

The New Labor Market Landscape:  
Comparative Case Studies of Labor Market Intermediaries in  
California's Silicon Valley

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## Introduction

Research on Silicon Valley suggests that Labor Market Intermediaries (LMIs) – organizations that acts as a third party brokering relationships between job seekers and employers – are key to the way corporations work in the new economy. Corporations are increasingly outsourcing their human resource needs and relying on contingent workers. Some researchers have seen LMIs as key to the new flexible workplace and therefore contributing to regional economic advantages and corporate success (Saxenian, 1994; Saxenian, 1996; Piore and Sabel, 1994; Storper, 1997). Others highlight how these new institutions have contributed to the ascent of contingent jobs, the decline of the permanent employment model, and the overall erosion of power for employees (Smith, 1997; Osterman, 1999; Colclough and Tolbert 1992). What is clear is that LMIs are booming. Today, there are over 200 temporary staffing agencies in Silicon Valley alone, providing local companies with a significant workforce of contingent labor. Nationwide trends indicate that over the last decade, personnel supply agencies are the number one growth industry. And *Manpower*, a leader among staffing agencies, is the largest U.S. employer (Smith, 1998). As the staffing industry continues to expand at an explosive rate and employment practices change radically in response, the need for systematic first-hand examination of these types of LMIs becomes critical. A comprehensive analysis of LMIs is essential to understanding how contemporary corporations work.

I have already completed Phase I of the data collection at a private sector LMI in the Silicon Valley. Employed as a technical recruiter and placement specialist, I observed firsthand the interactions between LMIs, the firm and contract employees. The initial findings of this research were significant as they reflect changing corporate forms and dynamics. Firstly, I witnessed a newly emergent pattern whereby staffing agencies deeply embedded themselves within firms greatly facilitating the ease with which companies could expand their contingent workforce. For example, during the first phase of the research, I witnessed the start-up and development of the staffing agency's on-site management program at a prominent high tech firm. Within a three-month period, the firm's temporary employee pool grew by a factor of ten. Secondly, I witnessed a tremendous amount of networking and cooperation among temporary staffing agencies. Given the highly competitive labor market, the amount of cooperation was unexpected.

For example, the agency's on-site manager at the high tech firm regularly contacted other agencies for assistance in meeting their temporary staffing needs. This led to multiple levels of contracting and subcontracting relationships between firms and staffing agencies.

## **Research Problem and Contributions to the Literature**

The recent dramatic rise of contingent labor signals that the contractual relationship between management and workers is shifting outside the firm. LMIs have traditionally provided a range of services including job matching, training, and access to social networks. Now they play an essential and strategic role in employer-employee negotiations. LMIs are not a new phenomenon as both public and private employment agencies have been in existence for some time (Osterman 1999; Benner, 1999). However, there are few ethnographic studies of the proliferation, expanding scope, and inner workings of these institutions. My research will illuminate the strategic intermediary role played by LMIs through a comparative analysis of a private sector staffing agency and a non-profit temporary placement and advocacy organization.

Whereas neo-classical economic theorists have argued that labor markets are structured by benign processes of supply and demand, economic sociologists argue that labor market structuring is shaped by non-market processes such as social and political relations (Block, 1990; Granovetter, 1985). My research explores the extent to which new forms of the LMI are influencing the corporate landscape by defining the terms of employment and how work gets done. The second phase of this ethnographic study addresses the following questions:

- a. How do traditional and non-traditional types of LMIs affect labor markets, employment conditions and corporate hiring practices?
- b. How do private sector LMI practices influence work processes and corporate hierarchical structures?
- c. How might non-profits and governmental agencies shape temporary help industry and corporate employment practices?

## Research Design and Methodology

Estimates indicate that contingent labor is rising dramatically in the U.S. In Silicon Valley in particular, approximately 30 - 40% of all employees are contingent workers. In this region, the contingent workforce is growing three to four times as fast as overall employment. Since 1984, employment in Silicon Valley's temporary help industry has grown by 150% – a rate more than 15 times the overall employment growth in the region (Benner, 1996).

Researchers have noted that Silicon Valley is an important context for examining the rise of intermediary institutions and trends in flexible labor markets. The region is seen as a trendsetter for two reasons: 1) the newness of Silicon Valley's industrial structure makes especially visible new patterns of work and employment; 2) it is a global center of innovation in technology which has led to comparable developments in innovative management and human resource practices. Research on Silicon Valley has international import as economic trends and forces are often deeper and more exaggerated there (Benner, 1999; Osterman, 1999; Saxenian, 1994 and 1996).

I have chosen to compare two strategically important agencies, one in the private sector and the other a non-profit. To date, there are few if any first-hand observational comparisons of private and public sector LMIs. This comparative research design will give the study an analytical edge and will rely primarily on fieldwork – observations and interviews – and archival data. I will also draw on secondary quantitative and qualitative data to shed light on the larger LMI landscape. The ethnographic depth of investigation will reveal the complexities of LMI institutional practices and their impact on corporate structures.

### *Data Collection and Analysis: Phase I – June 2000 – October 2000*

In Phase I of the data collection, I observed first-hand the institutional dynamics of a prominent private sector agency in Silicon Valley.<sup>1</sup> My position as a technical

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1. I maintain the confidentiality of this private sector agency and the anonymity of the agency's staff, temporary employees, and clients. In the dissertation research write-up I will provide a pseudonym for the name of the agency and I will avoid discussing issues that could reveal the agency's identity. I will not be able to conceal the identity of the non-profit agency since it is one of a kind and the identity would be quite obvious. This is one of the only non-profit temporary staffing agencies in the U.S. making it's identity impossible to conceal. However, I will maintain the anonymity of the organization's staff and all persons I

recruiter and placement specialist gave me a unique vantage point with which to study the changing relationship between LMIs and corporations. For four months, I observed the daily practices of the agency – focusing on hiring stratagems and contract negotiations. I studied the ways employers with employees were matched; the overall relationship between client companies and contingent workers; and the agency’s institutional role in public forums. During this phase, I also collected qualitative observational and archival data on the temporary staffing industry at large.

*Data Collection and Analysis: Phase II – May 2001 – October 2001*

During Phase II, I will focus my ethnographic research on a non-profit LMI institution – *Working Partnership’s Temporary Worker Employment Project (WP)*. WP is an important player in the explosive growth of Silicon Valley’s contract labor market as their primary goal is to upgrade and regulate the staffing industry and corporate employment practices. Although they embrace the potential that contract labor has to contribute to regional economic success, they are consciously working to balance the needs of corporations and employees. Drawing on Benner’s research on the founding of this non-profit agency, my study will highlight the maturation of this organization’s relationship with firms in the region and their efforts to affect corporate governance (Benner, 1999).

My qualitative research at WP will include: 1) observation of daily activities; 2) interviews of corporate managers who have hired temporary employees through the agency; 3) investigation of the contractual relationship between firm, agency and employee; 4) and interviews of a range of employees recruited by this non-profit agency. This multifaceted approach will illuminate each leg of the LMI – employer – contingent worker triangle and reveal how the relationships are structured.

The logic of this research design will provide a rich body of ethnographic detail for the analysis of micro-institutional practices within the context of larger macro socio-economic, cultural, and political forces. The secondary qualitative and quantitative data on multiple institutions and regional practices will map out the larger landscape of interaction between LMIs, corporations and the exploding contingent workforce.

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observe at the organization by providing pseudonyms for individuals. Moreover, I will focus the research write-up for both the private agency and the non-profit organization on non-personal institutional practices.

## **Conclusion: Significance of the Research**

The outsourcing of employment relations extends workplace practices beyond the traditional confines of the firm. This raises questions about the need for a deeper understanding of the complex relationships between LMIs, employees and firms. By extending the field of study on corporations to include a focus on intermediary institutions, my research provides an important lens with which to better understand newly emergent corporate and public institutions in the new economy.

Silicon Valley provides an excellent site for an investigation of Labor Market Intermediaries because it is the center of the high tech revolution that is driving an unprecedented transformation of labor market dynamics and corporate practices. Although the diverse body of literature on contingent labor continues to uncover an increasingly complex social phenomenon, the role of LMIs remains little understood. It is often assumed that market forces dominate the structuring of labor markets. This comparative study will provide scholars and policy makers with rich ethnographic data illuminating the role that LMIs play in restructuring labor markets in the region.

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