in other settings.

In the traditional system the workplace was organized around tight divisions of labour and narrowly designed specialized jobs. Decision-making was in the hands of supervisors who decided how the jobs were to be performed, how work was scheduled, and how workers were judged. This traditional system has increasingly been seen as failing to meet the needs of firms and employees. The sources of failure are several. The efforts by firms to improve quality and to better meet customer needs require a reorganization of production which puts more power in the hands of employees further down the organizational hierarchy. This tendency is given further impetus by efforts to cut costs, which also lead to elimination of bureaucratic layers and greater responsibility at lower levels. These shifts imply that job definitions need to be flexible and employees receive greater levels of discretion.

At the core of the new systems are changes in how employees do their job. Perhaps the most typical innovation is the introduction of work teams. In many instances these teams are led by a management employee but that person's role has changed to one of a "coach" or "facilitator." In other instances the teams are self-directed. In both instances the idea of teams is that the employees take responsibility for a group of tasks, that there is a sense of responsibility for the team's product, that the workers are broadly skilled, and that there is an element of job rotation.

In many "transformed" firms employees are involved in aspects other than direct work activities. The most common example is problem-solving groups in which employees work in groups, often consisting of a cross-section of employees and hence to some extent obviating traditional managerial/non-managerial distinctions. These groups address problems such as production techniques, quality issues, and health and safety. In the most extreme form these groups can take up topics, which in the past have been seen as clearly "managerial," e.g. outsourcing and supplier policy.

Table 8 shows the percentage of establishments, which in 1997 engaged in each of the four practices with at least a fifty percent level of penetration (i.e. at least half of the "core" employees were involved). To provide a sense of how quickly these systems have spread the table includes comparable data for 1992. As is apparent, the diffusion of these practices is quite extensive and this implies that firms will wish to maintain a commitment to those workers who are involved in these practices.

Table 8: Percentage of Establishments With High Performance Work Practices Involving At

[27] New York Times (1996): 7 January, E19.

[28] Wall Street Journal (1996): 22 January, A12.

Least Half of CORE Employees

	1992	1997
Quality Circles/Off Line Problem Solving Groups	27.4%	57.4%
Job Rotation	26.6%	55.5%
Self-Managed Work Teams	40.5%	38.4%
Total Quality Management	24.5%	57.2%
Two or more practices	26.0%	70.7%
Three or more practices	14.2%	39.5%

Source: Paul Osterman, **"**Work Organization In An Era of Restructuring: Trends in Diffusion and Impacts on Employee Welfare," Industrial and Labor Relations Review, January 2000

The impact of the spread of these new work systems upon employment stability is a complicated topic. On the one hand, these systems are often associated with re-structuring as well as with substantial efficiencies in production. One might therefore expect that upon the introduction of new forms of work organization firms might increase, at least temporarily, their layoff rates. On the other hand, once in place theses systems are also associated with higher levels of employee satisfaction and higher rates of training investment by employers.[29] Taken together these should reduce turnover.

The research evidence on these issues is mixed but is broadly consistent with the arguments in the prior paragraph. Osterman, using a nationally representative survey of establishments, found that employers, which had the new work systems in place in 1992 had a higher rate of layoffs between 1992 and 1997 than did those which did not.[30] On the other hand, Rosemary Batt, in research alone and also with Alexander Colvin and Jeffery Keefe, studied the relationship of new work practices and quit rates in the telecommunications industry.[31] Using a representative sample of telecommunications establishments they found that quit rates (i.e. voluntary turnover) was lower in those workplaces, which had introduced self-managed work teams and off-line problem solving groups (i.e. quality circles). On balance, it seems likely that the effects found by Osterman are transitory while those found in the telecommunications research are more long-lasting, but at this point this argument needs to be made tentatively.

[29] Osterman, P. (1999): Securing Prosperity, and Osterman, P. (2000): **"**Work Organization In An Era of Restructuring: Trends in Diffusion and Impacts on Employee Welfare," Industrial and Labor Relations Review, January.

[30] Osterman, P.: **"**Work Organization In An Era of Restructuring: Trends in Diffusion and Impacts on Employee Welfare".

[31] Batt, P. (2000): "Managing Customer Services: Human Resource Practices, Turnover, and Sales Growth," Cornell University, New York School of Industrial and Labor Relations, mimeo, June.
Batt, R., Colvin, A. and Keefe, J. (2000): "Institutional Designs Facilitating Employee Voice and Exit," Cornell University, New York School of Industrial and Labor Relations, mimeo, April.

The Rise of Contingent Work

The reason for the heightened interest in contingent work is twofold. First, their employment circumstances supports the broader idea that the nature of work is changing and ties between firms and workers are loosening. Second, their numbers have grown considerably in recent years. This impression of growth is driven by a variety of industry statistics. For example, between 1991 and 1996 the fastest growing industry group was Personnel Supply Services, i.e. temporary help agencies.[32] In the years 1994 to 1996 the revenue growth of publicly traded staffing firms averaged an annual increase of 24.5%.[33] Another indicator is that in 1996 thirty-four of Inc. Magazine's listing of the five hundred fastest growing private companies were staffing firms. Census data show that of the net new jobs created between 1988 and 1996 fully 22 percent were in business services and engineering/management services, i.e. the two sectors, which supply contract and contingent labour.[34] From 1979 to 1995 the temporary help supply industry grew at a rate of 11.2 percent a year, five times the rate for total U.S. non-farm employment.[35]

In recent years the industry has matured and become more central to a wider range of employer activities. Increasingly temporary help firms take responsibility for an entire work function, for example call centres, which handle customer relations. Illustrative of this trend is a recent agreement between Manpower Inc. and Ameritech. They plan to jointly seek call centre business with Manpower supplying the people and Ameritech providing the technology. Call centre outsourcing is growing at a rate of between 20 and 40% a year[36] and, according to one source, all types of Vendor on Premise agreements grew from 2% of total temporary help agency revenues in 1992 to 11% in 1996.[37]

Another innovation of growing importance are national contracts in which a large employer with branches across the nation signs a master agreement with one agency, e.g. Manpower, Olsten, or Kelly Services, to provide temporary workers in all locations. Examples of these accounts are agreements between Manpower Inc. and EDS and Hewlett-Packard, Olsten with Lexmark and Chase Manhattan, and Kelly Services with Johnson & Johnson. These agreements also underwrite another emerging tendency in the industry: the development of sub-contractor networks and supplier tiers within the temporary help industry. Increasingly large temporary help firms are establishing sub-contracting relationships with local agencies to provide specialty employees when the larger firm cannot meet the demand.

Another striking characteristic of contingent work is its penetration into a wide range of occupational categories. The old image of temporary office work is no longer accurate. Table 9, which is taken from a leading industry publication, provides a good sense of this diversity. Industrial work is essentially as important as clerical/office work and there is also a strong representation in relatively higher skill areas.

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[32] Judith Scott, Nina Frantzen, and Randall Mehl, Temporary Staffing Industry Update (Milwaukee: Robert W. Baird & Co., 1997), 5.

[33] Ibid.

[34] Angela Clinton, "Flexible Labor: Restructuring the American Labor Force," Monthly Labor Review 121, no. 8 (August, 1997), 3.

[35] David Autor, "Outsourcing At Will: Unjust Dismissal Doctrine and the Growth of Temporary Help Employment," Working Paper 7557, National Bureau of Economic Research, February, 2000, p. 1.

[36] Staffing Industry Reports, 12 January 1997, 8.

[37] Staffing Industry Reports, p. 11

Table 9: 1996 Revenue by Tape of Sector in Staffing Industry

	(in billions of dollars)
Medical	4.0
Professional	4.8
Technical/computer	11.4
Office/Clerical	13.7
Industrial	11.2

Source: Staffing Industry Report, Staffing Industry Analysts, Los Altos CA, VII, no. 14, 10.

The foregoing material suggests that, compared to say 1979, contingent work has increased substantially. However, data of this sort are not very useful for knowing just how many such workers there are or whether the growth rate is accelerating. This is because much of the data are based on impressionistic reports or unrepresentative and narrow sampling of the workforce and, second, because the impressive percentage gains may still translate into small numbers. There are, however, other and better sources for estimating how widespread is the use of contingent employees. One such source is the Current Population Survey, which in 1995, 1997, and 1999 asked employed people about the nature of their work.

Because there is no generally accepted definition of contingent or temporary employment the BLS provides data based on several alternative definitions. A basic distinction which the BLS makes is between contingent workers and workers in alternative arrangements. Broadly speaking, contingent workers are those who feel that their jobs are insecure. They may be working in a range of circumstances, from temporary help firms to very traditional settings. Workers in alternative arrangements are those who are not employed in what we would term “standard” circumstances. These definitions are described in the box hereafter.

Contingent Workers

Contingent workers are those who do not have an implicit or explicit contract for ongoing employment. Persons who do not expect to continue in their jobs for personal reasons such as retirement or returning to school are not considered contingent workers, provided that they would have the option of continuing in the job were it not for these personal reasons.

Definition 1: Wage and salary workers who expect their jobs will last for an additional year or less and who had worked at their jobs for 1 year or less. Self-employed workers and independent contractors are excluded from the estimate. For temporary help and contract workers, contingency is based on the expected duration and tenure of their employment with the temporary help or contract firm, not with the specific client to whom they were assigned.

Definition 2: Workers including the self-employed and independent contractors who expect their employment to last for an additional year or less and who had worked at their jobs (or been self-employed) for 1 year or less. For temporary help and contract workers, contingency is determined on the basis of the expected duration and tenure with the client to whom they are assigned, instead of their tenure with the temporary help or contract firm.

Definition3: Workers who do not expect their jobs to last. Wage and salary workers are included even if they already had held the job for more than 1 year and expect to hold the job for at least an additional year. The self-employed and independent contractors are included if they expect their employment to last for an additional year or less and they had been self-employed or independent contractors for 1 year or less.

Alternative Arrangements

Independent contractors: Workers who were identified as independent contractors, independent consultants, or freelance workers, whether they were self-employed or wage and salary workers.

On-call workers: Workers who are called to work only as needed, although they can be scheduled to work for several days or weeks in a row.

Temporary help agency workers: Workers who were paid by a temporary help agency, whether or not their job was temporary.

Workers provided by contract firms: Workers who are employed by a company that provides them or their services to others under contract, and who are usually assigned to only one customer and usually work at the customer's worksite.

It is possible to be in an “alternative” arrangement and not be contingent. Consider temporary help firm employees, the group which seems the most “flexible.” Of those who work in temporary help firms 24.2% are contingent according to definition one, 36.1% according to definition two, and 55.9% according to definition three. Hence many are non-contingent. The next two Tables provide data on the fraction of the labour force in these various categories.

Table 10: Trends In Contingent Employment (Per cent of the Labour Force)

	1995	1997	1999
Definition 1	2.2%	1.9%	1.9%
Definition 3	4.9%	4.4%	4.3%

Table 11: Trends In Alternative Work Arrangements (Per cent of the Labour Force)

	1995	1997	1999
Independent Contractors	6.7%	6.7%	6.3%
On-Call Workers	1.6%	1.6%	1.5%
Temporary Agency Employees	1.0%	1.0%	.9%
Contract Workers	.5%	.6%	.6%

Source: Bureau of Labor Statistics

What is striking about these data are the relatively low percentages of the labour force which are engaged in non-standard work (with the exception of independent contractors, a group which is generally satisfied with their situation) and the failure of the percentages to rise very much over time. To some extent these low percentages are deceptive because churning: contingent jobs are of short duration and hence the flow numbers would look larger than the stock numbers. In the 1997 Survey of Establishments Osterman found that the bulk of temporary employees are associated with the establishment for short durations: 62.9 percent of establishments said the typical length of employment was less than six months while 24.6 percent said it was between six months and a year. By contrast, as would be expected on-call workers had a longer attachment: 28.7 percent of establishments said the typical duration was less than six months, 39.0 percent said it was between six months and a year, 25.3 percent said it was between a year and five years, while 6.8 percent said it was greater than five years.[38] Nonetheless, in the Current Population Survey the size of the contingent labour force is not as large as the volume of commentary would lead one to expect.

In addition to the Current Population Survey there is, however, another source of data, which suggests larger numbers. This is the Current Employment Statistics series, which is generated by surveys of establishments (as opposed to the CPS which is a survey of individuals). The CES collects data on employment by industry and one industry is Personnel Supply Services, which is basically equivalent to temporary help firms. For reasons, which are not well understood the CES shows employment levels well above those of the CPS. The CES data are shown in the next table. It is still worth noting, however, that even the CES shows that under 3 per cent of the labour force are employed in temporary help firms. However, these data do show impressively rapid growth rates.

Table 12:Employment In Personnel Supply Services

	Number Employed	As Percent of Total Employment
1979	507,800	.5%
1989	1,454,500	1.3
1999	3,600,000	2.7

source: http://www.bls.gov/cestabs.htm

The following two tables provide some data on the characteristics of the employees who hold non-standard work compared to the rest of the labour force. As a generalization, it is clear that non-standard workers are somewhat younger, more female, and less well educated than are others. However, it is also clear that non-standard work is distributed across the education and occupational spectrum.

[38] Osterman, Securing Prosperity.

Table 13: Characteristics of workers who fit contingent 2 definition compared to non-contingent

	Contingent 2	Non-Contingent Workers
Female	53.4%	46.5%
Under 25 Years Old	19.5%	7.1%
Work Part-Time	48.0%	17.0%
High School Dropout	12.6%	9.1%
High School Degree	28.5%	31.4%
Some College	26.5%	28.5%
College Degree	32.4%	31.0%
Executive/Administrator/Manager	4.9%	15.1%
Professional Specialty	18.2%	15.4%
Administrative Support and Clerical	20.6%	14.0%
Blue Collar	22.6%	24.5%
Technicians	3.5%	3.2%
Sales	8.8&	12.3%
Service	18.2%	13.4%
Prefer non-contingent	53.4%	
Prefer contingent	39.8%	
Preference Depends	4.5%	

Table 14: Characteristics of Non-Traditional Compared to Traditional Employees

	Independent Contractor	On-Call Worker	Temporary Help Agency	Contract Firm Worker	Traditional Worker
Under 25	4.0%	17.7%	26.7%	16.1%	15.1%
Part Time	24.9%	50.7%	21.5%	13.2%	17.1%
Female	33.8%	51.2%	57.8%	29.5%	47.0%
High School Drop-Out	7.5%	13.4%	14.6%	6.4%	9.2%
High School Degree	27.9	20.2	31.8	13.9	25.8
Some College	11.4	7.1	26.2	23.9	13.9
College Degree	34.3%	27.9%	21.2%	38.9%	31.1%
Executive, Manager	20.5	5.3	4.3	12.0	14.6
Professional Specialty	18.5	24.3	6.8	28.8	15.5
Technicians	1.1	4.1	4.1	6.7	3.3
Administrative Support and Clerical	3.4	8.2	36.1	3.4	15.0
Blue Collar	25.9	26.1	37.9	26.7	24.1
Sales	17.3	5.7	1.8	1.5	12.0
Service	8.8	23.5	8.1	18.8	13.7
Prefer Traditional	8.5%	46.7%	57.0%	-	-
Prefer Alternative	83.5%	44.7%	33.1%	-	-
Preference Depends	5.2%	4.8%	5.3%		

In an analysis of the 1995 Current Population Survey on non-traditional work, Houseman and Polivka[39] examine the implications of contingent work for employment stability. By combining the contingent workers survey with the so-called out-going rotation groups of the CPS they are able to compare the labour market status of contingent workers with that of regular employees one year after that survey. Table 15 below reproduces some of their results.

[39] Susan Houseman and Anne Polivka, "The Implications of Flexible Staffing Arrangements for Job Stability," Staff Working Papers, The W.E. Upjohn Institute for Employment Research, no. 99-56, May, 1999.

Table 15: One Year Labour Market Transitions of Contingent and Regular Employees

Type of Employment, February, 1995					
	Employed, February, 1996	**At Different Employer, February, 1996**	**Unemployed, February, 1996**	**Out of the Labour Force, February, 1996**	**Want to be in the Labour Force, February, 1996**
Agency Temporaries	.810	.515	.123	.067	.016
On-Call Worker	.734	.214	.107	.159	.034
Direct-hire Temporary	.768	.244	.062	.171	.028
Independent Contractor	.906	.086	.014	.079	.012
Contract Workers	.821	.219	.062	.117	.077
Regular Part-Time	.773	.185	.045	.183	.027
Regular Full-Time	.933	.101	.024	.042	.008

Source: Houseman and Polivka, op.cit.

It is clear that the patterns are quite different for the various categories of contingent workers compared to regular full-time employees. The former are less likely to be employed, more likely to be unemployed or out of the labour force, and more likely to report wanting to be in the labour force. These patterns remain in more sophisticated analysis which controls for the personal characteristics of the people holding the different jobs, which implies that the patterns are the consequence of the nature of the job and not the nature of the person. Furthermore, these patterns do not appear to be simply the result of a higher propensity to quit. Houseman and Polivka report that of those regular and contingent workers who were unemployed about 80 per cent of the unemployed regular workers said that they had experienced job loss (i.e. layoffs) and the figure was equal or higher for all the categories of contingent work.

Given that contingent employment is associated with less employment stability an interesting question is to what extent the growth in contingent work is responsible for the overall decline in job tenure in the labour market. Houseman and Polivka use the CPS out-going-rotation groups to compare the period 1986-87 with 1995-96. The only long time series on contingent work is for agency temporaries, whose importance grew considerably between the 1980s and the 1990s. Houseman and Polivka estimate that the growth in agency temporaries accounted for about half of the growth in employer switching over the period

The Legal Constraints Under Which Firms Operate

The traditional view of the American labour market is that firms face very few constraints on their ability to layoff employees. With respect to individual employees the long-standing legal doctrine has been employment-at-will which holds that employers may abrogate the employment relationship at any time they choose. With respect to large scale layoffs America lacks the requirements of many European nations that firms negotiate a social plan, either with a union or the

government, prior to dismissals.[40] The closest American comes to this is legislation requiring advance notification of some large scale layoffs. However, in America it does not appear that this requirement has increased the rate of notification while there is, on the other hand, some Canadian evidence that when notification is provided new employment is found more quickly.[41]

If one were forced to adopt a single crude characterization of the American labour market then this view would be a reasonable choice. However, the reality is much more complicated and there are, in fact, important restrictions on the ability of firms to dismiss employees. While it is true that at the end of the day firms may layoff as many people as they choose it is also true that there are impediments to getting to this point, which can slow down the process. In addition firms are not always able to dismiss the specific employees whom they might wish to discharge.

In firms, which are unionized the contracts typically specify that layoffs must occur in order of seniority. It is also the case that many of the larger contracts with powerful national unions prohibit layoffs, or set numerical restrictions on their size, over the course of the contract. This, for example, is a characteristic of recent automobile industry agreements. In these cases adjustment must occur largely through attrition and retirement. Of course, with less than 10 percent of the private sector work force unionized restrictions of this kind are limited to a small segment of the workforce.

A second source of friction regarding layoffs is the various laws, which protect specific groups from employment discrimination. The laws include Title VII of the Civil Rights Act, The Age Discrimination Act, and the Americans With Disabilities Act. Each of these operates somewhat differently and they vary in the extent of the constraints, which are placed on employers. None of them limit large scale reductions in force. However, employers can be constrained with respect to individual dismissal (for example, if a member of a protected group is fired the employer might face legal action unless it can prove good cause) and even large scale layoffs can be held to a standard that protected groups are not disproportionally impacted.

Another limitation lies in the erosion of the fundamental doctrine of employment at will. Beginning in the 1960s state courts began to find exceptions to this doctrine and by 1992 46 of the 50 states had limited employment at will (45 cases by the courts and in one case via state legislation).[42] These limitations included implied contracts (e.g. if an employee handbook contained language which implied some continuity of employment), public interest (e.g. protections for whistle-blowers), and fair dealing (e.g. limitations on the ability of employers to lay people off just before the Christmas bonus). Court cases brought under these exceptions can be costly to employers. Although about 97 percent of cases settle before trial a study in California of cases, which went to trial found that plaintiffs won 52 percent of the time with a median award of $268,000.[43] Although there is no research, which shows whether these cases reduce the overall volume of dismissals, Autor does find that a relationship between state court adoption of these exceptions to employment-at-will and the growth of temporary help employment.

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[40] For a review and comparison of employment protection across Europe and the United States see Sandrine, Cazes, Tito Boeri,and Giuseppe Bertola, "Employment Protection and Labor Market Adjustment in OECD Countries: Evolving Institutions and Variable Enforcement" Geneva: International Labor Office, 1999.

[41] John Addision and McKinley Blackburn, "Has WARN Warned? The Impact of Advance Notification Legislation on the Receipt of Advance Notice," Journal of Labor Research, vol.. 15, (Winter, 1994), pp. 83-90Jane Friesen, "Mandatory Notice and the Jobless Durations of Displaced Workers," Industrial and Labor Relations Review, vol. 50, no. 4 (July, 1997), pp. 652-666.

[42] Autor, op.cit.

[43] Autor, op.cit., p. 5

Public Policy

As noted in the introduction, well designed public policy can help improve the terms of any trade-off which might exist between flexibility and security. In this section I will review several of the key potential relevant initiatives.

Unemployment Insurance[44]

As turmoil in the labour market forces people to change jobs and induces higher levels of uncertainty and risk one would expect that a central institution for alleviating some of this stress would be the Unemployment Insurance (UI) system. This is a programme, which is literally intended to insure certain categories of employees against the risk of unemployment by paying them a benefit should they lose their job. It might be possible to imagine using the UI system as a buffer against layoffs and as a part of a conscious effort to reduce the trade-off between security and flexibility. This, in fact, can function in some settings where supplementary unemployment insurance (negotiated as part of the collective bargaining agreement) is combined with public unemployment insurance. The problem with this as a general solution is that the coverage of the public system has been steadily falling. Today only roughly a third of all unemployed people actually receive UI benefits[45] and the fraction of the unemployed who are even eligible is well below half.[46]

There is therefore good reason to be concerned that in recent years the capacity of the system to perform its function has weakened. Partly this is because the system has been cut back as it has been subject to the same kind of attack as other transfer programs with questions raised about "perverse incentives" and "overly-generous" benefits. The deeper problem, however, is that the system was designed around an image of the labour market—a single breadwinner in a family who was at risk of experiencing temporary, not permanent, layoffs—which is no longer descriptive of the labour market which confronts us today.

Unemployment Insurance, like the Employment Service, was created during the New Deal and is a Federal/State system. The system is funded by a payroll tax on employers which is experience rated in that firms with higher levels of layoffs pay higher taxes. The Federal government collects these taxes through the IRS and Washington also establishes minimum national regulations concerning procedures and benefits, acts as a funding source of last resort if States exhaust their UI funds in a downturn, and during recessions provides various form of extended benefit programs. Each State determines its own eligibility rules, benefit level, and duration of benefit. In addition, the States administer the program "on the ground."

Since its founding the coverage of the UI system has been steadily broadened. Today 90% of all civilian jobs and nearly 100% of all wage and salary jobs are covered.[47] There is a case to be

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[44] In this section I will, of course, provide citations as appropriate. However, I should also note that beyond any specific citation the material in this section draws heavily from the very useful book Christopher J. O'Leary and Stephen A. Wandner, eds., Unemployment Insurance In the United States, An Analysis of the Policy Issues (Kalamzoo: Upjohn Institute, 1998).

[45] In 1996 36 percent of the unemployed received benefits. See Steven Wadner and Thomas Stengle, "Unemployment Insurance: Measuring Who Receives It," Monthly Labor Review 120, no. 7 (July 1997): 16.

[46] About 43 percent of the unemployed are eligible. See Daniel Mcmurrer and Amy Chasanow, "Trends In Unemployment Insurance Benefits," Monthly Labor Review 118, no. 9 (August 1995): 30-39.

[47] Lauri Bassi and Daniel McMurrer, "Coverage and Recipiency," in O'Leary and Wandner, Unemployment Insurance In the United States, An Analysis of the Policy Issues, 57. The groups who are excluded are agricultural workers on "small farms" (although seven States including California, Florida, and Texas have included them), household workers who earn less than $1,000 a quarter, employees of religious organizations,

made for easing these restrictions but the numbers of people involved (outside of the self-employed) are not great. The more complicated issue concerns which individuals among covered workers are eligible to receive benefits. At the core of this question are two central ideas which have been at the heart of the system since its founding. First, it is conceived of as an insurance system. Secondly, its major beneficiaries are intended to be employees who are in some sense "strongly attached" to the labour market.

Because UI is an insurance program (as opposed to a benefits program which pays support to any unemployed person) there is considerable concern about moral hazard problems, i.e. how to avoid people deliberately taking actions to make themselves eligible for benefits. This is equivalent to wanting to make sure that no one crashes its car to collect insurance. For this reason self-employed workers are excluded since it is very hard to know when they are truly "laid-off." More broadly, this concern explains why eligibility is limited to job losers, i.e. people who have been laid off. People who are entering or re-entering the labour market are not eligible nor, with a few exceptions, are people who quit their jobs.[48] Concerns about moral hazard also explain the UI work-test: people collecting benefits must be engaged in job search and available to take a job were one offered. Exactly how this policy is implemented has been a central theme debates about UI policy.

The issues of benefit generosity and duration of benefits are somewhat more straightforward. Standard measures of benefit levels suggest that UI payments replace about 36% of wages lost during the period the benefits are received. However, this measure is calculated by dividing the average UI payment by the average wage of all covered workers and, as a matter of fact, UI recipients have lower wages than the average covered workers. Estimates, which take this into account suggest that the actual replacement rate may be on the order of 60% for people who receive benefits.[49] In all but two States people can receive benefits for a maximum of 26 weeks.[50] In times of recession the Federal Government has provided, under a shifting set of programmatic arrangements, extended benefits.

There are two broad issues regarding scope and coverage. The first is the duration of benefits and the second concerns the people covered. At their root both of these questions go to the responsiveness of the UI system to the changing structure of the labour market. When the program was founded the central image of the labour market was of a breadwinner (typically male) working full time to support a family. The notion that the program is for "fully attached" workers has been built into eligibility requirements in the form of minimum earnings thresholds and minimum length of prior employment thresholds. These vary by State but the tendency, driven both by budgetary issues and by political hostility to transfer programs, has been to make it more difficult to be eligible. This is, of course, somewhat ironic, as the labour force has increasingly looked less like the paradigmatic model which underlies the programme.

When UI is thought of as a response to short term temporary unemployment spells the duration of benefits is unlikely to be a major issue, except in times of recession. However, as more and more people lose their jobs permanently the situation of people who exhaust their benefits without finding new jobs becomes more worrying. Since the labour market is indeed shifting in the direction of more permanent job loss, duration of benefits becomes a more pressing issue. There has

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and self-employed workers.

[48] The exceptions have to do with what might be a "good cause," e.g. sexual harassment.

[49] The data in this paragraph are taken from Christopher O'Leary and Murray Rubin, "Adequacy of the Weekly Benefit Amount," in O'Leary and Wander, Unemployment Insurance In the United States, An Analysis of the Policy Issues, 171-172.

[50] Massachusetts and Washington permit a maximum of 30 weeks. An additional complication is that most states do not grant 26 possible weeks to all workers but rather vary the maximum with the person's work history.

in fact been a long-term rise in the exhaustion rate and today roughly thirty-five percent of UI spells end in the exhaustion of benefits prior to acquisition of a new job.[51]

The second major concern is who is eligible to receive UI in the first place. Individual eligibility for receiving UI has been restricted since the early 1980's as a result of the general conservative reversal in social policy and the concern (parallel to the welfare discussion) that the program was being abused. According to the Government Accounting Office, between 1981 and 1987 forty-four states increased individual eligibility thresholds and/or made it easier to disqualify a person in the middle of a spell of benefits.[52] Today, UI system is biased against part-time workers, low-wage workers, and people who move in and out of the labour force. These biases result from the structure of the minimum hours and earnings requirements that most states impose for eligibility. To get a sense of the consequences, Bassi and McMurrer estimate that while 93% of full time/full year workers and 93% of workers who earn more than $10/hour meet eligibility requirements only 42% of part-time/part year workers and 56% of people who earn less than around the minimum wage do so.[53] The recent report of the Advisory Council on Unemployment Compensation made a number of recommendations aimed at expanding eligibility, basing it upon on hours worked over a base period (rather than earnings amount) and setting the hours threshold at 800 per year. Bassi and McMurrer estimate that these changes could establish eligibility for about 15% of all unemployed workers.

Active Labour Market Policy

In the United States unemployment insurance is a passive labour market instrument. When policy makers think of active policy they quickly turn to education and training as the most likely tools. Policy analysts and politicians across the political spectrum share a tendency to view job training as an attractive solution to a variety of social problems. Training has broad appeal because it relies on the notion that outcomes are determined by the attainments and skills of individuals and that labour markets will reward those who augment these capacities. The commonsensical quality of this idea explains the frequency with which policy-makers return to this strategy. The Clinton Administration invested heavily, both substantively and rhetorically, in proposing education and training as the appropriate response to economic dislocation, stagnating and increasingly unequal earnings, and youth unemployment. Over thirty years ago the War on Poverty was largely based on training programs delivered by numerous community based organizations. Between these two endpoints Republicans as well as Democrats have seen training as the most appropriate tool to improve labour market outcomes for those who need assistance, be they welfare recipients or defence workers thrown out of work by shifting national priorities.

In fact, skills are important but training alone is not enough. This is demonstrated in the spotty record of the public employment and training system. Although typically defensible in a cost/benefit sense, the impact of most programs upon the labour market and upon the trajectory of people's lives has been limited (with the notable exception of community colleges). There are several reasons for this somewhat disappointing record but the most important is that too often training programs are isolated from employers and are not linked to clear paths of job mobility. Making these connections is the job of labour market intermediaries, and some of those operate in tandem with training programmes while others operate on their own.

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[51] Stephen Woodbury and Murray Rubin, "The Duration of Benefits" in O'Leary and Wandner, Unemployment Insurance In the United States, An Analysis of the Policy Issues, 232.

[52] General Accounting Office, "Unemployment Insurance Program's Ability to Meet Objectives Jeopardized," Report HRD-93-107, 1993.

[53] Bassi and McMurrer, in O'Leary and Wandner, Unemployment Insurance In the United States, An Analysis of the Policy Issues, 77. These estimates are based upon the SIPP survey and refers to the years 1989-1991.

In its simplest form a labour market intermediary is an organization, which makes a match between an employer, with a job opening, and a person who wants that job. The intermediary exists because it provides a service, which is advantageous relative to people applying directly for jobs. There are several possible sources of this advantage. The most obvious is information. It is costly and difficult for the employer or the job seeker to learn as much as might be useful about the labour market: what (or who) is available, what are going wages, etc. There are also economies of scale to information collection, which an intermediary can capture. For many years employers have used search firms for high level jobs and these search firms presumably exist for just this reason.

What is striking about the current period is that there appears to be an explosion of new intermediaries. Temporary help firms, with their "temp to perm" promises, are clearly one example. In the Silicon Valley the highly mobile upper level workers rely on a web of interest groups, which names such as the Systems Administrators Guild or the Graphic Artists Guild or the Society for Technical Communications. These organizations may play a variety of roles but helping their members find jobs is clearly one of the most important. Firms and other groups are increasingly using the Web to create job banks and some employers, notably AT&T with its Talent Alliance, have created new formal intermediary organizations.

Any serious effort to explore the role of intermediaries must begin with the largest intermediary in the nation, the U.S. Employment Service. The track record of this agency is at best mixed but it is important to keep in mind that whatever its failures the Employment Service represents a substantial investment of resources in intermediary activities. There are currently roughly 1,800 ES offices around the country, which place about 1.5 million people in jobs.[54] The annual ES budget is over $1.5 billion.[55]

The Employment Service was founded during the New Deal to facilitate the movement of unemployed workers into public employment programs and, two years later, it was linked to the new unemployment insurance program because it was given the responsibility to administer the U.I work test, i.e. the requirement that unemployment insurance recipients be available for employment. Like unemployment insurance the ES operates under a mixture of Federal and State control with the States retaining considerable authority over both administration and policy.

There have been on-going struggles both over the control of the Employment Service and over its mission. The general theme is efforts by reformers to wrest policy control from what they perceive as rigid and unresponsive state bureaucracies and efforts by defenders of the system to explain away its failure by arguing that the ES has been given too many conflicting roles to play and too few resources. At the root of these conflicts is the widespread perception that the ES does not perform well.

Although there have been no random assignment evaluations of the ES it appears acceptable on a cost/benefit basis because very little impact is necessary to offset its low expenditure per registrant (about $80).[56] Thus, for example, a recent study found that the ES reduced the duration of unemployment among those receiving UI payments by two weeks, a reduction adequate to justify the costs.[57] This type of finding is similar to those for job clubs, which are fairly widely used in the

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[54] See David Balducci, Terry Johnson, and R. Mark Gritz, "The Role of the Employment Service," in O'Leary and Wandner, Unemployment Insurance In the United States, An Analysis of the Policy Issues, 457-504; Louis Jacobson, The Effectiveness of the Employment Service, Washington D.C.: Advisory Commission on Unemployment Compensation, 14 March 1995.

[55] Jacobson, The Effectiveness of the Employment Service.

[56] Ibid.; Balducci, Johnson, and Gritz, in O'Leary and Wandner, Unemployment Insurance In the United States, An Analysis of the Policy Issues.

[57] Jacobson, The Effectiveness of the Employment Service, 20.

employment and training system. They help people conduct their search more efficiently, cut a few weeks out of unemployment, and justify their costs. However, in the longer term it is impossible to distinguish between people who participated in job clubs from others with the same characteristics who did not.

The central fact is that the ES serves only the very bottom of the labour market and does not even do this very well. Only about 4% of all registrants who eventually find jobs do so via the ES.[58] Fully one-third of these jobs are temporary, lasting less than 150 days.[59] What success the ES has is in a very limited range of the labour market. In one data-set from the mid-1980s the average male job placement was in a job which paid $10,700 per year and the average female pay was $8,700.[60] As another researcher noted, "What is clear is that certain types of employers rely heavily on the ES. Those firms generally employ workers of few specialized skills, are willing to accept high turnover, and therefore pay low wages."[61]

The Employment Service is passive. It takes job orders if firms call them in and it works with the clients who walk in the door. Even if the ES takes the next step of contacting employers the nature of the contact is inherently superficial. There is no sense in which the ES and the firm are partners, trying to accomplish something together. The next level of intermediary does in fact take this step and try to find ways to collaborate with employers. In doing so, these intermediaries stand a much better chance of accomplishing something on behalf of their clients. It is worth noting in passing that this kind of interaction is seen by the temporary help industry—the fastest growing intermediaries in the labour market—as their key marketing tool. When these temporary help agencies establish call centres for their clients or staff production lines, training their workers in firm specific procedures, they are acting as customized intermediaries.

The public policy world offers a number of examples of intermediaries of this kind and among the most important are community colleges, an institution, which frequently combines training and intermediary services.

Community Colleges have emerged as America's premier training institution. In 1992, according to Norton Grubb, they accounted for 37.8 percent of all fall enrolments in post-secondary education and 45.2 percent of first time freshmen enrolments. These are double the proportions of thirty years earlier.[62] These schools have become overwhelmingly vocational and frequently work with local employers. A description of the North Carolina system, written by Rosemary Batt and myself, gives a good flavour:[63]

> The North Carolina system … provides entry level training through associate degree and non-degree programs, further training for adults through continuing occupational education, and customized training to meet the needs of employers. The last category covers, among others, the New and Expanding Industry Program for firms which are locating in the state and the Focused Industry Training Program that targets training to small, in-state firms to make them more competitive.

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[58] Balducci, Johnson, and Gritz, in O'Leary and Wandner, Unemployment Insurance In the United States, An Analysis of the Policy Issues, 485.

[59] Jacobson, The Effectiveness of the Employment Service.

[60] Ibid., 20.

[61] Ibid., 6.

[62] Norton Grubb, Working In The Middle (San Francisco: Jossey-Bass, 1996), 53.

[63] Rosemary Batt and Paul Osterman, "A National Policy for Workplace Training" (Washington D.C.: Economic Policy Institute, 1993), 37.

In its most developed form community colleges respond to employer needs by designing degree and certificate programs, which train for specific skills in demand. The evaluation evidence on community colleges is generally positive[64] and it is clear that these institutions link employees with firms. It is true that there is considerable variation across community colleges in how broadly they see their mission and how aggressive and effective they are in making the match between firms and workers.[65] Indeed many employment and training professionals are frequently frustrated by what they perceive as the rigidity of community colleges and their slowness to respond to labour market needs. Nonetheless, there are sufficient success stories to warrant highlighting these institutions as a generally successful approach to intermediary services.

Finally, in some communities an effort has been made to link training programs, intermediaries, employees, and firms together in a network, which enables these actors to work together in an effective way.

One version is essentially an administrative reform strategy. The Federal government has encouraged bringing everything together in a "one-stop shopping" career centre. These one-stop centres would serve as a clearing house for both sides of the labour market and would be the gatekeepers for referrals to programs and to firms. Skill standards—which are government and industry developed blueprints for what incumbents in various occupations need to know and be able to do if they are to be designated a skilled such and such—play an important role in this vision because they provide a benchmark against which various training programs can be measured and in principle they provide insurance to an employer that if they hire someone with a given certification that person has achieved a designated level of competency. Related to this are performance benchmarks or "consumer reports" which enable both individuals and employers to judge the success of different training programs. Taken as a whole, then, this strategy seeks to rationalize the training and intermediary systems with various administrative reforms which are heavily driven by information (and information technology).

These efforts are certainly reasonable and, in particular, attempts to build accountability into the employment and training system are to be applauded. At the same time, it should be recognized that most efforts along these lines are "content free" in the sense that they focus on improving the administrative structure of the system without paying very much attention to what the various components of the system actually do. The implicit assumption is that if the system is simplified, performance information generated, and a market for training programs created (with the invisible hand residing in the one-stop centre) then the issue of content will work itself out. This may be true but given the history of both training programs and most intermediaries it is prudent to pay more attention to content.

The intuition behind this administrative reform strategy is that it is important to build networks, which link the various actors in the local labour market together. This intuition is shared by a different approach to local network building which is also attracting growing attention and which does have a vision of content at its core. In this view the next step is to use training and intermediary programs as the basis for building networks of firms, public programs, and sometimes unions who work together to upgrade employers' productive capacities and to provide mobility channels for the labour force. This mixture of labour market policy, technical assistance, and cooperation among firms in solving common problems goes under a number of different titles, the most current of which is sectoral employment programs.

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[64] Thomas Kane and Ceclia Rouse, "Labor Market Returns to Two and Four Year Colleges," American Economic Review 85, no. 3 (1995): 205-221; Norton Grubb, Working In the Middle.

[65] Grubb, Working In the Middle, Chapter 6.

A fully developed effort would bring together employers to discuss common technical, marketing, and employment problems and to find resources to solve them, would engage these employers in designing common training programs for their labour force, and would create a mechanism to enable people to move easily from one firm to another. In this way a network of institutions would be created to structure the local labour market.

The individual pieces of these programs are far more common throughout the country than might be realized and have been created under a variety of different auspices. In some instances these networks are business driven, a good example being the efforts of the National Tooling and Machining Association. In Western Massachusetts and in seven other communities around the country the NTMA has organized small machine shops into a network which trains young entrants, provides further training for incumbent employees, shares information on technical issues, and acts as an informal clearing house for job seekers. The western Massachusetts model, called the Western Massachusetts Precision Institute, trains about one hundred new machinists and two hundred incumbent employees a year in addition to performing the other "networking" tasks listed above.

Similar networks have been created under union auspices. An example is the Garment Industry Development Corporation (GDIC) in New York, which is affiliated with the apparel union, UNITE. GIDC is a well established operation which runs on-site training for operators throughout New York City's large garment industry, provides training for employees dislocated from the industry, runs a marketing and technical assistance service for managers, and has established a job referral system called JOBNET.

Finally, networks can be created directly by public authorities. In 1994 according to one estimate twenty-seven states supported 140 networks.[66] In addition, through the Federal NIST program, located in the Department of Commerce, roughly one hundred manufacturing extension service centres have been created. These efforts are heterogeneous and a good many are purely engineering driven with few labour market components. Others, however, are broad ranging and share, for example, many of the characteristics of GDIC described above. These programs are also politically popular, as witnessed by the ability of NIST to maintain the program in the face of Congressional attacks after the 1994 mid-term elections, and this suggests that they are serving their constituency.

One well developed example of how networks can operate is the Wisconsin Regional Training Partnership. Annette Bernhardt and Thomas Bailey have provided a succinct description of this effort which is reproduced in the box and which is based on material provided by the Center on Wisconsin Strategy, the organization behind the programme.

[66] Erin Flynn and Robert Forrant, "Facilitating Firm Level Change: The Role of Intermediary Organizations in the Manufacturing Modernization Process," (Boston: Jobs for the Future, February 1995), 18.

The Wisconsin Regional Training

The partnership consists of a consortium formed by manufacturers, unions, and public-sector partners in the Milwaukee metropolitan area. The goal of the Partnership is to support the creation of high performance workplaces and quality jobs in the region. About forty employers from the metalworking, electronics, plastics, and related industries currently participate, a significant share of the regional market. They employ roughly 40,000 workers, who are represented by industrial and craft unions. At the core of the Partnership are a series of channels for active communication and planning between employers and unions, for example working groups focused on plant modernization, and peer advisor networks to share best practices. Most of the employers either have or will have an on-site training centre that provides continuous training and skill upgrading. A key component is the development of industry specific skill standards, by employers, unions, and technical colleges in the region. Such standards have been successfully implemented at the entry level, and certificates to improve skill portability across firms are planned. In addition, the Partnership has embarked on two major initiatives to systematize access to entry-level jobs (a youth apprenticeship program and a training program for inner city residents).

Source: Annette Bernhardt and Thomas Bailey, "Making Careers Out of Jobs: Policies for a New Employment Relationship," mimeo, Institute on Education and the Economy, Teachers College (October 1997).

Conclusion

In this paper I have reviewed a wide range of evidence regarding flexibility and security in the United States labour market. This evidence has ranged from broad national surveys to more micro data on the behaviour of firms. Taken as a whole, the evidence does not offer any easy or simple answers. However, several conclusions can be drawn.

First, the United States is in no sense near a bourse market or one in which most employees are free agents. Long-term employment relationships remain quite common. In addition, some developments within the firm, such as the adoption of high performance work systems, point in the direction of continued incentives for the firm to maintain stable employment relationships.

Set against this, however, is substantial evidence that there have been shifts in the American labour market in the direction of weaker attachment between firms and their employees. Job tenure has fallen and contingent employment has increased. Perhaps more importantly, but harder to measure, is that the ideology of managers has shifted in the direction of a vision of the firm which de-emphasizes the role of fixed assets, including labour, and instead focuses on flexibility and out-outsourcing.

One approach towards dealing with the weakening of job security is to deploy public policy to help reduce the trade-off between flexibility and security. Here the United States has a generally weak record. Unemployment insurance has become a more uncertain tool and the U.S. employment service is generally ineffective. The best evidence of movement in the direction of creative public policy is initiatives at the local level regarding the creation of new labour market intermediaries.

Although these are quite promising they are in the early stages of development and have not yet achieved the scale required to have a major impact. There is substantial opportunity, however, for the development of these intermediaries and it remains to be seen whether supportive Federal policy can interact with continued energy at the local level to help bring these opportunities to fruition.