TEMPS AND THE LABOR MARKET

WHY UNIONS FEAR STAFFING COMPANIES

by Brad Lips

IN THE 1990S, advocates of big government have fallen into a predictable routine. First, they locate aspects of life that resonate emotionally with voters. Then, they loudly proclaim the existence of a "crisis" that can only be remedied via new regulation. They have tried it with health care, child care, and election financing. The next target on the list could be employment contracts. If that comes to pass, for-profit companies that provide temporary staffing and other forms of alternative staffing arrangements will surely become the scapegoats.

The groundwork for such action has been laid through the promulgation of scary stories about "good jobs" falling prey to greedy capitalists who force workers into "contingent" positions characterized by low pay, few benefits, and no job security. Feeding off of the anxiety from various corporate downsizings, books such as Jeremy Rifkin's, *The End of Work* have decried the "rapid rise in part-time contingent work" as one of the trends that leaves Americans feeling "trapped . . . not knowing if or when the reengineering drive will reach into their own office or workstation, plucking them from what they once thought was a secure job and casting them into the reserve army of contingent workers, or, worse yet, the unemployment line." Even in the present era of low unemployment, much of the public seems receptive to this message. As evidence, look at the success of the teamsters in using contingent and part-time employment as buzzwords to rally prounion sentiment during the strike against UPS in late 1997. Since the political strength of labor unions is threatened by staffing companies, more of such arguments can be expected.

But staffing companies are not a threat to American workers. Rather they provide beneficial services for both the employees and employers that they serve. However, they do continue to marginalize private sector unionism. According to the Bureau of Labor Statistics one in three nonagricultural employees in 1954 were unionized; the ratio today is less than one in ten. Certainly, the fall is partly due to competition among staffing companies, not only to win contracts with employers, but also to represent workers in the labor market.

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. In this case, the supposedly unique services of unions—bargaining on behalf of workers for higher wages, improving worker skills, providing access to desired benefits or flexibility—are being duplicated by staffing companies that deliver those services to individual workers more efficiently and more broadly. The efforts of thousands of staffing agencies 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.

THE "CONTINGENT WORKER CRISIS"

Though private employment agencies have existed in the U.S. since 1863, the modern temporary staffing industry emerged after World War II with the founding of the Kelly Girl Service by William Kelly in 1946 and the Manpower Corporation by Elmer Winter and Aaron Scheinfeld in 1948. The former became the first multiregional temp company; the latter was unique for expanding beyond clerical help and into industrial temporary positions. Today, Manpower and Kelly Services remain the largest and second-largest American-based staffing firms, respectively. (See Figure 1)

Due to low barriers of entry and strong demand, the number of temporary staffing firms escalated rapidly until the economic slowdown of the early 1970s, which coincided with Baby Boomers flooding an already loose labor market. When businesses began to recover, however, they increasingly turned to temporary agencies. Except for a brief lapse during the recession of 1990-1991, staffing sector growth has stayed strong ever since; industry payroll since 1990 has expanded by an average of 14 percent annually.

While the sector's growth has been impressive, the statistics need to be placed in perspective: though the number of temps working each day has increased to 2.3 million, up from approximately 400,000 in 1980, as a percentage of total nonfarm employment the increase is barely on the radar screen. Temporary employees accounted for 0.46 percent of workers in 1980 and account for 1.87 percent today. (Lewis M. Segal and Daniel G. Sullivan, "The Growth of Temporary Services Work," *Journal of Economic Perspectives* (Vol. 11, No. 2, Spring 1997). What then is the basis for the alarmist diatribes?

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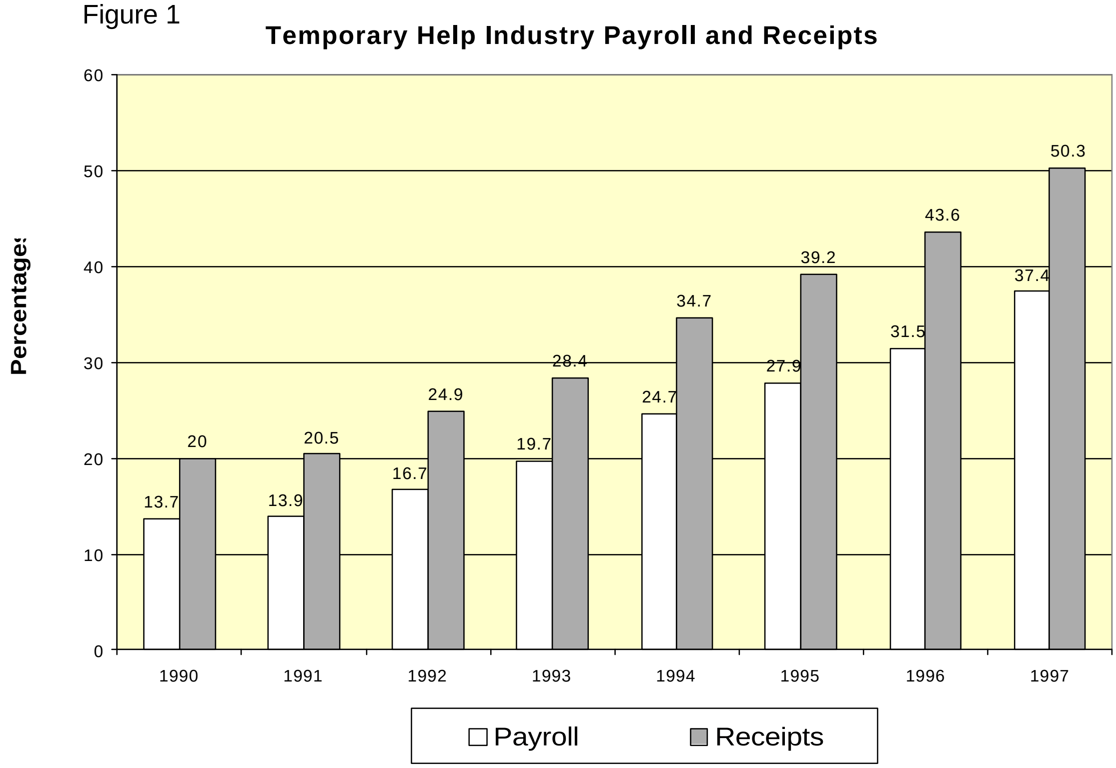
Figure 1



Source: The National *Association of Temporary and Staffing Services.

Richard Belous's 1989 book, *The Contingent Economy*, assembled a definition of the "contingent workforce"—encompassing temps, the self-employed, as well as part-time and business services employees—that could be estimated at 25 percent to 30 percent of the workforce. Such numbers translated into convenient headline-grabbers; *Time*'s was "The Temping of America" on 29 March 1993 and *Fortune*'s was "The Contingency Work Force" on 24 January 1994. But they fail to stand up to scrutiny.

First, swelling the numbers of the "contingent workforce" by including part-timers (18 percent of total nonfarm employment) and the self-employed (7.5 percent of total nonfarm employment) sabotages the claim that the category has been growing. Part-time employment peaked in 1983 at 20 percent, and has oscillated around 18 percent ever since; according to the Bureau of Labor Statistics, only one out of five part-timers would prefer a full-time position. The number of self-employed workers declined as a percentage of the total workforce until the late 1960s; thereafter, it has remained between 6 percent and 8 percent. (See Max R. Lyons, *Part-Time Work: Not a Problem Requiring a Solution*, Washington DC: Employment Policy Foundation, 1997.)

Second, there is little rationale behind grouping those individuals together—that is, unless one is working on behalf of labor unions to identify categories of workers that, by and large, do not participate in collective bargaining. Most unabashedly, Belous conceded that while most business services employees have ongoing, full-time jobs, they are included in his "contingent" definition because "Unionization levels within the business service industry tend to be small. Also, the median length of job tenure is low (i.e., 2.7 years for people in the business service industry compared to 4.3 years in all industries)," (Richard Belous, *The Contingent Economy: The Growth of the Temporary, Part-Time and Subcontracted Workforce*, Washington, DC: National Planning Association, Report #239, 1989). While it is comforting to know that modern liberals are willing to shed tears for myself, other freelance writers, and self-employed consultants, doctors, and lawyers, most of us are doing just fine, thank you.

It is not surprising then that when the Bureau of Labor Statistics first measured "the contingent workforce" in 1995, it uncovered no crisis at all. BLS identified six million contingent workers, or 4.9 percent of total U.S. employment, defining the category as "those who do not have an implicit or explicit contract for ongoing employment," (Bureau of Labor Statistics, "Contingent and Alternative Employment Arrangements," Report 900, August 1997). When a follow-up study was conducted two years later, BLS found the number of contingent workers had fallen to 5.6 million (Bureau of Labor Statistics, "Contingent and Alternative Employment Arrangements, February 1997," USDL 97-422, 2 December 1997). So much for *Time* magazine's prediction that half the workforce would be composed of contingent employees in the year 2000.

Within the more specific category of workers paid by temporary help agencies, the BLS showed trends that appear, on the surface, to provide legitimate ammunition for opponents of for-profit staffing firms. The median weekly earnings of such individuals lags significantly behind workers in traditional employment arrangements, as do percentages of those covered by health insurance. When asked, nearly 60 percent of respondents in that category indicated a preference for a traditional employment arrangement.

However, those numbers, again, are misleading. After all, by the BLS's own definitions, a full 43.2 percent of workers paid by temporary help agencies are not "contingent" in the first place. Some are full-time employees of the staffing agency. Others expect their routine of taking on various temping assignments to go on indefinitely. They might be temporary workers at particular establishments to which they are assigned but they are permanently working.

Moreover, comparing average compensation of temps and permanent employees overlooks fundamental differences in the groups' levels of experience and education. Such analysis presupposes a consensus about what constitutes a "good job." In reality, the temporary workforce is multifaceted and diverse, possessing different values and expectations of their employment experience. To understand how individuals are personally served as temps, one must first grasp how for-profit staffing companies operate and the role they play in the larger economy.

THE FUNCTION OF TEMPORARY STAFFING

Temporary help firms act as intermediaries in the labor market, matching buyers (i.e., employers) and sellers (i.e., employees) in a manner analogous to any other trading floor. To earn their keep, temporary help firms must supply value to both participants in the transaction.

Businesses and other organizations find value in hiring temps during periods of peak demand and to handle special projects. By applying "just-in-time" principles to labor, companies are able to minimize fixed costs and stay competitive. Moreover, the use of temporaries fits in with the larger trend of outsourcing functions that are outside a company's core competencies. For instance, a small business can get a specialist to install a new LAN mail server without maintaining an information technology department. Alternatively, it can complete a large mailing by bringing in unskilled temps, instead of diverting other employees to handle menial tasks. Employers looking to fill permanent positions can bypass the routine of reading resumes and interviewing applicants by assessing the performance of temps before extending official job offers. This temp-to-hire phenomenon represents the exact opposite of the trend predicted by people who say temporary staffing is replacing traditional employment.

Temporary staffing agencies offer to individuals in the labor market a shortcut in their search for employment. For some—particularly students, seniors, or parents who like having flexible work hours—temp jobs are an attractive means for gaining supplemental income and experiencing a variety of work places. Others take on temporary assignments as a means to earn money during an extended job search, allowing the worker to hold out for a better permanent job offer. As mentioned above, some firms specialize in providing "temp-to-hire" positions, so the employee can leverage his or her temping opportunity by turning it into a full-time position. Still others value temping as a means to gain entry into the labor market, gain new skills, and meet new people.

Staffing companies are paid by businesses for the hours of labor that temporary employees work. The workers are kept on payroll by the agency. The National Association of Temporary and Staffing Services has estimated that for every $100 in salary, employers actually incur costs of $137, when adding on the effects of mandatory taxes, insurance, company-paid benefits and absenteeism. Typically, staffing companies are compensated the salary of the temp worker plus a 40 percent markup, to cover payroll and other taxes, administrative expenses, and profit. That suggests temporaries cost roughly the equivalent of permanent employees on a per-hour basis. Employers find three principle advantages to using temps. First, they can pay for only the hours of labor needed from particular employees. Second, they can procure services from individuals with unique talents on an "as needed" basis. And third, they can, in effect, outsource the human resources functions of recruiting individuals for assignments of a limited duration.

To differentiate themselves in the market, many staffing companies have developed innovative service offerings. Interim Services was one of the earliest companies to develop "vendor-on-premises" relationships; by putting an office at a customer's site and assuming responsibility for integrating temp help into the human resources needs of the firm, a company can create a deeper relationship with its customer. Other staffing companies win large contracts by locking into long-term agreements on rates, thereby assuming the risk over changes in wages: in effect, those are futures contracts on skill sets demanded in the labor market. Still others bid flat fees on specific projects—in the same manner as consultants—taking on risk over the ultimate duration of the project.

Additionally, a few companies, such as Barrett Business Services, are combining traditional staffing services with the functions of professional employer organizations. Those organizations service small businesses by putting existing employees on their payroll, processing the necessary legal paperwork, using economies of scale to procure discounted contracts with providers of health care insurance, and assuming risk over worker's compensation insurance.

Clearly, staffing firms add value to the economy by facilitating greater efficiency in labor markets: resources are allocated where and when they are needed, while minimizing the costs, in dollars and in time, of hiring and dismissing that personnel. But even in an economy stripped of the regulations that raise the costs of employment for businesses and, therefore, encourage the use of third-party staffing companies,

Table 1

Percentage of Temporary Payroll by Industry Segment

Industry Segment	1992 (Total Payroll = $16.7 billion)	1997 (Total Payroll = $37.4 billion)
Office/Clerical	46.6%	36.6%
Industrial	27.5	34.4
Technical	10.2	13.4
Professional	5.3	7
Health Care	8.8	3.5
Marketing	Not Measured	0.8
Other	1.5	4.1

Source: "Profile of the Temporary Workforce -- 1997," *Contemporary Times* , (Arlington, VA: The National Association of Temporary and Staffing Services, 1998).

staffing firms would serve an important function in light of the trends toward corporate outsourcing and minimizing risk over future operating costs.

What is important to remember, however, is that staffing companies provide value to the very employees that are said to be victimized by such alternative employment arrangements. In a decade in which heightened international competition mergers, and acquisitions have fostered worries about "job insecurity," staffing firms have succeeded in offering a different kind of "employment security," smoothing the ups and downs of a market economy. That is the hidden story of for-profit staffing companies, which runs counter to three frequently-espoused but dubiously-concocted myths.

Myth #1: The growth of the temp industry reflects the loss of "good jobs," which are being replaced by "bad jobs."

Although temps are often stereotyped as receptionists and low-level workers, the staffing industry is now something of a microcosm of the U.S. workforce itself. Industry growth over the past decade has been sustained, in large part, through expansion into higher-skilled professional niches. Witness the growth of professional and technical temporaries, from $2.6 billion in 1992 payroll to $7.6 billion in 1997. The current "skills shortage" in information technology has put such workers in the labor market catbird seat. Many work through temp companies as a way to vary their job assignments, learn new skills and ensure that they will receive fair market wages, instead of having to fight for raises with a long-term employer. (See Table 1.)

Bruce Steinberg documents in "Profile of the Temporary Workforce–1997," in the Spring, 1998 issue of Contemporary Times, that the latest statistics regarding average wages for temporary workers show an increase of 33.7 percent, from $7.56 per hour in 1994 to $10.11 per hour in 1997. That compares to only a 10.3 percent increase in wages across the broader economy. Admittedly, this composite trend is influenced by changes in the job mix of the industry, and therefore does not represent the fortunes of every temporary worker. But it at least demonstrates the absurdity of claims that temp workers have little chance of wage increases. Moreover, differences in average wage rates between permanent employees and temporary employees are mostly explained by the former group's comparative lack of experience, education, and job tenure.

Another key to dispelling the myth that "bad temp jobs" are replacing "good traditional jobs" lies in understanding how temporary staffing employment levels tend to be a leading indicator of changes in the business cycle. When economic activity begins to slow, companies stop using temps; painful layoffs of permanent employees typically happen later, near the bottom of the business cycle. When those layoffs do occur, in the midst of a recession, many individuals will seek a paycheck through a temp firm, rather than collect unemployment. When a recovery starts, businesses look to those reserves of temps to meet increased demand; only later, when continued expansion appears more certain, do companies seek full-time hires again. Not coincidentally, much of the literature taking aim at the staffing industry was written in the wake of the early 1990s recession, reacting to stories of downsizing and the 1992 ramp-up in use of temps, without considering that recurring cycle as context.

Table 2
Factors Considered in Decision to Become a Temporary Employee

Factors Considered in the Decision to Become a Temporary Employee	% Answering "Very Important" or "Somewhat Important"	
	1994	1997
A way to get full time work	76%	74%
Additional income	78	73
Improve skills	67	64
Flexible work time	63	64
Between full time jobs	59	55
Less stress	45	46
Need time for family	44	43
New to area	33	30
Can't work full time	21	19

Source: "Profile of the Temporary Workforce -- 1997," Contemporary Times, (The National Association of Temporary and Staffing Services, Arlington, VA: 1998).

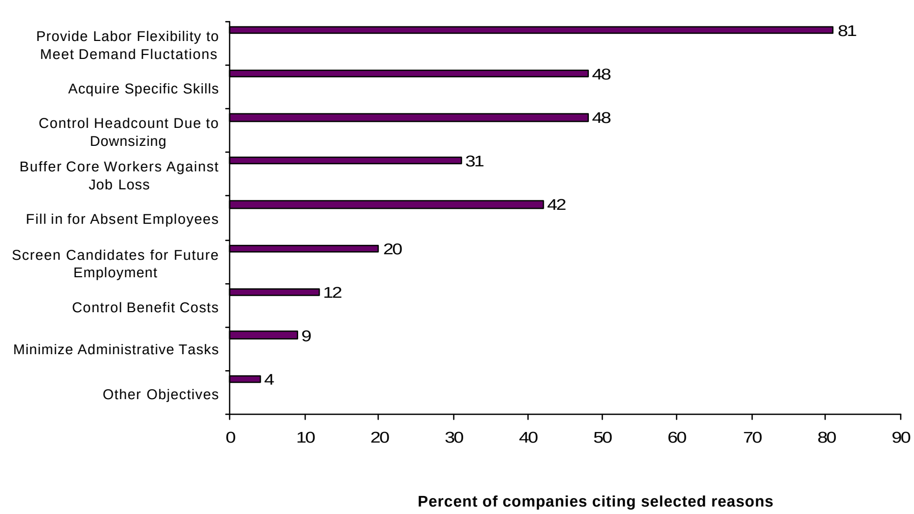
Myth #2: Temporary employment consists mostly of dead-end jobs.

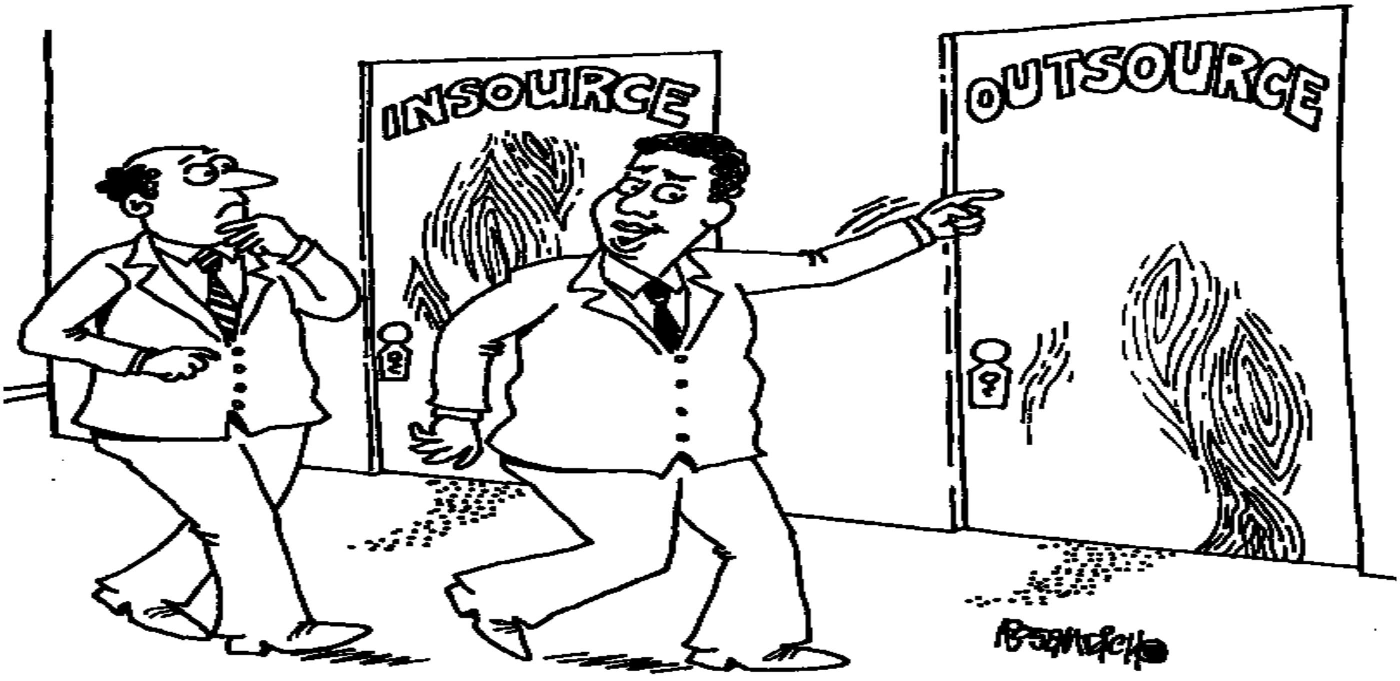
The assumption that temporary employees are "trapped" in temporary employment stems from the belief that employers have converted a mass of permanent jobs into temp jobs. While the drive to improve efficiency has led businesses to outsource noncore operations and employ temporary workers as an ongoing business tactic, seldom are temporaries involuntarily stuck in undesirable situations. The average tenure of temporary workers is only about fifteen weeks, based on employee turnover of 361 percent in 1996. A survey of former temporary workers, conducted by the National Association of Temporary and Staffing Services in 1995, found that 72 percent of former temps moved into permanent positions (63 percent full-time; 9 percent part-time). Among this population that found jobs, 40 percent (or about 29 percent of all former temp workers) came from the same organization where the worker held his or her temporary job. Indeed, another NATSS survey found that "a way to get full time work" was one of the most significant factors in individuals' decisions to begin temping, as shown in the table below.

Temp-to-hire arrangements, which allow employers to screen candidates for permanent positions via temporary employment, have become increasingly common in the 1990s. That is in part due to the weakening of the employment-at-will doctrine through legislative mandates and judicial decisions. Under that doctrine, employers can hire or dismiss employees

Figure 2

Why Companies Use Contingent Workers





"THAT'S THE DOOR I'M LOOKING FOR!"

as they see fit—without the need to justify their actions to government officials. The erosion of that freedom has raised the costs of putting individuals on payroll. Staffing companies have helped reduce those risks by allowing to assess individuals based on job performance before having to make a lasting commitment. Workers, in turn, can survey multiple industries and job settings, while earning cash and gaining experience.

Significantly, about twenty percent of temps were students before becoming temporary employees; that statistic suggests that staffing companies provide entry-level transitional work for those who are entering the workforce for the first time. Far from being "dead-end jobs," a temporary position can be that all-important first position that instills the discipline necessary to succeed in the working world, provides networking contacts and references, and helps individuals formulate career aspirations. While a significant percentage of clerical and blue-collar temporary positions are tedious and personally unfulfilling, they suit the needs of particular workers who may otherwise be excluded from mainstream jobs.

Myth #3: Temporary employees are deprived access to benefits.

A common criticism of temp jobs, compared with traditional conceptions of "good jobs," is the lack of health benefits and pension plans. Contrary to conventional wisdom, however, "controlling benefits costs" emerges as only a "minor reason for contingent worker use," according to a survey of employers conducted by the Conference Board.

Only 46 percent of temporary employees have private health insurance, compared with 83 percent of workers in traditional employment arrangements, according to the Bureau of Labor Statistics. However, the difference in benefit coverage again says much about the demographics of the temporary workforce and their job preferences.

The population of temporary workers is disproportionately young. According to the Bureau of Labor Statistics, 22.6 percent of temps are younger than twenty-five, compared to just 14.8 percent among workers with traditional employment arrangements. The young workers, often still in school and without dependents, are often more interested in earning take-home cash and building flexibility into their work schedule than in the perks associated with the traditional employment contract. Moreover, since the average tenure in the temporary workforce is three to four months, many temps do not place a high priority on securing benefits in what they likely view as an interim position. Since staffing agencies have traditionally required workers to complete a minimum number of work weeks before getting access to health benefits or earning paid vacation days, many temps move on to new positions before becoming eligible for such advantages.

Interestingly, however, more and more staffing companies are now using benefit programs and other frills to lure individuals into longer-term commitments. In the current period of very low unemployment, recruiting costs have escalated; that, in turn, gives staffing companies great incentive to retain competent workers. As a consequence, staffing companies have extended the number of workers receiving from their employer health insurance (currently 14 percent, vs. 8 percent in 1994), life insurance (6 percent, up from 4 percent) and inclusion in a 401(k) retirement plan (six percent, compared to 2 percent.)

Many companies have been motivated to provide other perks, such as cash bonuses for successful referrals and employee raffles to win vacation packages and other big ticket items. However, perhaps the most important services being provided by staffing companies are skills training programs, often offered at no cost at all to the employee.

THE POST-INDUSTRIAL LABOR MARKET

As shown above, the lone component of the so-called "contingent workforce" that has actually experienced significant recent growth is the cohort of temporary workers employed through staffing services companies. Contrary to popular belief, there is great diversity among the temporary workforce; while a majority still perform lower-skill clerical and industrial work, much of the sector's growth has come in the technical and professional areas where hourly bill-rates can exceed one hundred dollars. Throughout this continuum, few workers are actually "stuck" in temp jobs. Many prefer the flexibility temp work provides, others utilize such positions to earn income or gain experience while finding a permanent position.

Given the largely positive impact of staffing services companies, it is surprising that enemies of capitalism have been successful in rousing public opinion against them. However, it is important to realize that the U.S. labor market is gripped by change, which creates understandable anxiety for those most likely to be dislocated. Placing the blame on staffing companies therefore resonates emotionally with much of the public, even if there exists no causal link between industry success and labor market turbulence.

Popular conceptions of "good jobs" were forged in the heyday of American unionism, which peaked in the decade after World War II, as the U.S. emerged as the world's dominant industrial power. But with the dawning of the Information Age, the implicit "employment contract"—a trade-off of company loyalty for job security—has been replaced by a more dynamic, less predictable arrangement. Brian O'Reilly, in a 13 June 1994 article in *Fortune,* describes the new contract, from the employer's perspective, as follows:

> There will never be job security. You will be employed by us as long as you add value to the organization, and you are continuously responsible for finding ways to add value. In return, you have the right to demand interesting and important work, the freedom and resources to perform it well, pay that reflects your contribution, and the experience and training needed to be employable here or elsewhere.

The Information Age economy no longer places a notable premium on job tenure or firm-specific knowledge. The new management philosophy—which is gradually moving from hypothesis to standard practice—expects that employers will pay for skills that add value to the organization, and that they will minimize the firm's excess baggage. That means outsourcing operations that do not build a competitive advantage in the marketplace, and laying off workers who are unproductive or idle due to fluctuations in demand.

Current Population Survey data concerning job security shows no overall change in job duration from 1973 to 1993. But according to Cameron D. Reynolds and Morgan O. Reynolds, in the article "State Court Restrictions on the Employment-at-Will Doctrine" in *Regulation* (Vol. 18, No. 1), disaggregated data shows that educated women have increased their tendency to hold long-term jobs. On the flip side, there has been a decline in the number of long-term jobs held by less-educated males. Thus, the statistical trends—as well as the common-sense implications of the Information Age—suggest that stability and success in the future can only be obtained by continuously learning skills that are in-demand among employers. Discussions of labor policy should revolve primarily around that idea.

WHAT SERVES WORKERS

The following question then emerges: does the staffing industry help or hinder workers, as they try to find attractive job opportunities, increase their value in the labor market, and achieve a happy balance among work, family and leisure? Also, how do existing institutions that claim to benefit workers, e.g., labor unions, fare by those same measures?

Staffing companies must compete to serve their employees, lest they lose them to competitors in a very crowded market. Just as many employers use multiple staffing vendors to find the lowest price and best service, workers are apt to look for employment at several staffing companies and take only the best position offered. Given increasing access to information about the job market, especially with the rise of Internet job banks (some sponsored by existing staffing companies, some run as independent businesses), the costs of switching employers is decreasing. Workers can test their worth in the labor market, without enduring a lengthy job search, by accessing the resources of for-profit enterprises that specialize in matching the skills and interests of employees and employers.

By contrast, labor unions have traditionally organized around a specific industry or company in order to advance the interests of its own members. Their actions, as a result, are often antithetical to the welfare of individuals outside their membership, especially those who lack the skills valuable to employers. As Charles W. Baird writes in the December, 1997, *Freeman,* "Economists have always understood that a labor union is merely a cartel. It is a group of sellers of labor services in collusion to eliminate competition among themselves and to try to quash competition from others." The effect of minimum wage hikes, and other government interventions in the employment contract advocated by unions often make the hiring of new low-skill workers by companies uneconomical, thereby increasing unemployment.

The profit motive drives staffing firms, on the other hand, to draw new segments of the population into the workforce. Many engage in outreach to marginalized populations—the unemployed, retirees, students lacking previous job experience—and provide them with an opportunity to earn extra income and gain independence. Even Richard Belous is quot-

YES, WE DO HAVE MANY OPPORTUNITIES FOR ADVANCEMENT HERE.

ed in the *Washington Post* of 20 October 1993 as crediting temp help firms like Manpower, Kelly, and Norrell with having "done more to train inner-city residents than all the government training programs combined."

There is also a strong incentive for staffing firms to increase the "market value" of the temporaries on their payroll. If temps can, through company-sponsored training programs, become proficient at working with in-demand computer applications, both the worker and the staffing company will enjoy higher per-hour earnings for that individual's labor. The range of skills being taught by staffing companies runs the gamut—some of Manpower's low-skill workers are taught basic rules of workplace etiquette through its Putting Quality to Work program; others take advantage of the company's computer-based training software, TechTrack, which provides lessons on client/server networking and operating systems technologies. The specialized staffing firm, Romac International, sends its most qualified personnel to periodic sessions of its "Emerging Technologies Group," which educates experienced Information Technology workers on new applications.

Providing opportunities for training and self-improvement is one of the key impetuses for labor unions and for government jobs programs. The difference is that for-profit enterprises have a vested interest in the success of their efforts. Whereas the monopoly power of government or particular unions ensures an insensitivity to failure, staffing firms know that individuals have recourse if they are not well-served: they can choose to patronize another staffing company.

Finally, because participants in the workforce possess a diversity of interests the unions' claims of representing the collective interests of their members are dubious ones. The 75 percent of UPS part-timers who did not want a full-time position could not have been thrilled with the grandstanding of the Teamsters that produced an outcome turning a number of part-time jobs into full-time jobs. Staffing firms build relationships with workers individually, and must cater to the diverse life preferences of single mothers, part-time students, seniors and others for whom a forty-hour work week may not be desirable.

In the twenty-first century, several broad trends will continue. Many individuals desire more flexibility in their work life; the importance of company-specific and industry-specific knowledge is declining relative to that of functional skills; and increasing competition will ensure that only companies that are flexible to respond to changes in the market will be able to succeed over time. The modus operandi of labor unions is diametrically opposed to those trends; the for-profit staffing industry can only thrive by accommodating them.

RECOMMENDATIONS

Any piece of legislation or regulation that creates new impediments to the free flow of labor should be dismissed as a relic of Marxist economics. The evidence of the twentieth century shows that prosperity follows freedom, and government programs to bolster job security and income equality inevitably have the unintended consequence of paralyzing economic growth. Enlightened policymakers will follow the advice, "first, do no harm."

So far, the union push for mandatory temporary work wage and benefit laws have received little support on either the federal or state level; however, cases pending before the National

Labor Relations Board threaten the current legal employer status of third-party staffing companies. If the NLRB decides that temporaries' compensation levels are dictated not by the staffing company but by its customer, the temporary workers could be lumped together with the customer's permanent employees. Of course, that would lessen the productivity advantages realized by a business using flexible staffing. It is most likely exactly what the unions want, along with the chance to extract union dues from a new population. No matter that individual workers would find new barriers to entering the workforce, no matter that labor force inflexibility would add to unemployment lines and welfare roles—labor unions operate on behalf of their members, not the general public.

By contrast, for-profit 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 their 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. A constructive way to limit the growth of temporary staffing would be to remove those barriers to the creation of permanent positions. By reasserting the "employment-at-will" labor regime that has been threatened by rulings from the bench in recent years, or by legislating a roll-back of requirements now imposed on employers, policy-makers could unleash true free markets in labor.

In lieu of such dramatic reform, advocates of free markets should, at a minimum, protect for-profit staffing companies from increased regulation. The profit motive is far more likely than any government directive to act as a catalyst for establishing order and efficiency in labor markets.

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