
Employer Intermediaries: A Briefing Paper

Prepared for the Planning Conference

The Employer Workforce Development Initiative:
Partnering with Communities to Create a
Workforce for the New Millennium

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I N T R O D U C T I O N

This spring, Jobs for the Future, the National Association of Manufacturers, and the U.S. Chamber of Commerce, with support from the Ford Foundation, are launching “The Employer Workforce Development Initiative.” The initiative will examine and enhance the role of employer associations as intermediaries that can (1) assist employers in meeting their workforce needs through creative new strategies; and (2) help disadvantaged individuals secure better access to high-skill, well-paid employment. The primary activities will be provision of funding and technical assistance to selected members and affiliates of the National Association of Manufacturers and the U.S. Chamber of Commerce that are working to build their capacity as employer intermediary organizations.

This briefing paper, prepared for the project’s Planning Conference on May 18-19, 1998, has three parts:

- **Part I** discusses the ways in which the new economy creates labor market and workforce development challenges and opportunities that local intermediary organizations, including employer-initiated intermediaries, have begun to address.
- **Part II** outlines three major functions intermediary organizations can play to make it easier for employers to find and keep qualified workers. These functions are: *organizing and representing* employers; *brokering services* and referring employers to vendors for recruitment, training, support services, and other workforce needs; and *delivering* such services directly.
- **Part III** presents key challenges and decision points for employer intermediaries as they decide how they will help local employers meet their workforce development needs.

A Growing Challenge: Finding Qualified Workers

The U.S. economy is in the midst of its strongest sustained performance in decades. Unemployment is at a low 4.7 percent, and inflation is in check at under 3 percent. Productivity is making a comeback in some industries, while soaring stock prices reflect consumer and employer confidence.

However, in this strong economy, employers face very real challenges as they try to expand, become more efficient, and compete in a demanding global and national economy. The combination of low unemployment and a shrinking labor supply places great strain on employers that rely on traditional strategies for finding—and keeping—qualified labor.

Employers identify this short-term recruitment challenge as among their most pressing problems. In a recent National Association of Manufacturers-Grant Thornton survey, 88 percent of manufacturers reported a shortage of qualified workers in at least one job category, a shortage that has become progressively more severe since a similar 1991 survey.

The difficulty many firms are having finding qualified workers in a tight labor market brings into stark relief longer-term human resource challenges that will persist even when the economy cools:

The public system for matching workers with jobs and improving labor market functioning is inefficient and inadequate. It is plagued by insufficiently detailed labor market information and the reluctance of many employers to participate actively. Moreover, it lacks both adequate resources for its task and a sustained commitment to incumbent workers. For the most part, workforce development policy targets modest resources to a small subset of the population, the hard-to-employ, providing them with limited services, such as assistance with job searches and short-term training.

Public and private sector job-matching mechanisms are under even more strain than normal in today's volatile, unstable job market. To contain costs and become more competitive, employers have sought to increase their flexibility in hiring and deploying employees. In the process, they have weakened or avoided traditional internal labor markets, instead relying more on contingent workers at the low end and on looking outside the firm for higher-skilled workers. These trends have, in turn, contributed to greater “churning” within the labor market, illustrated by more frequent job searching and job changing among individuals. In addition, many employers are moving toward more team-oriented, flexible forms of production, where the employee “fit” is increasingly important to productivity. In this new employment environment, effective matching is increasingly important, and the inefficiencies of current mechanisms for finding (or creating) qualified workers for available jobs are of increasing concern to employers.

Employers' steadily rising skill expectations for entry-level workers further highlight the shortcomings of existing job-matching systems. Even as the pool of available workers shrinks, employers seek higher academic and social/communications skills from their entry-level workers. Although some jobs will always require little ability to read, write, or solve problems, these opportunities are already rare. This trend, though uneven, is further complicating the task of finding qualified workers for current and future jobs.

Employers have other good reasons to adopt creative alternatives to current strategies for securing workers. For example:

- Improving the job-matching process can dramatically increase a firm's productivity. It can reduce turnover and the need for intensive supervision, while making team-building more effective. The longer workers stay with a firm, the more likely they are to receive on-the-job training, increasing their value, and often their loyalty, to the company.
- Employers as a group may be able to avoid political backlash by taking more proactive steps. Income inequality has risen alongside extended prosperity and low rates of unemployment. Significant segments of the population are not benefiting from these good times, while the population in general remains anxious about long-term security, with some anger directed at corporate America. Addressing this situation could prevent a backlash that would increase labor market regulation and reverse favorable trends in tax and fiscal policy.

The combination of short and longer term challenges and opportunities has prompted many employers to pursue new strategies for finding and retaining qualified employees. One strategy would increase the *supply and quality of available workers*. This "supply-side" strategy focuses on improving the education and training opportunities for incumbent workers and new labor market entrants.

At the same time, innovative employers are seeking to improve the *matching function* itself, through more effective communications about labor market infor-

mation, creative labor recruitment, and more productive ways to assess and screen job applicants. In today's tight labor market, new strategies for locating non-traditional sources of potential employees are also emerging.

Some employers are also exploring ways to *alter their own corporate policies and practices in ways that make their job openings more attractive to different populations*. For example, while resisting wage increases, some employers are testing a range of post-employment supports, including mentoring, transportation and child-care assistance, along with other work-family benefits to retain workers.

Further, evidence is mounting that employers are becoming more aggressive and creative in their pursuit of qualified workers, looking for new strategies to tap three distinct populations: *incumbent employees* (e.g., the traditional workforce); *youth* (e.g., through school-to-career initiatives); and *"transitional" workers* (e.g., through welfare-to-work programs).

For example:

- Recent surveys of employer participation in school-to-work initiatives have shown that remarkably high numbers of employers—in the vicinity of 25 percent—provide young people with access to their workplaces as a way to improve career exposure and readiness.
- According to a National Association of Manufacturers survey, manufacturing employers are spending more on training for incumbent workers, up to 2 percent of revenues from under 1 percent in previous surveys.
- Temporary help/staffing firms comprise one of the nation's fastest growing industries. While employers continue to use this approach to maintain a flexible workforce, they increasingly are using it as a way to find, screen, and test the "fit" of new recruits with available jobs.
- Federal and state governments have succeeded in enlisting a host of large and small employers in welfare-to-work initiatives designed to increase the hiring of welfare recipients into paid jobs.

In all these efforts, a growing number of employers are collaborating with peers in their industry or sub-

sector to aggregate workforce interests and strengthen their voice in relevant policy debates.

Intermediaries: Helping Employers Address Changing Needs

As individual employers strive to improve the match between people and jobs, while also improving the overall quality of the skill base, they are finding that *new strategies require a new infrastructure* to assist them—particularly for small and mid-size firms. Such an infrastructure could provide employers with a collective forum through which to ensure that employment and training services align with labor market needs. It could promote efficient collaboration between the public and private sectors. And it could lower the costs to individual firms of communicating and coordinating with diverse service providers.

Increasingly, both employers and advocates for individuals in need of better employment are looking to a range of *intermediary organizations* to serve employer interests in the labor market. Such organizations can help improve the connections: (1) between groups of employers and job seekers; (2) between employers and local education, training, and service providers; and (3) between employers and the public-sector agencies responsible for workforce and economic development.

A broad and diverse array of institutions is exploring ways to meet new employer needs. These institutions include:

- *Temporary help firms* that wish to expand their market and profitability;
- *Community colleges* interested in increasing their customer base and serving both local residents and employers;
- *Community-based organizations* that want to improve the economic well-being and job prospects of particular constituencies;
- *Labor unions* that have decided that serving members includes participating in issues of labor supply and quality as well as bargaining over wages and working conditions; and
- *Publicly funded agencies*, such as one-stop career centers and private industry councils, that are trying to fill up-to-date workforce preparation missions.

Employer associations are an increasingly important player in this arena. Historically, employer associations at the local or regional level have focused primarily on collective benefits (e.g., group insurance) and lobbying on behalf of members. In recent years, however, organizations representing employers have begun to emerge as intermediaries, aggregating and serving their members around pressing workforce issues.

One trend in employer associations is toward forming *networks of firms in the same industry or cluster*. These firms organize to increase the flow of information among themselves, improve their relations with local educational and public-sector institutions, and bundle their common workforce and production interests so that they can benefit from economies of scale in negotiations with vendors. These networks may originate as production networks, driven by a desire to identify and fill higher-value-added niches in the marketplace. Yet many find that attention to workforce development needs grows directly from the mission of these “bottom-line” collaborations.

A second trend in employer associations is the move into workforce development activities by *local chapters of national employer organizations*, such as the Chamber of Commerce and the National Association of Manufacturers, extending their roles beyond traditional services. It is this trend that is the focus of this brief and The Employer Workforce Development Initiative.

The Functions of Employer Intermediaries

Whatever their institutional form, whether in the private, public, or nonprofit sector, existing intermediaries perform one or more of three general functions:

- *Organizing and Representing Employers:* Within an industry, sector, or region, intermediaries can bring employers together to aggregate and represent their interests in workforce development planning and policy. By leading or participating in advisory groups, planning bodies, and other organized partnerships, intermediaries help employers define and advocate for programs and services that meet collective goals.
- *Brokering:* Intermediaries can serve as a broker between employers and local players in workforce development, including educational institutions that provide employment and training services, social service agencies that provide support services to workers, and community-based organizations that have access to local residents in need of employment.
- *Delivering Services:* Intermediaries can deliver services directly to employers and their workforce, rather than acting as a broker that connects and refers employers to other providers. These intermediaries may enter into such arrangements as part of a mission to serve a particular target population.

Of course, every intermediary tailors its goals and activities to local economic and political realities. An intermediary organization created and sustained by local employers—what we term an *employer intermediary*—must decide where its priorities lie and assess its organizational capacity to engage in some or all of the options described in this brief.

To assist this decision-making process, the examples that follow illustrate the strategies of a variety of intermediaries, both employer intermediaries and others, in organizing employer interests, serving as brokers, and delivering direct services.

Organizing and Representing Employer Interests

Organizing and representing employers to collectively define, articulate, and advocate for their interests is probably employer intermediaries' most typical role. Within an industry or across a local labor market, employers frequently find it to their advantage to collaborate on issues of workforce policy and economic development planning in ways that can improve their ability to find qualified employees. Employer intermediaries can *create an agenda for collaboration across firms and industries on workforce issues, promote this agenda among employers and other local interests, and represent employer interests in multi-stakeholder planning and policy partnerships and arenas to further workforce development goals employers have identified.*

In this convening role, employer intermediaries can, for example:

- identify priorities for joint action;
- bring together firms in a particular industry to identify standards for use in local education and training programs;
- recruit high-profile employers to develop support for a local school-to-career initiative;
- negotiate with a regional transportation authority to modify local bus routes so that former welfare recipients can commute to jobs;
- participate in regional Workforce Development Boards as formal representatives of employers; or
- provide relief from the administrative burdens and added risks of participating in public/private efforts to introduce young people or welfare recipients to workplaces.

See profiles:

- *Center for Employment Training*
- *The Management Association of Illinois*
- *Philadelphia School-to-Career Leadership Council and the Education for Employment Office*

Brokering

Across the nation, employers are seeking help as economic realities force them to find new sources of workers and explore ways to improve the skills of their existing workforce. Employer intermediaries can facilitate this process, particularly for small and mid-sized firms, by (1) providing information and advice on workforce strategies; and (2) linking employers, individually and in groups, with local institutions and organizations that can help them address their needs.

Intermediaries can simplify the challenge for individual employers by developing efficient and effective relationships with high schools and colleges, training providers, community-based organizations, personnel firms, and other institutions. Intermediaries, particularly those that give priority to one or a few industry sectors, are able to structure and sustain a rich, detailed exchange of information about

employer needs and provider capacity. Even more important, intermediary organizations can help employers and service providers adapt to one another in ways that significantly improve the match between employer needs and provider responses.

As brokers, employer intermediaries can assist firms as they try to find and keep high-quality entry-level and higher-skilled workers. In this role, intermediaries can help employers find effective ways to obtain or provide:

- Intensive work-readiness training for welfare recipients entering the labor force as a result of welfare reform;
- On-site, post-placement supports and training for employees who need English as a Second Language and adult basic education courses, customized to improve performance in specific jobs;
- Consultation or advice on determining the educational and skill levels of lower-level incumbent workers and how these skills might be upgraded to meet employers' changing needs; and
- Support for workplace mentoring and work experiences for students participating in local school-to-career or other youth initiatives.

As the workforce-related challenges facing employers increase, along with the pressure to reach out to new and different populations as sources for qualified workers, the brokering function of intermediaries can take on especially significant value. Whether through helping employers identify a need for specific services, negotiating for collective provision of services, or supporting employers as they tackle new roles vis-à-vis their workforce, an intermediary organization can reduce individual employer costs and risks, identify resources, press for higher quality and more responsive services, and drive the implementation of effective workforce development policies and practices in the community.

See profiles:

- *Boston Private Industry Council*
- *Partnership for a Smarter Workforce*
- *Seattle Jobs Initiative*

Direct Services

While some intermediaries feel that their primary role is to be an effective, proactive broker among employers and between employers and other workforce-related institutions and service providers, others have identified gaps that they choose to fill by directly providing needed training, education, job matching, or social services. Instead of looking for the most effective ways for others to respond to specific employer needs, some intermediaries have chosen to become service providers themselves, designing programs addressing pre-employment job readiness needs or post-employment supports, for example.

An intermediary typically makes this choice based on a strategic assessment of its own capacity and that of the workforce-related infrastructure in which it is one player. It is an important choice for any organization, with significant implications for staffing, expenditures and revenues, corporate culture, and positioning within the community infrastructure.

See profiles:

- *Macomb Community College
Center for Training and Employer Services*
- *Twin Cities Rise!*
- *Tulsa Industrial Exchange, Inc.*

Implementation Challenges and Opportunities

Only recently have some employer associations, at the local or regional level, begun to assume the intermediary roles described in this brief. Yet helping employers in an industry or region understand and act on workforce needs collectively presents employer associations with a powerful opportunity to add value for their members and their communities.

The experience of existing intermediaries suggests several key implementation challenges and opportunities:

- ***Targeting priority clients among segment(s) of the employer community.***

The employer base in a community is diverse. A first challenge is to determine how to target the intermediary's employer outreach and activities. An association such as a National Association of Manufacturers chapter will, of course, serve the local manufacturing base. But lead industries within manufacturing may express greater need or be more ready to collaborate toward common goals. Will the intermediary focus on the needs of one or more sectors that are important to the local economy? Or is the goal to serve all comers in a geographical region? A carefully-designed process for deciding on target employers would be inclusive, and would yield a consensus on priorities.

- ***Conducting effective outreach to other employer and community institutions and partners.***

Every community has its own long-standing and complex interrelationships among organizations, institutions, and individuals. The decision to create a new organization or significantly expand the coordinating and convening functions of one that already exists will affect the local institutional "ecology." For this reason, outreach to other organizations that represent employers in the community, provide workforce-related services (e.g., education and training, social services, transportation), and form the core of the community's civic infrastructure must be done systematically and strategically. Sorting out existing institutions and relationships and clearly identifying gaps in the workforce system can enable an intermediary to avoid unnecessary conflict and minimize duplication of services.

An intermediary that brings existing parties together to promote their common interests and change local policies, practices, and politics must be strategic in building a base of political support and buy-in. Seeking input and support *early* in the planning process from potential allies and potential "competitors" is important. So, too, is ensuring that the people who are "brought to the table" through this outreach process have the authority and position to speak for their institutions and constituencies.

- ***Deciding on goals and priority activities that yield maximum benefits to employers.***

Employers tend to think in the short-term about potential gains and problems to be solved. Yet workforce challenges are both short-term and long-term, and an intermediary organization will have to pursue an agenda that balances short- and long-term goals. If goals and priorities are too distant, many employers will be skeptical of the value and hesitant to participate. If priorities and activities focus too much on a short-term hiring crisis, the intermediary will be unable to help employers look ahead and plan for lasting solutions to workforce challenges.

It is always a challenge to get individual employers to join these efforts and sustain their involvement. It is easier if the priority activities have a high value to the core membership. The importance of careful assessments of employer needs cannot be underestimated. Organizations sometimes assume they know what employers need and want, without undertaking a thorough and open planning and design process. This can seriously weaken employer buy-in.

- ***Matching organizational capacity to proposed activities.***

As emphasized above, intermediary organizations have to decide the extent to which they will act as brokers among local employers and workforce-related institutions versus providing direct services to individual employers. Will they create and deliver their own training or seek to make training provided by community colleges and other institutions more responsive to employer needs? Will they operate a reverse commuting program or work closely with a community-based organization that wants to do so?

One determinant of the response will be the intermediary's staff capacity and its plan for growth. Direct service is staff-intensive and expensive, but it can also generate revenue. Early on, and throughout its life, the intermediary's staff and board will have to make thoughtful decisions about moving into direct service.

An added factor in such decisions will be the strengths and weaknesses of existing workforce-

related institutions. The stronger the infrastructure of education and training providers, community-based organizations, and social service agencies, and the more effectively they collaborate in relevant areas, the less likely that employers will want their intermediaries to compete. The more gaps in the capacity of others to deliver needed services, however, the more difficult the decisions become for the intermediary.

- ***Gearing funding strategies to the long haul.***

Employer intermediaries entering or expanding activities in the workforce development arena face funding challenges that involve both private and public resources. Workforce intermediaries have access to an array of public-sector resources, and there is frequently competition for these funds among a range of community service providers. Part of the convening role an intermediary can play is helping to shape an integrated planning and budgeting process that will support necessary functions served by a range of local players. Intermediaries need to sort through the range of resources that can contribute to their viability over the long-term, from general membership fees, to fee-for-service activities, to public sector and foundation grants.

- ***Benchmarking progress to ensure that intermediary initiatives undertaken will lead toward the desired results.***

Determining how to evaluate both short-term and long-term impact is a challenge for all intermediaries, which track indicators ranging from job placement rates, to credentials awarded, to postsecondary completion rates and long-term retention in an employment track. Building the consensus of employer members and other partners in a workforce initiative around a framework that identifies the most important implementation and outcome measures to track helps provide a common focus to steer collective efforts toward common goals and gather information useful to making mid-course corrections. The process of agreeing on common benchmarks, while often complicated and time-consuming, is almost always a worthwhile investment.