

# Temped Out? Industry Rhetoric, Labor Regulation and Economic Restructuring in the Temporary Staffing Business

---

Jamie A. Peck

University of Wisconsin-Madison

Nikolas Theodore

University of Illinois at Chicago

The article develops a conceptualization of the role of the temporary staffing industry (TSI) in the wider economy, with particular reference to the 'home' of temping, the USA. It is suggested that the TSI should be understood as an *active* agent of labor-market deregulation and restructuring, contrary to the industry's self-representation as a neutral intermediary in the job market and as a mere facilitator of more efficient and flexible employment systems. The article draws attention to the active steps that the industry has taken to establish (and defend) the legally ambiguous 'triangular' employment relationship upon which its very viability depends and, more generally, to make and grow its markets in segments as diverse as light assembly and construction work, health care, accountancy, teaching and a range of clerical occupations. The article argues also for a more finely grained analysis of the ways in which the temporary staffing business has *itself* transformed and restructured – as an inventive and energetic vendor of labor flexibility in what has been an expanding market – since the industry's take-off in the 1970s. In fact, the American TSI has experienced a series of distinctive stages of growth over the past three decades, during which time it has searched – but failed – to find alternatives to the established business model of narrow margins, price competition and commodification. If there are limits to this industry's growth, then, these may well prove to be internal ones.

*Keywords:* contingent work, labor-market intermediation, labor regulation, non-standard employment, temporary employment, temporary work agencies

## **Introduction: Paradoxes of Temping**

The points of departure for this article are a series of apparent paradoxes and ambiguities arising from the explosive growth of the US temporary staffing industry (TSI), by some accounts one of the fastest expanding 'sectors' of the American economy over the past two decades. The first and perhaps most fundamental of these is that, despite the strong growth of the temporary staffing *industry* itself, the temporary employment sector in the US is relatively small in size by international standards. Comprising less than 3 percent of the total workforce (having peaked in the late 1990s at just over 3 million workers in total), the temp 'market' in the USA is, proportionately speaking, the smallest in the industrialized world. According to OECD data, if one excludes outliers like Australia and Spain (where around one-quarter and one-third, respectively, of total employment is temporary), most of the leading industrialized countries have overall rates of temporary employment above 10 percent, with relatively high levels in Finland, Sweden, France, Denmark, the Netherlands, Germany and Japan (see OECD, 1999a, 1999b). Why should the heavily 'deregulated' US labor market be less 'temped out' than that of any other advanced industrial nation? A plausible response is that the incentive, on the part of employers, to utilize such 'non-standard' employment practices is weakened in situations where regulatory and wage costs across the labor market as a whole are relatively low (see Robinson, 1999; Kalleberg, 2000). The potential demand for temps may therefore be dampened in the US because the 'mainstream' employment relation is already relatively 'deregulated' and because the labor market as a whole is already substantially 'flexible'.

A further distinctive feature of the US temp market is that a very large share of temporary employees are placed by staffing agencies, while in many other OECD countries it is more common for employers to recruit temporary workers on a 'direct hire' basis (see EIRO, 2000; Campbell and Burgess, 2001). This suggests that the internal composition of the temporary employment sector (including the relative significance of agency-mediated temping), the reasons behind its growth and the wider implications for 'mainstream' employment relations are all likely to be nationally specific. And more particularly, both the roles assumed by temporary staffing agencies and characteristics of the TSI as a whole will vary between different temporary employment regimes, reflecting among

other things the structure of employment law and the prevailing pattern of human resources practices. While the US is generally recognized as the 'home' of the TSI and many of its corporate leaders, just as it has been the source of so many 'labor flexibility' strategies (see Peck and Theodore, 1998), it is clearly an oversimplification to characterize the international growth in temporary employment as a form of 'Americanization'. The TSI is not simply a bearer of deregulated or flexible employment practices, but its structure and development must be understood in terms of the complex renegotiation of employment relations and regulations on a country-by-country basis. The pertinent questions in the US, in this context, relate to how it is that the TSI came to capture such a large share of a relatively small temp market. Why is it, in other words, that agency-mediated temping – which, after all, involves the insertion of an additional layer of intermediation between employer and employee – should have become such an important form of temporary employment, given the general climate of minimalist labor regulation in the US?

This raises a second paradox: if the TSI is more likely to have a large-scale presence in more, rather than fewer, regulated economies, why should the timing of its growth in the US have coincided so precisely with the historic turn toward more 'flexible' labor-market conditions over the past quarter-century? Here, it is necessary to draw attention to the complex ways in which the TSI has been caught up – often by virtue of deliberate staffing-industry strategies – in the *restructuring* of employment relations, given the important role played by temp labor in, for example, the proliferation of two-tier wage systems in the 1970s, the casualization of public sector work in the 1980s and in the waves of downsizing that occurred during the 1990s (see Harrison and Bluestone, 1988; Silber, 1997; Estevão and Lach, 2000; Peck, 2002). Taken together, these preliminary responses to our first two paradoxes might suggest an association of sorts between the TSI on the one hand and regulated-*but-restructuring* economies on the other, a relationship one might expect broadly to hold across a range of different contexts and scales of analysis. But this is where a further paradox is evident, for the most heavily 'temped out' urban economies in the US (measured by the proportion of the local workforce accounted for by TSI employment) are not long-established 'industrial' cities like New York, Boston, or Detroit, where the incentives to evade 'rigid' and institutionalized labor relations might be greater, but

tend instead to be ‘sunbelt’ cities like Phoenix, Atlanta and Tampa, where anti-union ‘right-to-work’ laws prevail, union densities are low and regional wage differentials reflect the diminished bargaining power of workers and the dominance of ‘flex-labor’ conditions (Theodore and Peck, 2002). So, if the employer incentives/evasion of regulation explanation for the spatial unevenness of temp penetration rates seems plausible at the international scale, why is this apparent relationship nullified or even reversed at the urban scale, where the TSI seems to have a greater presence in *less* regulated urban economies?

Perhaps it is the case that there are no ‘off the shelf’ causal explanations of the TSI’s growth trajectory and spatial structure. Maybe it is ill-advised to seek to construct a monological account of the industry’s historical and geographical development, because instead the explanatory variables are more local, more contingent, more prosaic? A strong case might be made for such finely grained analyses of the TSI, not least as an antidote of sorts to the tendentious and often apocalyptic nature of so much media and academic commentary on the industry and on temporary employment more generally. Finding itself a convenient scapegoat – albeit rarely a completely blameless one – the US staffing industry (and its representative bodies at the state and federal levels) has responded by adopting a guarded and even secretive approach, coupled with a public posture of defensiveness. While there is a great deal of circumstantial evidence to implicate the TSI in union-busting campaigns, in the more general erosion of pay, conditions and workplace standards and in the increasingly normalized climate of labor-market insecurity (see Cappelli et al., 1997; Gottfried, 1992; Parker, 1994; Houseman, 2001; GAO, 2000; Peck and Theodore, 2001), the presence of staffing services at the crime scene is not always sufficient to prove the case. Instead, as the aforementioned paradoxes suggest, there is much in the complex relationship between the TSI and the wider, ‘mainstream’ economy that is only hazily understood, either empirically or conceptually.

The purpose of this article is to respond to this situation by developing a preliminary conceptual ‘mapping’ of the temp labor business, drawing on recent evidence from the growth and restructuring of the TSI in the USA. In the course of the analysis, the case is made for a dynamic and institutionally situated understanding of the TSI. It is argued that there is a need to reject the industry’s own representation of staffing services as largely passive actors

facilitating a simple matching of labor supply and demand, in favor of an alternative conception of the TSI as an *active intermediary* in the job market, the role of which can only be fully understood in the context of wider processes of employment restructuring and labor market reregulation. The article begins with a discussion of the conceptual ‘location’ of the temp sector vis-a-vis the ‘mainstream’ economy, including a critical examination of the industry’s self-representation and the shortcomings, distortions and blindspots therein. Next, we present a brief outline of the TSI’s market-making strategies, specifically in respect to the regulatory definition of the temporary employment relation in the US. Here, we emphasize that successive court rulings, and the related activities of TSI lobbyists, have been crucial in the establishment of a regulatory settlement favorable to the growth of agency-mediated temping. It is in this context that the industry’s development in the US should be understood. We subsequently move on to provide commentary on patterns of restructuring *within* the TSI, making connections between shifting staffing agency strategies, the changing constitution of the temp market and the ‘functions’ of temporary staffing in the wider economy. Finally, we conclude by revisiting the paradoxical character of the US temporary staffing industry, commenting on the range of active roles assumed by the TSI in the process of labor-market restructuring and offering observations on the emergent form of the TSI’s internationalization strategies.

### **Conceptualizing the Temporary Staffing Industry**

An appropriate place to start in examining the perceived ‘place’ of the temporary staffing sector in the wider economy is to consider how the industry represents *itself*. Perennially misunderstood and maligned, industry advocates contend that the staffing business should be seen as a new kind of service provider, offering flexible work schedules to the labor force and flexible workers to employers (see Lenz, 2000). Certainly, many of the woes of the US labor market – from endemic insecurity to pay polarization – are routinely laid at the door of the temp industry, one that perhaps understandably has few friends. Perhaps it comes with the business of retailing labor, but many workers clearly resent agencies for taking a ‘cut’ from what is likely already to be a small pay packet, while it is hardly rare for employers to begrudge the ‘mark-ups’ that must be

levied by temp services. Caught in between, staffing services can easily be portrayed as unproductive hawkers, the only constructive function of which is to provide a fragile, *temporary* bridge between jobseekers and employers, but one that is rendered at the cost of facilitating the further casualization of the job market. Recoiling – understandably – from such characterizations, the TSI has been keen to spell out the positive roles performed both by agencies and the industry more generally. According to Edward A. Lenz, senior vice-president of the American Staffing Association (the industry's principal representative body at the federal level, previously the National Association of Temporary and Staffing Services), the work of the staffing industry is at the same time more mundane and more important and has been suggested by its critics. Rather than being implicated in the 'death of the job', the industry's role is to initiate employment relationships in ways that do not displace 'regular' jobs, but which allow employers to meet their *additional* labor requirements.

Firms that provide temporary help services recruit, train and test their employees and assign them to clients in a wide range of job categories and skill levels, from production and clerical workers to professionals and high-tech workers. Temporary employees fill in during vacations and illnesses, handle seasonal or other special workloads and help staff special projects. (Lenz, 1997: 10)

Staffing-industry accounts of the growth of the TSI, rather than focusing on the exploits of heroic entrepreneurs or breakthroughs in corporate innovation, tend instead to emphasize essentially spontaneous responses to increased *market demand* for flexibility, on both the demand and supply sides of the labor market. According to these accounts, the industry has grown, quite simply, because employers and workers place increasing value on flexible work arrangements (see Lenz, 2000). On the demand side, flexible staffing is represented as the logical counterpart to just-in-time production and management systems and the preoccupation with 'rightsizing' workforces on an ongoing basis. On the supply side, the argument goes that the growth of temping simply reflects increased demand for non-standard work scheduling and the growing propensity to combine work with caring responsibilities, education and so on.

In a manner typical of dominant industry discourses, Lewis and Molloy (1991: 2) locate their explanation of the growth of the TSI

in the context of the 'larger pattern of non-traditional working arrangements that is transforming the American workplace', a process jointly driven by economic conditions (employers' demand/need for flexibility), technological change (permitting the increased substitutability of workers across a range of skill levels) and demographic factors (the growth in the supply of workers seeking, or prepared to accept, non-standard work arrangements). In this context, the TSI performs the role of an intermediary, a facilitator and a solutions provider.

Labor is no longer cheap and plentiful. Corporations that were once fat are developing lean profiles, maintaining a core of permanent workers and 'buying' additional temporary staff as needed. Growing domestic and global competition, volatile financial markets and changing demographics are forcing managers to rethink staffing strategies and to cut expenses. Employers are turning to the temporary help industry for solutions. (Lewis and Molloy, 1991: 1)

Here, the TSI is seen to be fundamentally in the business of representing and (somehow) reconciling the interests of its two clients, responding to market pressures and engineering outcomes-oriented solutions for both parties. So, temp agencies 'act as representatives to both the applicant and the client company. While the temporary help service is satisfying the temporary help needs of its client companies, it must also fulfill the expectations of its workers' (Lewis and Molloy, 1991: 26). Likewise, for Lenz (1997: 10), they 'provide businesses (and many government agencies) with needed flexibility and efficiency while at the same time providing jobs to millions of Americans'.

The dominant discourse of the TSI has it that the industry is both a product *of* the market and a contributor to market efficiency. In contrast to those analyses that emphasize the role of deliberate *market-making* strategies by the industry itself and the way that these have purposefully intersected with changing employment practices on the demand side of the labor market (see Gottfried, 1992; Golden and Appelbaum, 1992; Houseman, 2001; Gonos, 1998; Peck and Theodore, 1998; Ofstead, 2000; Vosko, 2000; Mehta and Theodore, 2001), more typical of (pro-)industry commentary is the priority placed on supply-side factors in TSI growth (particularly worker preferences) and the responsiveness of the sector to (naturalized) market conditions (see Lenz, 1995, 1996; Lips, 1998). For Lips, who counterposes the rise of the temp industry to the fall of

organized labor, the rationale of the industry is ‘not only to win contracts with employers, but also to represent workers in the labor market’ (Lips, 1998: 31), while for Lenz the industry’s fundamental role is that of a market intermediary, a function that is definitionally antagonistic to the countervailing forces of regulation:

The jobs clearinghouse role of temporary help and staffing firms is one of the most salutary developments in the labor market in this century and should be encouraged. Not only is there no need for laws to regulate or limit temporary work, consideration should be given to providing *incentives* to firms that provide these services [in order to] promote a vigorous and efficient private sector job service. (Lenz, 1996: 563–4)

These self-characterizations of the TSI are consistent with a conception of temp agencies as passive facilitators of (benign, if not beneficial) competitive forces in the labor market and, indeed, as agents of deregulation. The agency’s role is therefore presented as one of neutral brokerage, as a market-*enhancing* presence. So, according to Aley (1995: 53):

The growth and increasing sophistication of the temporary-employment industry is creating a national trading floor for talent. . . . Just as an exchange floor provides a fluid, efficient forum for clearing the market for stocks, gold, and pork bellies, the temp industry is becoming a clearinghouse for buyers and sellers of skills. The economic consequence of this phenomenon is a more flexible and efficient labor market.

Likewise, for Lips, temp agencies are – almost uniquely – bearers of a pure market logic in a labor market constantly threatened by the specter of regulation:

Staffing companies demonstrate what Friedrich Hayek called the ‘spontaneous order’ of the marketplace: in a division-of-labor society, individuals are motivated to serve each other’s needs. . . . The efforts of thousands of staffing companies across the country are unwittingly undermining the most lasting of Marx’s fallacies: that, in a free market, the relationship between employer and employee is necessarily coercive. . . . forprofit staffing companies compete for the opportunity to represent individuals in the labor market. To the extent that the market is efficient, workers are compensated according to their talents, adjusted to their preferences for flexibility in work schedules. Staffing companies with foresight recognize their vested interest in keeping employees content and raising skill levels. In the process, by allowing businesses to ‘borrow’ the services of individuals without assuming the legal status of employer, the temporary staffing industry helps undo the negative consequences of some of the existing regulation of the employment contract. (Lips, 1998: 31, 39)



In the context of this frustrated Hayekian order, in which market signals and disciplines are being persistently dampened and distorted by regulatory and legal interventions, temp agencies are seen to facilitate the operation of the 'hidden hand', passing on market signals and matching supply with demand. The appropriate response of policy-makers, according to industry advocates like Lips and Lenz, is not to regulate the temp sector, but, on the contrary, to remake the 'mainstream' economy in this image of flexible intermediation. The temp industry can *and must* continue to grow, they insist, until the deregulatory project initiated in the 1980s has been allowed to run its course. For Lips, this means 'reasserting the "employment-at-will" labor regime that has been threatened by rulings from the bench in recent years [while] legislating a roll-back of requirements now imposed on employers' (Lips, 1998: 39).<sup>1</sup> The temp industry's work will not be done, in other words, until fully liberalized, hire-and-fire employment conditions are established as the norm, until labor markets are flexible and free, until the employment relation is fully commodified. Here, and somewhat at odds with the reality of *increasingly* 'flexibilized' American labor markets, the TSI is portrayed as a defender of competitive practices in the face of a tendentially *regulating* labor market: while the business lawyers may be experiencing setbacks in the courts, staffing companies are doing their best to recover the lost ground in the marketplace.

There is an element of truth here, even if the staffing industry advocates are wont to overstate the extent to which the principle of 'employment at will' has been eroded in the US. In many respects, temp agencies may be quite appropriately viewed as agents of deregulation, just as the TSI sector itself is very much in the business of deregulation, but these are very different processes to those evoked in staffing-industry rhetoric. Contrary to the images of the TSI sector as a champion of free labor markets, as an efficient and even-handed intermediary and as a facilitator of ostensibly 'natural' competitive impulses, the temp sector is very much a creature of regulation and as such is an active player in the process of regulatory change. It exists in the shadow of the more regulated zone of the labor market, and the size and vitality of the TSI sector reflects how that shadow falls. The fact that temping is most prevalent in more 'regulated' workplaces, where benefits packages for regular employees are extensive and where termination at managerial will is sharply circumscribed (see Mangum et al., 1985; Kalleberg and Reynolds, 2000), tells its own story in this context. The very

rationale of the temp industry would be undermined in a completely 'deregulated' labor market – could this ever be achieved in reality – because the *less* regulated employment conditions that the TSI sector has sought to make its own would then be freely available to employers in a *disintermediated* form. From a libertarian perspective, Lips (1998: 39) concedes that a 'constructive way to limit the growth of temporary staffing' – rather than resort to the typical strategy of seeking to regulate the TSI – would be to further liberalize the mainstream employment relation so as to 'remove [the] barriers to the creation of permanent positions'. In his view, the very rationale of the TSI is the circumvention of such (supposedly cumbersome) regulations, because these 'raise the costs of employment for businesses and, therefore, encourage the use of third-party staffing companies' (Lips, 1998: 33). From this perspective, the temp industry's ultimate (if somewhat perverse) objective would be to facilitate the establishment of a deregulated 'utopia' in which its own role would become, in effect, largely redundant.

Contrary to its own rhetoric, the natural habitat of the temp industry is not a pristine zone of liberalized market forces, but instead is the murky backwash of the process of labor regulation itself. There is little that is spontaneous here, as is evidenced by the fact that the TSI sector's principal lobbying and legislative efforts have been directed at deregulating its *own* sphere of operations, not the employment relation more generally (see Gonos, 1998, 2000/1). The temp industry's business interests are best served by being the (marginally) less regulated 'other' of the mainstream economy, hence the sector's structural position not at the heart but on the fringes of the labor market, in the undertow created by successive waves of regulation. Hardly the antithesis of the regulated economy, the TSI positions itself so as to marginally undercut existing employment regulation. It is in this twilight zone that the temp industry's 'market' exists.

The defining industry practice that most clearly symbolizes this structural position is the 'mark-up', the difference between the hourly wages of temp workers and the billing rate charged by agencies. Historically, this has been one of the most fiercely protected 'secrets' of the temp business, while a prime motivation of temp-industry deregulators since the 1950s has been the desire to conceal fee schedules, from workers, clients and third-party interests (Gonos, 2000/1). Although mark-up rates vary somewhat according to occupational demand, business-cycle conditions and client

bargaining power, what evidence there is suggests they have fluctuated around the 40 percent level for decades (*Business Week*, 1961; Segal and Sullivan, 1997; Lips, 1998; Staffing Industry Analysts, 2000b; Gonos, 2000/1). It is often remarked, including by industry advocates anxious to rebuff the accusation that temps are an unprotected source of cheap labor, that typical mark-up rates are such that the overall cost of a temp worker to a client company (as expressed in the billing rate) is broadly comparable to that of 'regular' employees in the same job. So Lips (1998: 33), for example, cites National Association of Temporary Staffing Services estimates that for every US\$100 in regular salaries paid, employers actually incur additional costs of around US\$37 when the costs of taxes, benefits and absenteeism are factored in, so the prevailing 40 percent mark-up means that 'temporaries cost roughly the equivalent of permanent employees on a per-hour basis'. This may well be true, but it is not simply a measure of the temp sector's generosity toward its employees, nor is it indicative of newfound quality orientation on the part of the TSI, or a (somewhat uncharacteristic) shift toward non-price competition. Rather, it reflects the fact that the TSI market in general, and agencies' pricing strategies in particular, closely track the 'real' costs of employment in the more regulated sector of the labor market. In this respect, the industry's business interest is best served by the *growth* of regulatory costs in the mainstream employment relation, coupled with the ongoing under-regulation of its *own* sphere of operations.

The temp sector is consequently a (somewhat paradoxical) presence in a regulated economy. Its expansion speaks to the growing strength and pervasiveness of deregulatory forces and to the gradual erosion of the standard employment contract. The industry exists not in some parallel Hayekian universe but in the messy interstices of the regulated economy, with which it has a complex and symbiotic relationship. It is certainly quite inappropriate to liken the temp sector's role to that of a 'trading floor' (Aley, 1996; Lips, 1998), a 'jobs clearinghouse' (Lenz, 1996), or for that matter any other form of passive-neutral process of intermediation in the labor market. Instead, temp agencies, and the temp sector as a whole, must be understood as active participants in the *reconstitution* of employment relations, a role that extends beyond the 'temp sector' itself and into the wider labor market. So, while industry advocates would naturally (and perhaps even aggressively) resist such a characterization, the temp sector should be conceived as a

distinctive institutional 'moment' in the wider processes of labor-market circulation and regulation. The industry's rationale is to open up (comparatively) deregulated spaces within the employment relation within which there is scope for profitably trading 'less regulated' labor. And to reiterate, these are very much *comparative* cost/regulatory advantages, secured in the context of constantly changing 'real' costs of employment in different parts of the labor market.

In labor-regulatory terms, then, the temp sector operates as a kind of recoil mechanism, engineering 'flexible' alternatives for employers in the context of changing labor-market conditions and shifting regulatory 'costs'. In this sense, while the TSI clearly embodies a deregulatory logic, it does so in a decidedly micro-regulatory fashion, penetrating labor-market niches in a targeted and very particular way, and experiencing varying degrees of success in constituting these as sustainable 'markets'. In practice, this means that temping maps onto the economy in complex, variegated and often locally contingent ways, 'colonizing' different segments of the labor market at differential rates and yielding not singular, but multiple and varied employment outcomes. This is consistent with the TSI's developmental trajectory, which since the 1970s has been characterized by experimental forays into a whole series of new markets (in fields like health care, back-office services, IT, teaching and accounting) with varying degrees of success, both in terms of initial market penetration and subsequent market growth (see Estevão and Lach, 2000; Froud et al., 2001; Theodore and Peck, 2002). At the same time as constituting the 'borderlands' of the TSI, these zones also represent the leading edges of commodification and casualization in the labor market. In contrast to the TSI's core markets in clerical and light-industrial work, these fields of active expansion tend to be more contested, constrained and some cases controversial. Some of these experimental incursions will be consolidated by the TSI, becoming part of an enlarged core market (for example, back-office services and paralegal services from the mid-1990s); in other instances there will be serial failure, unsustainable price competition and even withdrawal (for example, in-hospital patient care and home health care in the late 1990s).

Not only is the temp sector known to be increasingly heterogeneous, there is also growing evidence that temping is associated with different labor-market and regulatory functions in, for example, the blue-collar/manufacturing sector (where a link with

two-tier compensation systems, under which new hires receive less favorable terms of employment than existing workers, has been observed) or the pink-collar/clerical sector (where the role of temp assignments in pre-screening for 'regular' jobs has been emphasized). These are more than simple variants of the same 'temp package', but suggest that the industry has – in unevenly colonizing the labor market – begun to play its own part in the complex transformation of employment relations. This means that in functional and compositional terms, the temp sector is not simply 'something of a microcosm of the U.S. workforce itself' (Lips, 1998: 34), passively mirroring developments in the wider job market. Neither is the TSI sector simply a 'safety valve' for the wider economy, to be turned on and off as needed, nor does it passively reflect the composition and characteristics of the labor market more generally. Rather, the TSI has penetrated occupational and industry niches in a highly uneven fashion, while (not unrelatedly) it has come to perform a range of functions across sectors and across the business cycle. This means that, just as in occupational terms the temp sector has become more variegated, so too have its functional roles become more differentiated and heterogeneous.

Behind the cliché that temping is now an everyday and ongoing part of the human resources function lies the more subtle reality that the TSI sector has become a normalized *institutional* presence in the labor market. This is partly a matter of the sector's aggregate scale of operations, a point of 'maturity' having been reached at which scale-economies can be reaped on a generalized basis.

. . . when temporary services firms were not widely employed by client firms, fewer workers probably thought to contact such firms when they were seeking employment, implying higher recruitment costs. Conversely, as the industry has expanded, many more workers are likely to have seen it as a potential employer, thus lowering the industry's recruitment costs. As the temporary services industry has become larger, learning and specialization has become possible. For instance, temporary service firms, whose primary business is finding workers willing to take on temporary assignments, may learn better where to advertise for such workers. A larger temporary services industry with more client firms also has greater opportunities to spread recruiting costs over several job matches, thus reducing their costs per placement. The same factor also may serve to reduce training costs per placement. (Segal and Sullivan, 1997: 131)

But this is not simply a matter of economic efficiency. The maturation of the TSI sector means that the 'temp option' is now

open to a wide range of employers, across a broad array of industries and locations. And while it may still be something of an exaggeration to claim that temp services are *universally* available to US businesses, the strong growth of the industry over the past two decades means that this situation is certainly within reach. The industry's own estimates are that nine out of every ten US employers use temp services (see Brogan, 2001). In this sense, the significance of the temp industry, and of temp work relations, cannot be reduced to an arithmetic calculation of the number of positions that have been 'temped', but instead relates to that much wider field of employment relations where temping is a viable *option* and where it therefore exerts an influence over the strategic choices and constraints of employers and workers. If, for example, temping has become the principal mode of entry into certain forms of clerical employment, then the significance of temp work relations, agency recruitment and placement procedures, and the contractual status of temp-to-permanent hiring is clearly much wider than the industry's relatively low penetration rate might initially suggest. Likewise, if the recruitment and deployment of blue-collar temps becomes one of the issues around which pay and benefits for unionized workers are renegotiated, then a head-count of temps at a particular worksite, in a similar vein, hardly tells the entire story.

In these and other ways, temping has begun to assume an increasingly important role in the renegotiation of employment relations. From the perspective of the TSI sector, this means that the industry's long-run developmental potential will be intricately connected to the diverse ways in which the business-growth strategies of agencies intersect with changing employer behavior on the one hand and the regulatory environment on the other. Substantively, this will likely involve further chipping away at the edges of the standard employment package, at both the workplace level and in Congress and the courts. One should not expect all of these decisions and developments to go unambiguously in the industry's favor, as the recent National Labor Relations Board (NLRB) ruling on union recognition for (some) temp workers illustrates.<sup>2</sup> Yet it is (largely unpredictable) decisions such as these that will continue to shape, and reshape, the TSI sector's 'market'. No wonder, then, that the industry's long-run trajectory has proven stubbornly impervious to explanations based on conventional economic forecasting techniques (see Golden and Appelbaum, 1992; Laird and Williams, 1996). Understanding the growth and restructuring of the temp

market calls for a wider appreciation of, first, the ways in which this market did not so much spontaneously emerge but was *actively constructed*, and second, the complex intersections of TSI growth strategies and the *restructuring* of the US labor market more generally. It is to these questions that we now turn.

### **Making the Temp Market**

In industry discourse, as we have seen, the TSI is typically portrayed as a neutral facilitator of market forces, bringing enhanced efficiency, convenience and flexibility to both the workforce and employers. The TSI likes to portray itself as a servant of the market, not a maker of markets, though in fact the latter characterization is much closer to the truth. Somewhat at odds with dominant conceptions of the TSI as a lubricator or intermediary in otherwise freely functioning labor markets is the reality that temp agencies occupy a very distinctive – and institutionally defined *and defended* – regulatory niche. It is in this context, moreover, that the TSI's business strategies have been defined and reconstructed. Here, we examine two aspects of this market-making role – first, the construction of the temp employment relation (in its distinctive, US form) and second, changing forms of growth and market development in the TSI.

#### *Constructing the Temp Employment Relation*

Technically, what defines 'temporary work,' and by the same token the 'market' of the TSI, is not the duration of work assignments per se, which in some cases can be relatively long-term in nature (see Cohany et al., 1998; Peck and Theodore, 1998; cf. Lyons, 1999). Rather, what distinguish 'temporary' from 'regular' jobs are the formal relations of precariousness that have become enshrined in legal, business and social conventions. Specifically, temporary work in the USA is characterized by a distinctive 'triangular' employment relationship between the temp worker, the temporary staffing agency and the client firm (see Moberly, 1987; Gottfried, 1992; Vosko, 1997; Lenz, 1997; Gonos, 1998; Kalleberg and Reynolds, 2000). The significance of this triangular employment relationship lies in the (deliberate) regulatory ambiguity that it

engenders. Because temp workers are, for legal purposes, considered to be on the payrolls of temporary staffing agencies and not those of the firms to which they are assigned, many of the provisions and protections which typically apply to employee–employer relations under US employment law are effectively voided, evaded, or at the very least obfuscated. While industry advocates and lobbyists continue to insist that temp workers *do* have employment rights, and that these rest under such ‘co-employment’ arrangements with the staffing agency as the *de jure* employer (see Lenz, 1997), in reality, the way in which allocation and control systems operate around the temporary employment relation means that effective access to these rights is significantly curtailed. What Gonos (1998: 173) calls the ‘temporary help formula’ is therefore a specific legal construction that permits the business clients of agencies ‘to utilize labor without taking on the specific social, legal, and contractual obligations that have increasingly been attached to employer status since the New Deal’. As industry insiders Lewis and Molloy (1991: 27) acknowledge, this division of managerial and legal responsibilities is the crux of the temporary employment relationship, because temp workers ‘are employed by the temporary help service, the client company is relieved of the burdens and costs associated with hiring [permanent employees]’.

The distinctive mode of regulation of temp work, while somewhat ambiguous and contestable from a legal standpoint, has nevertheless been a vital component of the business calculus around temporary employment in the US (see Gottfried, 1992). For Gonos (1998), the scope that it opens up for business clients to evade and parlay the regulatory costs associated with ‘regular’ employment is the key to explaining the surge in temporary employment since the 1970s, when firms confronted by mounting cost pressures and uncertainty in markets began to search in a more determined way for more ‘flexible’ modes of employment. In the context of a conducive regulatory ‘settlement’ around temporary work, these changing demand-side conditions – rather than some abrupt shift in worker preferences, labor-supply conditions, or TSI efficiency – seem to have been decisive causal factors behind the long boom in temporary employment over the last three decades. In short, the ‘temporary solution’ became a more saleable commodity in the post-1970s era of systemic flexibility and instability (Gonos, 1998). Rather than a single transformative event, it was the *confluence* of legal, institutional and labor-market conditions – distinctly favorable to the



expansion of the TSI – that set the scene for the structural expansion of temp employment in the US. The TSI's average daily labor force ballooned from fewer than 200,000 in 1970 to peak at more than 3.6 million in the year 2000.<sup>3</sup>

In labor-market terms, the increased utilization of agency-provided temporaries permitted some of the boundaries surrounding relatively high-paying, institutionalized and protected 'primary' segments of the workforce to be rolled back, while generalizing the kind of competitive, 'secondary' job-market conditions that typically tip the balance of power in the labor market further in favor of employers (see Mangum et al., 1985; Harrison and Bluestone, 1988; Peck, 2002). Temporary employment, in this context, provided a vent of sorts for the manifold pressures to 'flexibilize' the employment relationship, which itself has diverse structural causes, including the intensification of product market competition, the desire to renegotiate prevailing workplace bargains with organized labor, the search for more malleable business and employment structures, and the apparently secular trends toward outsourcing and lean production. These diverse developments, of course, were to find more macro-level expressions in the successive waves of government-initiated deregulation, in both the business and the labor-market realms, since the early 1980s.

If these structural shifts established an appropriate configuration of labor-market conditions for the rapid growth of the *demand* for temp workers, then a series of struggles over the legal and regulatory status of temp agency labor were in many ways just as important in securing its *supply*. Gonos (1994, 1998) documents the protracted legal and political contestation of the temp employment relationship during the 1950s and 1960s, when the TSI and its various representatives and lobbyists sought to advance a regulatory definition of agency-mediated temp work that would be most advantageous to the ongoing development of what remained at the time an extremely marginal business practice. A key element of this has been the defense of the temp agencies' 'employer' status, the legal cornerstone for the triangular employment relationship that has been established around temporary work (see Fromstein, 1978; Lenz, 1997). Ultimately successful, this strategy rested on two foundations. First, the TSI sought to distinguish itself legally from those employment agencies that collect one-time fees for the initial placement of regular employees with client firms and which were typically subject to state-level regulation. Although these regulations had for

the most part been ‘nuisances for the industry, not roadblocks to success’ (Gonos, 1998: 179), the legal interpretation that TSI operations should be subject to employment-agency regulations was repeatedly contested through state courts. During the 1960s, a series of key decisions went in the industry’s favor, effectively exempting the TSI from licensing and related regulations by the end of the decade. Second, but more importantly, the industry also sought vigorously to defend its (contestable) legal status as the *employer* of temporary workers, first established in an Internal Revenue Service decision in 1951 (Fromstein, 1978; Parker, 1994). Defending this legal position has been a staple of the industry’s lobbying and legislative strategy ever since and, as Gonos (1998) has explained, has been the central mission of the industry’s representative bodies.<sup>4</sup>

The outcome of this (de)regulatory offensive was that, by the early 1970s, the TSI had established the legal and institutional conditions necessary for the subsequent take-off of the industry. This, of course, was always likely to have implications beyond the temp ‘sector’ itself, given that temp agencies are not simply business enterprises but have increasingly taken on the role of *institutional* actors in the labor market (see Mangum et al., 1985; Vosko, 2000; Peck and Theodore, 2001). As Gonos (1998: 184) has explained, the TSI had,

. . . through deliberate and concerted action, won its deregulation, about a decade before the well-known industry-specific cases (trucking, airlines, banking) of the late 1970s. Perhaps because it took place in a decentralized manner on the state level, and because of the obscurity or seeming triviality – the purely ‘legal’ or ‘technical’ nature – of what was done, [TSI] deregulation has never been recognized as such in the recent literature on business deregulation. . . . Yet it may be argued that it has had far greater ramifications than any of the better known examples, since [TSI] deregulation affected the norms surrounding the utilization of labor throughout the economy. In effect, it constituted a step in the deregulation of the employment relationship itself.

Of course, ‘deregulation’ is something of a misnomer in the context of such concerted legal and political efforts to institutionalize the temp employment relation in a manner favorable to the profitable expansion of the TSI, but semantics aside this clearly represented a decisive moment for the industry. Together with the building secular trend toward the utilization of ‘contingent workers’ and various forms of flexible work scheduling, and in the context also of the deepening malaise affecting one of the TSI’s main competitors, the public employment service (see Fromstein, 1978;

Ricca, 1982; King, 1995),<sup>5</sup> this represented a structurally expedient conjuncture for the temp industry.

### **Reconstructing the Temp Market**

Contemporary accounts of the temp boom typically tell a story of growth in which the TSI embarked, some time in the 1970s, on an uninterrupted and unmediated expansion path, and has since been effortlessly conquering new markets. While the dimensions of the industry's growth have certainly been impressive from a sectoral perspective, viewed in macro terms the more compelling story here pertains to the TSI's often frustrated attempts at corporate reinvention and its highly fitful and patchy colonization of the labor market. It is not simply the *rate* of growth but the *form* of growth that is revealing in this context; the critical questions concern *how* the TSI has grown, not just how much. This calls for an analysis of changing corporate strategies and business practices in the TSI *qua* industry, and of the ramifications of these for market development.<sup>6</sup>

A rather trivial sector in the early 1970s, when the TSI was only a serious presence in a small number of US cities and then on no more than a small scale, the industry's long-run growth trajectory was only really established 25 years ago. From a small base, employment doubled during the 1970s, doubling again during the Reagan years, before enjoying exponential growth in the 1990s. Punctuated by very slow or negative growth during recessionary periods, the industry's growth trajectory has been lumpy but has continued to climb strongly upwards. One of its characteristics has been an impressive ability to recover ever more robustly from each downturn, sustaining increasingly long phases of growth and diversification in each successive upswing (Theodore and Peck, 2002). The TSI was a conspicuous beneficiary of the 'Greenspan boom' of the 1990s, enjoying 157 percent employment growth and 274 percent sales growth between 1990 and 2000, and although annual growth rates were generally slower in the second half of the decade than in the first, even in the post-1995 period more than 7000 new offices were opened, indicating a 50 percent rate of growth to 2000 (see Brogan, 2001).

While TSI growth rates have been impressive, the industry's aggregate growth trajectory masks qualitative changes that have occurred in the sector's expansion strategies and internal dynamics. These are summarized in stylized form in Table 1. The 1970s is

**TABLE 1**  
**Phase of Growth and Changing TSI Labor-Market Relations, 1970s–1990s**

TSI Structures and Strategies	Labour-Market Reorganization and Restructuring	TSI/Labor-Market Fit and Functions
<p>‘Disorganized growth’ (1970s)</p> <ul style="list-style-type: none"> <li>● Initial phase of market-led, externally driven growth (from a small base)</li> <li>● Passive-extensive growth, based on unimpeded penetration of latent markets, opened up by economic cyclicality and business uncertainty</li> <li>● From temporary cover to temporary employment</li> <li>● Focus on pink-collar market</li> <li>● <i>Kelly Girl</i> ethos</li> </ul>	<ul style="list-style-type: none"> <li>● Onset of deindustrialization and rising unemployment</li> <li>● Growing feminization of the workforce associated with the expansion of services employment</li> <li>● Wage stagnation</li> <li>● Growing instability and insecurity in employment</li> </ul>	<ul style="list-style-type: none"> <li>● Reactive agencies responding to growing market opportunities</li> <li>● Continued deployment of traditional temp business model, based on servicing of short-term and stop-gap staffing functions</li> <li>● Roll-out of branch networks and brand consolidation</li> </ul>
<p>‘Developmental growth’ (1980s)</p> <ul style="list-style-type: none"> <li>● Emergence of market-<i>making</i> strategies</li> <li>● Active-extensive growth, based on aggressive colonization of new occupational, sectoral and geographic niches</li> </ul>		<ul style="list-style-type: none"> <li>● Climate of labor-market deregulation and the restoration of managerial discretion</li> <li>● Emergence of systemic wage inequality</li> </ul>

	<ul style="list-style-type: none"> <li>● From temping to payrolling</li> <li>● Focus on white-collar and enlarged pink-collar markets</li> <li>● Professionalization of temping</li> </ul>	<ul style="list-style-type: none"> <li>● Opening up of government markets</li> <li>● Deunionization</li> <li>● Structural expansion of contingent work</li> </ul>	<ul style="list-style-type: none"> <li>● Development of corporatized multinational markets</li> </ul>
<p>‘Destructive growth’ (1990s)</p>	<ul style="list-style-type: none"> <li>● Saturation of high-volume markets/commodification</li> <li>● Active-intensive growth, based on zero-sum competition within maturing markets</li> <li>● From payrolling to strategic staffing</li> <li>● Focus on blue-collar market; maintenance of white- and pink-collar markets</li> <li>● Bifurcated labor force – displaced executives and undocumented day laborers</li> </ul>	<ul style="list-style-type: none"> <li>● Greenspan boom: full employment and wage stagnation</li> <li>● Corporate downsizing and systemic labor-market insecurity</li> <li>● Further racialization of low-wage labor markets</li> <li>● Manufacturing rebound</li> <li>● Ongoing market liberalization</li> <li>● Normalization of neoliberal labor regulation</li> </ul>	<ul style="list-style-type: none"> <li>● Exhaustion of value-adding strategies followed by recommodification</li> <li>● Generalization of vendor-on-premises programs, national contracts, and other market-defending strategies</li> <li>● Erosion of established markets through price-based competition, led by small, independent operators</li> </ul>

---

portrayed as a period of 'disorganized growth' as changing demand conditions in the wider economy spurred increases in TSI employment. Within the US economy, business-cycle volatility, increasing production costs and growing market uncertainty gave rise to mass unemployment, wage stagnation and widespread job insecurity. Staffing agencies were well positioned to capitalize on a newfound demand for temporary workers by firms attempting to regain competitiveness by holding down labor costs and reducing payrolls. During the 1970s, staffing agencies largely followed the market for temp workers, establishing corporate brands and organizational structures, and expanding branch networks within major US cities to cater to clients' new-found demand for contingent workers.

The TSI was able to maintain its expansionary trajectory into the 1980s, a period that marks the advent of the sector's mode of 'developmental growth'. Benefiting from a series of deregulatory initiatives within the wider economy that saw managerial discretion increase at the expense of worker bargaining positions, the TSI actively sought to grow its markets by expanding its service offerings, identifying new locations for temp employment growth and pursuing occupational diversification. During this period, staffing agencies also moved to redefine their relationships with business clients, seeking to operate less as a supplier of stop-gap staffing and more as a human resources 'partner'. Agencies were increasingly prepared to staff a range of pink- and white-collar occupations, and to 'payroll' groups of workers or to assume the responsibility for entire job functions for extended periods of time. Business clients, for their part, were willing to increase their use of temps both as a buffer for cyclical swings in demand and by adopting new staffing strategies based on the planned deployment of temporary workers. New markets provided the TSI with the business volume it needed to finance expansion while delivering lucrative returns to its investors. Mark-up rates and other agency fees were protected in this characteristically cut-throat industry by robust secular growth, reflected in a quite exceptional capacity to readily absorb new entrants without this competition cutting too deeply into agency margins or revenues.

Finally, during the 1990s, the TSI's mode of development could be characterized as one of 'destructive growth', year-on-year expansion enticing thousands of new competitors into the industry at a time when the sector appeared to be encountering a number of barriers to expansion in its primary geographical and occupational niches.

The 1990s saw the effective saturation of high-volume markets in the clerical and rapidly expanding industrial segments.<sup>7</sup> The TSI aggressively expanded into blue-collar occupations, a market that had existed since the late 1940s but in the 1990s was seen as a major untapped niche capable of providing the high volumes needed to sustain the sector's high rate of growth. Blue-collar temping experienced phenomenal growth during the 1990s recovery, but in this segment, too, the TSI appeared to quickly exhaust its growth potential. For staffing agencies, the industrial segment came to epitomize a volume vs margin approach to business development.<sup>8</sup> Heightened price-based competition held down margins, meaning that revenue growth would have to come via increased sales volume. The ability to provide value-adding services to clients was severely constrained by this mode of competition, as was the scope for providing liveable wages and career-path opportunities to workers. Not surprisingly, perhaps, the industrial segment of the TSI became the primary source of the sector's 'image problems'. The herding of agencies into this already crowded and price-competitive segment of the market worked to entrench a climate of undercutting and to sustain downward pressure on margins, pay and conditions (see Parker, 1994; Peck and Theodore, 2001). Now, the TSI was truly beginning to earn its reputation for worker exploitation as blue-collar temping became associated with exceedingly low wages, pronounced employment insecurity and often quite demeaning working conditions. Moreover, it was here that growth in contingent work seemed to be occurring at the expense of higher-wage, more stable union jobs, the temp sector offering business clients the option of accessing workers at 'below-market' wages through a two-tier compensation structure.

The most recent data continue to point to this trend of increasing diversification, with especially strong growth in the second half of the 1990s occurring in the IT, technical and light industrial segments of the market (Theodore and Mehta, 1999). Although the much anticipated take-off in technical and professional temping has proved, in the final analysis, to be relatively modest, the latest data on the sectoral composition of the TSI suggest that the trend toward occupational diversification has continued. Together, the more established pink- and blue-collar markets still account for almost two-thirds of TSI employment, though the remaining one-third of the temporary workforce – a non-trivial group of 1 million workers – is now spread across a range of occupations, including

professional, executive, sales and technical positions (see Brogan, 2001). Many of these niche markets remain quite lucrative, but here there seems to be space only for a relatively small number of specialist operators, all of which are taking what steps they can to stay ahead of the competition and to secure their relatively privileged market positions.<sup>9</sup> It would seem, then, that in terms of its overall market profile, the industry is restructuring 'upwards' and 'downwards' at the same time, and as a result is becoming more heterogeneous and polarized (see Peck and Theodore, 1998), while also exerting an influence on employment practices across a growing array of fields.

At the same time as the TSI was pushing into new occupational markets during the 1990s, it was also expanding geographically – both within the US and overseas. Major markets in Europe, especially, came to count for an increasing share of both profits and sales for the larger agencies. This is the source of no less than two-thirds of Manpower, Inc.'s revenues, for example (Steinerman, 2001). Meanwhile, within the US, the TSI moved aggressively into the fast-growing urban economies of the south and west, into smaller cities and towns, and into suburban growth zones in search both of new markets and, more fundamentally, of new ways to sustain its high-volume growth model (Theodore and Peck, 2002). During this time, particularly high rates of growth were recorded in markets like Atlanta, Charlotte, Denver, Miami, Phoenix and Tampa. And in addition to these attempts to extend the market geographically, the more innovatory and/or niche-oriented agencies were also seeking out ways of building in added value to their basic service offering. But where these pioneers moved first, the rest of the industry was quick to follow, with the result that first-mover advantages were rapidly eroded.

Staffing agencies sought during the 1990s to develop a range of value-adding services for their business clients. These were aimed at securing market share and defending revenues against both cyclical swings in the economy and margin pressures applied by competitors. Finding growth rates constrained by the payrolling model it had adopted in the 1980s, when business strategies focused primarily on growing the top line of the balance sheet, the TSI increasingly marketed itself as a provider of strategic staffing and human resources 'solutions', offering clients a range of flexibility packages to meet their needs for just-in-time, seasonal and even (quasi-)permanent workers.<sup>10</sup> However, for most agencies, just as



strategies of occupational diversification were able to provide only temporary protection against growth-limiting competition, the adoption of value-adding, market-defending strategies was only capable of offering a momentary reprieve from the deepening competitive pressures within the industry. By the mid-1990s, competition within the TSI increasingly exhibited a zero-sum character as agencies' attempts to fashion new value-adding strategies quickly diffused throughout the industry and were commodified, and thus failed to provide enduring competitive advantage for even the more 'innovatory' agencies.

As in industrial temping, price-based competition became increasingly normalized across the industry, with the (perhaps significant) exception of a handful of specialty sectors.<sup>11</sup> Growing pressures on margins fostered a destructive dynamic: on the one hand, long-established agencies were thrown into competition with new independents that were forced to resort to cost-minimization forms of competition, while on the other hand, the corporatized segments of the TSI were prepared to go for 'share over margin' in an attempt to drive out the competition. The outcome was extreme margin pressure, both among the major corporate players at the 'top' of the industry – with their defense of market share – and among the small independents at the 'bottom' – struggling against new entrants and undercutting the more established competitors. In the principal clerical and industrial segments of the TSI, a price war of sorts ensued at the level of the local labor market – agencies found themselves undermining the very markets on which they depended, becoming locked in a cycle of (offensive and defensive) cost cutting and margin trimming. In the process, the stable margins and increasing revenues of the 1980s gave way in the 1990s to a new growth model based on cost containment, service rationalization and cut-throat competition.

The TSI's remarkable quarter-century of expansion, then, has been rather more uneven and qualitatively differentiated than first may appear to be the case. As the TSI has followed its expansion path, its internal structure and its relationship with the wider economy have undergone far-reaching changes (Silber, 1997; Peck and Theodore, 1998; Froud et al., 2001; Theodore and Peck, 2002). The TSI has, in other words, restructured not only during growth, but in many ways *through* growth. In the process, some of its market segments have become less cyclically vulnerable than had previously been the case, though in many respects the TSI retains

its functional character as a kind of ‘pressure valve’ for the wider economy. Both the qualitative nature and the range of the functions performed by the TSI vis-a-vis the ‘mainstream’ economy have, however, been perpetually remade during the period since the 1970s. The character of the industry today is really very different from that of its predecessors in the 1950s and 1960s. In particular, the successive shifts into developmental growth in the 1980s and destructive growth in the 1990s forced the industry to confront many of the barriers to its development and to experience some of the limits of corporate reinvention and service repackaging. This is a story, therefore, not of uninhibited expansion but of eking out growth opportunities at the margins of the US economy.

### **Conclusion: The Business of Deregulation**

This article began with a brief discussion of the apparently paradoxical character of the temporary staffing industry. By international standards, the temp labor market in the USA is relatively modest in size – at less than 3 percent of total employment. Ranking near the bottom of the league table of the most ‘temped out’ economies in the OECD zone, the US already possesses a substantially ‘flexibilized’ labor market, affording employers many options for the pursuit of contingent-staffing strategies. The intermediate form of contingent employment provided by temporary staffing services is just one of these options, and one which is currently only utilized by American business under quite specific circumstances. For the most part, it is peripheral job functions that are temped out in the US (see Moss et al., 2000), although the TSI has achieved some limited successes in penetrating selected niches of more skilled labor markets. If the provisional conclusion one should draw from the international distribution of temporary employment is that temp agencies are, generally speaking, creatures of *more regulated* labor markets – where the cumulative scope of social rights and regulations provides greater incentives for employers to evade the ‘costs’ associated with standard employment contracts – then the potential home market of the TSI is somewhat constrained by the American regime of employment-at-will. It is in this context that the TSI has had to *make* its markets in the US.

It would quite wrong to characterize the TSI as some innocent bystander in the new regime of precarious employment in the US.

On the contrary, the TSI has been a willing (and able) accomplice in the quarter-century erosion of pay and conditions for large segments of the US workforce. By the same token, the TSI is not simply a secondary ‘outcome’ of more generalized processes of labor-market restructuring, but has been an *active institutional presence* in the restructuring process itself. It has played a decisive role, inter alia, in the proliferation of two-tier compensation systems, especially in manufacturing; in the normalization of pre-screening and ‘try before you buy’ human resources techniques in certain occupations, most notably in clerical and administrative work; in deunionization, through ‘job action’ staffing – where agency temps are brought in to replace striking workers, thereby undercutting worker bargaining positions – in health care and other fields; in the erosion of employer-sponsored benefits typically associated with the standard employment relationship; in the displacement of risks, costs and responsibilities for unemployment insurance and workers’ compensation, as worksite employers begin systematically to temp out high-turnover and dangerous jobs; in the shift toward lean workforce systems, under which the strategic utilization of temporary labor facilitates corporate downsizing policies; in the casualization of selected fields of public service employment, for example in the postal service and in education; and in the restructuring of service delivery and incentive systems in welfare-to-work programming (see Gottfried, 1992; Houseman, 2000; Gonos, 1998; GAO, 2000; Kalleberg, 2000; Peck and Theodore, 2000, 2001; Staffing Industry Analysts, 2000a; Vosko, 2000; Mehta and Theodore, 2001).

The fact that temping is strongly implicated in active processes of labor-market restructuring may also help to explain the curious geographical distribution of the TSI on a city-by-city basis. Here, the association between ostensibly *less* regulated urban labor markets and comparatively high rates of temporary working – most notably in the ‘sunbelt’ cities and in the right-to-work states – implies that the tendential connection between temping and ‘regulated’ economies may not hold at lower scales of analysis. In practice, the TSI has tended to follow paths of least resistance in rolling out its branch networks across the US, and in these cities of the south and west seems to have encountered few obstacles in its penetration of new markets. Furthermore, the TSI entered these new urban markets at a time when its service delivery package was at an advanced stage of development, having been tailored to the specific

requirements of a range of market segments. High urban labor-market penetration rates have indeed been a feature of this more recent phase of the TSI's development (Theodore and Peck, 2002). The contradictory character of the industry's contemporary mode of growth is acutely exposed in these newly emerging markets, however, given that these are now the principal geographic sites of price-based competition, undercutting and commodification.

Such destructively competitive forces appear to be defining the contemporary limits to the continued expansion of the US market. But just as the domestic market for temporary labor seems to be maturing in the US, the largest corporate agencies are actively remaking themselves as *multinational* players within a globally integrating market. Crucially, this emerging global market is highly uneven in character, reflecting as it does the differentiated set of business opportunities arising from the shifting contours of national labor-market regulation. The multinational temp agencies are currently fashioning global business strategies in the context of a wide variety of national regulatory conditions, ranging from the deeply penetrated markets of France, the UK, Scandinavia, the Netherlands and Japan to the emergent markets of Italy, Brazil, Argentina, China and India (Ward, 2002). Ultimately, it may prove to be the case that this ostensibly Americanized form of labor-market intermediation yields more far-reaching effects in such 'export' markets than in its domestic setting. In this industry of narrow margins, the potential for creating sustainable markets will depend critically on agencies' ability to navigate complex and often unfamiliar regulatory settlements. A final paradox, then, is that the fortunes of this 'industry of deregulation', a self-styled champion of market forces, are destined to depend, to a significant degree, on the shifting contours of labor-market regulation and restructuring. It is here that the temp sector will continue to make its mark – and make its money.

## Notes

This research was supported by a grant from the Ford Foundation. An earlier version of the article was presented at the 13th annual meeting of the Society for the Advancement of Socio-Economics, Amsterdam, the Netherlands, 28 June–1 July 2001. It has benefited from discussions with John Burgess, Iain Campbell, Julie Froud, George Gonos, Sukhdev Johal, Chirag Mehta and Karel Williams. Thanks also go to Esteleta Cameron for assisting with the preparation of the article. Responsibility for the arguments developed here is ours.

1. The employment-at-will doctrine was established in the USA in the 19th century. According to Muhl (2001: 3), it 'avows that, when an employee does not have a written employment contract and the term of employment is of indefinite duration, the employer can terminate the employee for good cause, bad cause, or no cause at all'. So both parties in the employment contract are free to end the arrangement 'at will'. The doctrine was eroded in a number of ways by the development of post-New Deal labor law, a situation frequently bemoaned by free-market libertarians, segments of the business community and the TSI (see Reynolds and Reynolds, 1995; Lenz, 1997, 2000).

2. The NLRB ruling of August 2000 broadens the rights of temporary workers to be included in collective bargaining arrangements, reversing a previous ruling that called (rather unrealistically) for mutual or joint consent from both staffing agencies and user employers before such rights could be granted. Practically, the ruling will have the greatest impact on the employment conditions of 'permatemps' (who have relatively long-term placements with individual employers and otherwise similar employment conditions to 'regular' workers at the same worksites), doing little to alter the highly individualized bargaining relations that are the reality for most temps (Mehta and Theodore, 2000/1; see also Jenero and Spognardi, 1995).

3. Employment levels have since been falling back sharply in the present economic slowdown (Leonhardt, 2001).

4. First formed in 1966 as the Institute for Temporary Services, what later become the National Association of Temporary and Staffing Services and subsequently the American Staffing Association has a powerful Washington presence in addition to a network of state-level chapters and lobbying partners.

5. The publicly funded Employment Service in the US has for much of its existence been a beleaguered and rather marginal organization, accounting for a relatively modest share of total job placements. The relative weakness of the public system, in turn, has broadened the scope for privatized intermediation in the labor market.

6. The analysis that follows draws upon a two-year study of business strategies and market development in the TSI based on a combination of secondary sources (relating to employment levels, financial performance, corporate trajectories, etc.) and in-depth interviews with agency managers and owners, financial analysts, industry representatives and lobbyists, policy advocates and union representatives. To date, 35 such interviews have been conducted, in locations across the US.

7. Interviews with industry analyst (No. 4, Milwaukee, June 2001), staffing industry representative (Michigan, April 2001), small independent agency (Chicago, July 1998) and mid-size placement and staffing agency (Chicago, June 2001).

8. Interviews with multi-site independent agency (Milwaukee, June 2001), mid-size, locally owned agency (Detroit, April 2001), industry analyst (No. 1, New York City, February 2001) and single-site, locally owned agency (Tampa, August 2001).

9. Interviews with multi-site specialist agency (Chicago, June 2001), industry analyst (No. 2 Milwaukee, June 2001), multi-site specialist agency (Boston, August 2001) and single-site, locally owned agency (Tampa, August 2001).

10. Interviews with industry analyst (No. 1, New York City, February 2001), staffing industry representative (Chicago, July 1998), mid-size, locally owned agency (Detroit, April 2001) and multinational agency (Boston, August 2001).

11. Interviews with industry analysts (No. 1, New York City, February 2001), (No. 2, New York City, February, 2001), (No. 3 Milwaukee, June 2001).

## References

- Aley, J. (1995) 'The Temp Biz Boom: Why It's Good', *Fortune* 16 October: 53–5.
- Allen, J. and N. Henry (1996) 'Fragments of Industry and Employment: Contract Service Work and the Shift towards Precarious Employment', in R. Crompton, D. Gallie and K. Purcell (eds) *Changing Forms of Employment: Organizations, Skills and Gender*. London: Routledge.
- Bluestone, B. and B. Harrison (1988) *The Great U-Turn: Corporate Restructuring and the Polarizing of America*. New York: Basic Books.
- Brogan, T.W. (2001) *Scaling New Heights: ASA's Annual Analysis of the Staffing Industry*. Washington, DC: American Staffing Association.
- Business Week* (1961) 'Temporary Hiring Climbs Up the Ladder', *Business Week* 15 July: 47–54.
- Campbell, I. and J. Burgess (2001) 'Casual Employment in Australia and Temporary Employment in Europe: Developing a Cross-National Comparison', *Work, Employment and Society* 15: 171–84.
- Cappelli, P., L. Bassi, H. Katz, D. Knoke, P. Osterman and M. Useem (1997) *Change at Work*. New York: Oxford University Press.
- Cohany, S.R., S.F. Hipple, T.J. Nardone, A.E. Polivka and J.C. Stewart (1998) 'Counting the Workers: Results of a First Survey', in K. Barker and K. Christensen (eds) *Contingent Work: American Employment Relations in Transition*. Ithaca, NY: Cornell University Press.
- EIRO (European Industrial Relations Observatory) (2000) 'Temporary Agency Work in Europe', *EIRO Observer* 1'00 (supplement): i–iv.
- Estevão, M. and S. Lach (2000) 'The Evolution of Demand for Temporary Help Supply Employment in the United States', in F. Carré, M.A. Ferber, L. Golden and S.A. Herzenberg (eds) *Nonstandard Work: The Nature and Challenges of Changing Employment Arrangements*. Champaign, IL: Industrial Relations Research Association.
- Fromstein, M.S. (1978) 'The Socio-Economic Roles of the Temporary Help Service in the United States Labor Market', *Labor Market Intermediaries*, Special Report No. 22. Washington, DC: National Commission for Manpower Policy.
- Froud, J., S. Johal and K. Williams (2001) 'The US Staffing Industry: The Business Model and the Paradoxes of Extension', Working Paper 1. Chicago, IL: Center for Urban Economic Development, University of Illinois at Chicago.
- GAO (General Accounting Office) (2000) *Contingent Workers: Incomes and Benefits Lag Behind Those of the Rest of Workforce*, GAO/HEHS-00–76. Washington, DC: United States General Accounting Office.
- Golden, L. and E. Appelbaum (1992) 'What Was Driving the 1982–88 Boom in Temporary Employment? Preference of Workers or Decision and Power of Employers', *American Journal of Economic Sociology* 51: 473–93.
- Gonos, G. (1994) 'A Sociology of the Temporary Employment Relationship', unpublished PhD dissertation, Rutgers University.
- Gonos, G. (1998) 'The Interaction between Market Incentives and Government Actions', in K. Baker and K. Christensen (eds) *Contingent Work: American Employment Relations in Transition*. Ithaca, NY: Cornell University Press.
- Gonos, G. (2000/1) '“Never a Fee!” The Miracle of Postmodern Temporary Help', *WorkingUSA* 4: 9–36.

- Gottfried, H. (1992) 'In the Margins: Flexibility as a Mode of Regulation in the Temporary Help Service Industry', *Work, Employment and Society* 6: 443–60.
- Houseman, S.N. (2000) *Temporary, Part-Time and Contract Employment in the United States: New Evidence from an Employer Survey*. Kalamazoo, MI: W.E. Upjohn Institute.
- Houseman, S.N. (2001) 'Why Employers Use Flexible Staffing Arrangements: Evidence from an Establishment Survey', *Industrial and Labor Relations Review* 55: 149–70.
- Jenero, K.A. and M.A. Spognardi (1995) 'Temporary Employment Relationships: Review of the Joint Employment Doctrine under the NLRA', *Employee Relations* 21: 127–38.
- Kalleberg, A.L. (2000) 'Nonstandard Employment Relations: Part-Time, Temporary and Contract Work', *Annual Review of Sociology* 26: 341–65.
- Kalleberg, A.L. and J. Reynolds (2000) 'Organization Size and Flexible Staffing Arrangements in the United States', in F. Carré, M.A. Ferber, L. Golden and S.A. Herzenberg (eds) *Nonstandard Work: The Nature and Challenges of Changing Employment Arrangements*. Champaign, IL: Industrial Relations Research Association.
- Katz, L.F. and A.B. Krueger (1999) 'The High Pressure Labor Market of the 1990s', Working Paper No. 416. Princeton, NJ: Industrial Relations Section, Princeton University.
- King, D.S. (1995) *Actively Seeking Work? The Politics of Unemployment and Welfare Policy in the United States and Great Britain*. Chicago, IL: University of Chicago Press.
- Laird, K. and N. Williams (1996) 'Employment Growth in the Temporary Help Supply Industry', *Journal of Labor Research* 17: 663–81.
- Lenz, E.A. (1995) "'Contingent Work" – Dispelling a Myth', *Washington and Lee Law Review* 52: 755–70.
- Lenz, E.A. (1996) 'Flexible Employment: Positive Strategies for the 21st Century', *Journal of Labor Research* 17: 555–66.
- Lenz, E.A. (1997) *Co-Employment: Employer Liability Issues in Third-Party Staffing Arrangements*, 3rd edn. Washington, DC: National Association of Temporary and Staffing Services.
- Lenz, E.A. (2000) *The Staffing Industry: Myth and Reality*. Washington, DC: American Staffing Association.
- Leonhardt, D. (2001) 'Temporary Job Becomes Victim of Slow Market', *New York Times* 19 May: A1, B14.
- Lewis, W.M. and N.H. Molloy (1991) *How to Choose and Use Temporary Services*. New York: Amacom.
- Lips, B. (1998) 'Temps and the Labor Market: Why Unions Fear Staffing Companies', *Regulation* 21: 31–9.
- Lyons, M. (1999) *Long-Term Temps: A Rare Breed*. Washington, DC: Employment Policy Foundation.
- Mangum, G., D. Mayall and K. Nelson (1985) 'The Temporary Help Industry: A Response to the Dual Labor Market', *Industrial and Labor Relations Review* 38: 599–611.
- Mehta, C. and N. Theodore (2000/1) 'Winning Union Recognition for Temps: An Analysis of the NLRB's M.B. Sturgis and Jeffboat Division Ruling', *WorkingUSA*, Vol. 4:37–58.

- Mehta, C. and N. Theodore (2001) 'The Temporary Staff Industry and US Labor Markets: Implications for the Unemployment Insurance System', paper presented at America's Workforce Network Research Conference, Washington, DC, 25–26 June.
- Moberly, R.B. (1987) 'Temporary, Part-Time, and Other Atypical Employment Relationships in the US', *Labor Law Journal* 16: 620–34.
- Moss, P., H. Salzman and C. Tilly (2000) 'Limits to Market-Mediated Employment: From Deconstruction to Reconstruction of Internal Labor Markets', in F. Carré, M.A. Ferber, L. Golden and S.A. Herzenberg (eds) *Nonstandard Work: The Nature and Challenges of Changing Employment Arrangements*. Champaign, IL: Industrial Relations Research Association.
- Muhl, C.J. (2001) 'The Employment-at-Will Doctrine: Three Major Exceptions', *Monthly Labor Review* 124: 3–11.
- OECD (Organization for Economic Cooperation and Development) (1999a) 'Recent Labour Market Developments and Prospects', *Employment Outlook*. Paris: OECD.
- OECD (Organization for Economic Cooperation and Development) (1999b) 'Temporary and Part-Time Employment', *Observer*, Vol. 217/218, 99. Paris: OECD.
- Ofstead, C.M. (2000) 'Temporary Help Firms as Entrepreneurial Actors', *Sociological Forum* 14: 273–94.
- Parker, R.E. (1994) *Flesh Peddlers and Warm Bodies: The Temporary Help Industry and its Workers*. New Brunswick, NJ: Rutgers University Press.
- Peck, J. (2002) 'Labor, Zapped/Growth, Renewed? Three Moments of Neoliberal Restructuring in the American Labor Market', *Journal of Economic Geography* 2.
- Peck, J. and N. Theodore (1998) 'The Business of Contingent Work: Growth and Restructuring in Chicago's Temporary Employment Industry', *Work, Employment and Society* 12: 655–74.
- Peck, J. and N. Theodore (2000) 'Work First: Workfare and the Regulation of Contingent Labour Markets', *Cambridge Journal of Economics* 24: 199–138.
- Peck, J. and N. Theodore (2001) 'Contingent Chicago: Restructuring the Spaces of Temporary Labor', *International Journal of Urban and Regional Research* 25: 471–96.
- Reynolds, C.D. and M.O. Reynolds (1995) 'State Court Restrictions on the Employment-At-Will Doctrine', *Regulation* 18: 57–66.
- Ricca, S. (1982) 'Private Temporary Work Organizations and Public Employment Services: Effects and Problems of Coexistence', *International Labour Review* 121: 141–53.
- Robinson, P. (1999) 'Explaining the Relationship between Flexible Employment and Labour Market Regulation', in A. Felstead and N. Jewson (eds) *Global Trends in Flexible Labour*. London: Macmillan.
- Segal, L.M. and D.G. Sullivan (1997) 'The Growth of Temporary Services Work', *Journal of Economic Perspectives* 11: 117–36.
- Silber, J.M. (1997) *The Temporary Staffing Industry: Evolving Toward the Professional Services Model*. New York: Gerard Klauer Mattison.
- Staffing Industry Analysts (2000a) 'Protesters Picket U.S. Nursing Corp.'s Denver headquarters', *Staffing Industry Report* 19 (16 October): 10.
- Staffing Industry Analysts (2000b) *Staffing Industry Sourcebook, 2000–2001 Edition*. Los Altos, CA: Staffing Industry Analysts.
- Steinerman, A.C. (2001) 'Manpower, Inc.', *Capitalizing on a Theme*. New York: Bear Stearns and Co. Inc.



- Theodore, N. and C. Mehta (1999) *Contingent Work and the Staffing Industry: A Review of Worker-Centered Policy and Practice*. Chicago, IL: Center for Urban Economic Development, University of Illinois at Chicago.
- Theodore, N. and J. Peck (2002) 'The Temporary Staffing Industry: Growth Imperatives and Limits to Contingency', *Economic Geography* 78.
- Vosko, L.F. (1997) 'Legitimizing the Triangular Employment Relationship: Emerging International Labour Standards from a Comparative Perspective', *Comparative Labor Law and Policy Journal* 19: 43–77.
- Vosko, L.F. (2000) *Temporary Work: The Gendered Rise of a Precarious Employment Relationship*. Toronto: University of Toronto Press.
- Ward, K. (2002) *Global Restructuring in the Temporary Help Industry*, Report to the Rockefeller Foundation. Manchester: University of Manchester.

### Jamie Peck

is Professor of Geography and Sociology at the University of Wisconsin-Madison. He is author of *Work-Place: The Social Regulation of Labor Markets* (New York: Guilford Press, 1996), *Workfare States* (New York: Guilford Press, 2001), and numerous articles on issues related to labor-market restructuring and policy, welfare reform, urban political economy, and theories of regulation.

### Nik Theodore

is Assistant Professor of Urban Planning at the University of Illinois at Chicago and director of the Center for Urban Economic Development. His research focuses on labor-market restructuring, urban inequality, contingent work and employment policy.