Temporary Help Service Workers: Employment Characteristics and Wage Determination

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This paper studies temporary help service (THS) workers, a growing component of the secondary labor market. It analyzes two samples of workers in the same four clerical occupations—bookkeepers, typists, key-punch operators, and clerks. The two samples—one for workers employed via a large THS firm in Israel, the other for full-time, non-THS workers drawn from the 1983 Israeli Census—are compared for demographic and human capital characteristics, wage levels, and wage regressions. The results lead us to conclude that viewing THS workers as a homogeneous group of "secondary" workers is not warranted.

PREVIOUS EMPIRICAL RESEARCH on the temporary help service (THS) industry focused on the demand side of the labor market (Gannon, 1978; Mangum, Mayall, and Nelson, 1985). Researchers sought to explain why some employers use THS workers more than others (e.g., Davis-Blake and Uzzi, 1990). This paper expands the research by examining the wage determination, employment, and socioeconomic characteristics of THS workers in Israel.

Except for Belous (1989), most accounts of THS workers use the terminology of the dual labor market perspective (e.g., Mangum, Mayall, and Nelson, 1985). Writers in this tradition view the economy and the labor market as composed of qualitatively different segments. In this view, the few thousand large firms in monopolistic industries constitute the eco-

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nomic core, where uncertainty is relatively low and market power can be exercised, whereas the few million small firms in competitive industries constitute the economic periphery, where uncertainty is high and no firm possesses market power.[1]

Corresponding to this dual economy is a dual labor market. Most workers in peripheral firms are considered part of the secondary labor market, where jobs are unstable and provide relatively low wages, almost no training, no advancement opportunities, and almost no returns on investments in human capital (e.g., education, labor force experience, and firm tenure). Mobility to the primary segment of the labor market, where jobs are stable, offer training, and provide advancement possibilities, is considered minimal (Piore, 1971). Thus, workers in the secondary segment—mainly those belonging to disadvantaged groups in the labor market, such as women, minorities, migrants, youth, and the elderly—get not only lower returns on their human capital than other workers, but are also confined or trapped in this segment of the labor market.[2]

However, the correspondence between the segments of the economy (core-periphery) and the labor market (primary-secondary) is not complete, as many core employers operate in both segments. While core employers usually select a group of primary employees, invest in their training, and offer job security and other benefits of primary employment, these firms also maintain a secondary group of workers—some THS workers—to whom they offer neither job security nor other advantages of employment. Thus, THS workers are part of the secondary labor market whether they are placed in periphery firms, where the vast majority of jobs are filled by secondary workers, or in core firms, where they belong to the flexible portion of the firm's labor force.

If THS jobs and workers belong to the secondary labor market, then their careers (or lack thereof) should resemble those of other secondary workers. We examine four issues in order to evaluate the status of the dual labor market as a theoretical framework for understanding THS workers and careers: (1) whether THS workers are predominantly from disadvantaged demographic groups, (2) whether their wage levels and human capital are lower than those of other workers in the same occupations, (3) whether they receive lower returns on their human capital than do other non-THS work-

[1]Averitt (1968) discusses the forces generating the dual economy, the dependency relations between the two sectors, and other qualitative differences between the economic core and periphery in the United States

[2]Cain (1976) and Hodson and Kaufman (1982) critique the dual labor market theory and the relationship between the segments of the economy to segments of the labor market Stier (1985) discusses the dual nature of the Israeli labor market

ers in the same occupations, and (4) whether THS-unique experience such as tenure, frequent movements between employers, and work continuity in the THS firm affect the wages of THS workers.

Data

Data for THS workers were obtained during 1987 from the personnel files of the Tel Aviv branch of one of Israel's leading THS firms. This firm, like most others in this industry, recruits, screens, and prices the workers and then places them in client firms upon request. The 1,436 THS workers in four occupations—secretaries and typists (henceforth typists), bookkeepers, clerks, and key-punch operators—worked at least 24 days (not necessarily consecutively) during the period January 1983 to December 1985, and their files, which contained complete information, were included in the analysis.[3] Data for "regular" (non-THS) workers in these occupations were obtained from the 20 percent sample of the 1983 Israeli Census. Included in the analysis were 1,912 full-time workers in these occupations who were 16 years old and over and who worked in the Tel Aviv district in 1983.[4]

The available variables in the census sample relevant to wage determination are the following: hourly wage rate, age, years of schooling, industry, and three demographic variables known to affect wages in Israel: sex, marital status, and country of birth.[5] The THS data also include years of previous labor force experience, as well as two sets of other variables (Table 1). The first set includes measures that were used by the THS firm to evaluate applicants as they joined the firm. The second set includes measures accumulated during the workers' affiliation with the THS company.

The dependent variable in this study is (Ln) hourly wage.[6] For the census workers, hourly wage refers to April 1983. For the THS firm, there

[3]As of June 1987, the month the data were coded, some individuals were still working in the THS company, some had left the labor force, and others had moved to a non-THS employers (or to a different THS employer)

[4]The census sample may contain a few workers included in the THS sample However, since most of the THS workers were hired after April 1983, this possibility is limited to a negligible minority

[5]The ethnic hierarchy in Israeli society and the labor market is as follows Jews are superordinate to Arabs; within the Jewish community, those who were born in Israel, Europe, the United States, or Australia fare better, ceteris paribus, than Jews who were born in Asia or Africa Since there were only 18 Arabs in these occupations in the census sample and the THS sample contained no Arab workers, we limited our analysis to Jewish workers

[6]Unfortunately, this is the only compensation variable to which we had access for both census and THS workers The fringe benefits provided by the THS company are those required by Israeli law We have no information on the fringe benefits for census workers See Brauer (1990) for compensation practices for full-time workers in Israel

are two measures of wage rate. One is the entry wage, the other the most recent wage rate received or, for workers still with the firm by June 1987, the wage rate in that month. The pay structure of the THS firm is occupation-specific and is based on a certain number of wage grades within each occupation. There is complete correspondence between grades and wage rates—11 grades and 11 wage levels among bookkeepers and clerks, nine grades among key-punch operators, and eight grades among secretaries and typists.[7] Thus, workers' wage growth is solely determined by their grade progression. Since the relationship between grades is relatively stable over time and during part of the 1980s there was triple-digit inflation in Israel, all measures of THS wages (based on grades) are expressed in April 1983 Israeli shekels—similar to the census wage rates.

Results

First, we consider whether or not THS workers can be considered secondary workers according to their wages and socioeconomic characteristics. Table 2 reveals that differences between THS and non-THS workers are occupation-specific. Among bookkeepers, there are virtually no differences between THS and non-THS workers in education and sex composition; and the differences in age, marital status, and ethnic composition are relatively small. Moreover, despite their younger ages, THS bookkeepers have 10 years of previous experience and enjoy *higher* wages than their non-THS counterparts. By contrast, THS clerks are much younger, have almost no job experience, and receive substantially lower wages than full-time census clerks. Taken together, THS bookkeepers (and, to a lesser extent, typists) appear to have labor market characteristics of primary workers, while THS clerks (and, to a lesser extent, key-punch operators) resemble secondary workers with respect to their age, experience, and wages (but not with respect to their education or ethnic origin).

To address whether THS workers receive similar returns on their human capital as do other workers in the same occupations, we first estimated eight human capital wage regression equations for THS and non-THS workers in all four occupations. For each occupation, (Ln) hourly wage is taken as a function of the variables available in the census data.

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[7]For secretaries and typists, however, there are more than eight wage rates because the THS company classifies them into nine detailed occupations (typists, word-processing operators, and secretaries in Hebrew, English, and bilingual), each of which has five to eight grades—a total of 57 wage rates. Since eight of these nine detailed occupations contained less than 100 THS workers and the most detailed classification of the Israeli census treats these nine occupations as one, we also combined them into one occupation.

TABLE 1

CHARACTERISTICS OF THS AND CENSUS WORKERS IN FOUR OCCUPATIONS

Variable[a]	THS n=1,436 Mean	(S D)	Census n=1,912 Mean	(S D)	Range	Definition
Wage[b]	137	(46)	149	(93)	75–323	Last hourly wage (expressed in April 1983 Israeli shekels)
LnWage	4 864	(337)	4 852	(534)	4 3–5.8	Natural log of Wage
Age	29.0	(9 7)	37 2	(13 2)	16–80	Age in years in 1984
Isr -Born	67	(47)	50	(50)	0,1	1 if Israeli-born
East -Born	11	(31)	18	(.39)	0,1	1 if Asian- or African-born
Male	14	(34)	24	(43)	0,1	1 if male
Married	43	(50)	64	(48)	0,1	1 if married
Education	12 6	(1 5)	12 1	(2 1)	3–17	Years of formal schooling
LF Exp (yr)	5.1	(5 8)			0–34	Years of labor force experience before THS employment
THS Evaluation (variables available to the THS company at time of application, before 1986)[c]						
Entry Wage	122	(43)			75–323	First hourly wage in THS (expressed in April 1983 Israeli shekels)
LnEntry Wage	4 743	(340)			4 3–5.8	Natural log of Entry Wage
Test	n a				1–3	Test scores for secretaries and typists
Credentials	n a				1–6	Credentials indicating courses taken and exams passed by bookkeepers
Positive1	34	(47)			0,1	1 if overall impression from applicant is "very positive"
Rest Rgn	36	(.48)			0,1	1 if unwilling to work in all geographical regions
Rest. Hrs	7 6	(1 1)			2–9	Maximum hours per day willing to work
Rest Days	04	(20)			0,1	1 if unwilling to work at least 5 days per week
Empl. Ser	21	(40)			0,1	1 if registered in the State Employment Service

THS Unique-Experience (variables accumulated by the THS company during workers' affiliation with the firm, 1983–87)[d]						
Wage Growth	1 15	(.22)			.55–2 3	Wage Growth (Wage/Entry Wage)
Positive2	.47	(50)			0,1	1 if last client firm is "very satisfied" with worker
Tenure	9 2	(11.1)			1–99	Actual months of THS employment (number of work days divided by 24)
# of Assig	7 7	(11 0)			1–99	Number of different client firms to which worker was assigned by the THS firm
Continuity	71	(31)			0–1	Proportion of time in THS actually working (Tenure/Affiliation)
Public2	47	(.50)			0,1	1 if last assignment was in a firm belonging to the public sector
Large2	83	(.38)			0,1	1 if last assignment was in a firm employing over 100 employees
Electric2	45	(50)	03	(17)	0,1	1 if last assignment was in a firm manufacturing electrical or electronic equip
Finance2	26	(44)	29	(45)	0,1	1 if last assignment was in a firm in finance, insurance, or legal services
Affiliation[e]	17.5	(21 3)			1–162	Number of months from application to exit or, if still in THS, to April 1987
Assig Dur [e]	3 1	(5 6)			07–99	Average duration of assignment in months (Tenure/# of Assig)

[a]All differences between the THS and census means are significant at the 01 level

[b]Range is for THS workers, range for census workers is 20–2,000

[c]The date to which these variables pertain is the year the worker joined the THS firm Over 96 percent of the workers joined between 1980 and 1985, less than 4 percent during the late 1970s

[d]The date to which these variables pertain is the year the worker exited the firm, or 1987, whichever comes sooner

[e]Variables not included in the regressions

TABLE 2

THS Workers and Census Workers in Four Occupations

	Clerks				Bookkeepers				Secretaries & Typists				Key-Punch Operators			
	THS n=347		Census n=394		THS n=244		Census n=651		THS n=603		Census n=759		THS n=242		Census n=108	
Variable	Mean	(S D)	Mean	(S D)	Mean	(S D)	Mean	(S.D)	Mean	(S.D)	Mean	(S D)	Mean	(S D)	Mean	(S D)
Wage	88	(10)	127	(97)***	204	(30)	187	(101)***	148	(30)	129	(74)***	112	(26)	134	(75)***
LnWage	4 476	(.106)	4 664	(557)***	5 307	(149)	5 098	(518)***	4 979	(198)	4 747	(464)***	4.688	(243)	4 785	(460)***
Age	23 6	(6 6)	36 5	(14 4)***	36 1	(12 6)	41 8	(14 0)***	30 4	(8 8)	34 6	(11 0)***	25 9	(5 6)	29 7	(8 7)***
Isr -Born	.87	(34)	52	(50)***	57	(50)	33	(47)***	56	(50)	.62	(49)**	74	(44)	65	(48)
East -Born	06	(24)	21	(41)***	16	(36)	22	(42)***	11	(31)	14	(35)	13	(34)	13	(34)
Male	23	(42)	33	(47)*	45	(50)	46	(50)	01	(08)	05	(21)**	01	(09)	05	(21)
Married	19	(39)	59	(49)***	.61	(49)	76	(43)***	47	(50)	56	(50)***	48	(50)	58	(50)*
Education	12 1	(1 3)	11 5	(2 3)***	12 9	(1 6)	12 7	(2 1)	12 8	(1 6)	12 1	(2 0)***	12.3	(1.4)	11 3	(1 5)***
LF Exp (yr)	1 5	(3 3)			9 9	(8 2)			5 6	(4 9)			4 4	(3 5)		
THS Evaluation																
Entry Wage	82	(6 9)			184	(31)			135	(25)			83	(13)		
LnEntry Wage	4 401	(080)			5 200	(178)			4 888	(182)			4.410	(137)		
Test	n a				n a				2 0	(69)			n a			
Credentials	n a				3 6	(1 4)			n a				n a			
Positive1	.36	(48)			41	(49)			25	(43)			44	(50)		
Rest Rgn.	42	(49)			23	(42)			42	(49)			25	(44)		
Rest Hrs	8 0	(67)			7 9	(95)			7 3	(1 4)			7 6	(1 0)		
Rest Days	08	(26)			02	(14)			04	(19)			04	(.19)		
Empl Ser	27	(45)			20	(40)			15	(36)			24	(43)		

THS Unique-Experience															
Wage Growth	1 09	(13)			1 12	(16)			1 11	(17)			1 36	(32)	
Positive2	35	(48)			57	(50)			52	(50)			44	(50)	
Tenure	5 5	(5.9)			10 5	(11 4)			10 6	(12.7)			9 8	(11 0)	
# of Assig	3 6	(3 4)			3 9	(4 1)			12 2	(15 0)			5 9	(6 2)	
Continuity	76	(31)			79	(29)			64	(31)			71	(32)	
Public2	47	(50)			29	(45)			57	(50)			42	(50)	
Large2	89	(32)			75	(43)			83	(38)			84	(37)	
Electric2	44	(50)	02	(15)***	34	(47)	02	(12)***	52	(50)	05	(22)***	41	(49)	01 (01)***
Finance2	.37	(48)	18	(38)***	19	(39)	28	(45)***	22	(42)	29	(46)***	23	(.43)	71 (45)***
Affiliation[a]	9 4	(12 2)			17 8	(21 9)			21 6	(24 3)			18 0	(19 4)	
Assig. Dur [a]	2 7	(3 7)			4 0	(4 4)			2 7	(6 4)			3 4	(6 6)	

*p < 10 level of significance of the differences between means of THS and census workers within occupations, **p < 05, ***p < 01
[a]Variables not included in the regressions

The differences in the structure of the wage regressions between THS and non-THS workers in Table 3 are occupation-specific. In the two "primary" THS occupations—bookkeepers and typists—there are relatively small differences in wage determination between THS and non-THS workers. For both THS and census workers, one or more of the coefficients of the conventional proxies for productivity are statistically significant.[8] By contrast, in the two "secondary" occupations—clerks and key-punch operators—some conventional human capital proxies affect the wages of non-THS workers in the expected direction, but not the wages of THS workers.

It is possible, however, that conventional human capital variables affect the *entry* wages of THS workers and that after a few weeks of employment, the company adjusts wages according to better productivity measures. In fact, in cases where better productivity signals are available, the company may use them for the entry wage determination as well. We tested these possibilities by estimating two models for the entry wage rate of THS workers in the four occupations. The first is the same model tested in Table 3, plus experience instead of industry. The second model adds variables that refer to the evaluation of THS workers by the THS firm at the time of application.

The results (Table 4) support the conclusion that THS bookkeepers belong to the primary segment of the THS firm, whereas the results for clerks may serve as a textbook example for wage determination among secondary workers. In the absence of THS evaluation variables, conventional productivity signals account for over one-third of the variance in the entry wages of bookkeepers (column 3). By contrast, neither conventional proxies for human capital (column 1) nor the THS evaluation variables (column 2) account for the small variation in entry wages among THS clerks. The entry wage determination for the other two occupations is between the extreme cases of bookkeepers and clerks. Key-punch operators are more similar to clerks, and typists more closely resemble bookkeepers.

In order to address whether THS employers compensate THS-unique experience, we estimated for each occupation two models in which the latest (or current) (Ln) hourly wage rate serves as the dependent variable. The first model includes conventional proxies for productivity, THS evaluation variables, and four measures of THS-unique experience. The second

[8]For typists, ethnic (Western) origin—in addition to education and age—signals productivity because it captures command of the English language, an essential trait for high wages among typists and secretaries in Israel

TABLE 3

LnWage Regressions of THS Workers and Census Workers in Four Occupations[a]

Variable	Clerks		Bookkeepers		Secretaries & Typists		Key-Punch Operators	
	THS	Census	THS	Census	THS	Census	THS	Census
Age	− 0007	005*	005***	008***	002*	013***	003	014**
Isr -Born	− 020	− 166**	− 037	086	− 129***	− 015	012	− 073
East -Born	003	− 092	− 036	107**	− 053**	− 034	009	051
Education	− 0003	033***	− 002	017*	011**	043***	004	− 024
Male	− 005	217***	058**	245***	119	243***	134	400*
Married	013	190***	018	103**	− 012	025	004	116
Finance2	− 073***	− 027	− 051*	−.003	016	079**	− 221***	117
Electric2	− 005	103	− 033	310**	− 027	144**	044	424
Constant	4 511	4 045	5 122	4 282	4 882	3 737	4 578	4 500
Adjusted R^2	09	17	23	15	13	14	15	15
F ratio	5 54	10 98	11 48	15 68	13 15	16 48	6 25	3 40
Number[b]	351	394	275	651	632	759	246	108

*p < 10 (two-tailed), **p < 05 (two-tailed), ***p < 01 (two-tailed)

[a]Chow tests indicate that the structures of the THS and census equations differ significantly within each occupation at the 01 level

[b]Slightly larger for THS workers, as all cases with complete information were included in the analysis

TABLE 4

LnEntry Wage Regressions for THS Workers in Four Occupations

	Clerks		Bookkeepers		Secretaries & Typists		Key-Punch Operators	
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Male	.002	004	070***	.058***	209**	235***	177*	219**
Married	− 007	− 005	043**	047**	− 010	− 010	008	− 005
Isr -Born	− 027	− 025	−.020	− 006	− 128***	− 116***	−.030	−.033
East -Born	−.0004	001	002	− 010	− 067***	−.057**	− 016	− 010
Education	− 001	− 001	.012*	− 001	012**	008*	012*	005
LF Exp. (yr)	001	001	013***	006***	001	001	005	002
Age	− 001	− 001	− 003**	− 003**	− 001	− 001	− 006***	− 005**
Test		——		——		033***		——
Credentials		——		064***		——		——
Positive1		005		014		.0004		064***
Rest. Rgn		− 007		− 017		− 017		− 018
Rest Hrs		006		− 016		004		− 012
Rest Days		005		− 053		054		− 059
Empl Serv		0003		− 007		−.037*		− 006
Constant	4 457	4 409	4 983	5 101	4 843	4 791	4 409	4 556
Adjusted R^2	01	02	34	46	.13	15	03	07
F ratio	72	56	18 81	16 94	14 26	9 27	2 17	2 55
Number	347	347	244	244	603	603	242	242

*p < 10 (two-tailed), **p < 05 (two-tailed), ***p < 01 (two tailed)

model adds four dummy variables that index the size, sector (public or private), and industrial classification of the client firm to which the THS worker was sent in her last assignment in order to test if the THS company takes any clients' characteristics into consideration in determining wages.

The results for the first model (Table 5, columns 1, 3, 5, and 7) suggest that THS-unique experience positively affects the wages of THS workers in the four occupations. These findings are inconsistent with viewing THS workers as belonging to the secondary segment of the labor force, where employers rarely compensate workers for company tenure.

These findings must be qualified, however, as occupation-specific. Judging by the magnitude of the standardized coefficients (data not shown), among the two "secondary" occupations—clerks and key-punch operators—we find that THS-unique experience variables are the *main* factors that explain the allocation of THS workers to different wage levels. By contrast, the effects of THS-unique experience on the wages of workers in the two primary occupations—bookkeepers and typists—are modest compared with the effects of conventional, pre-THS variables.

Client characteristics affect wages of THS workers (columns 2, 4, 6, and 8). Assignment to a financial institution—where over one-third of clerks and about one-quarter of key-punch operators were sent—is detrimental to their wages. Likewise, assignments to a manufacturer of electronic equipment are detrimental for typists, where over half of them work. Bookkeepers' wages are not affected by any client characteristics. Thus, the penalty for assignments in specific industries is more prevalent in secondary occupations than in primary occupations.

There are many possible explanations for the industry effects on the wages of THS workers, but we have no data to test them. One possibility raised by Pfeffer and Baron (1988) is that THS firms adjust wages to achieve internal equity with regular workers of client firms. Our data are inconsistent with this hypothesis. While assignment to one of the industries under investigation depresses wages among THS workers in three of the four occupations (Tables 3 and 5), being a full-time worker in these industries is either irrelevant or beneficial for the wages of census workers (Table 3).

Discussion and Conclusions

Based on the analyses of workers in four occupations employed by one large THS company in Israel, whether or not THS workers belong to the secondary labor market depends on the occupation and the characteristics according to which secondary status is determined. The four occupations

TABLE 5

LnWage Regressions for THS Workers in Four Occupations

Variable	Clerks (1)	Clerks (2)	Bookkeepers (3)	Bookkeepers (4)	Secretaries & Typists (5)	Secretaries & Typists (6)	Key-Punch Operators (7)	Key-Punch Operators (8)
Male	− 022*	004	047***	044**	.193**	206**	069	.132
Married	008	.006	018	018	− 013	− 011	007	− 003
Isr.-Born	−.023	−.009	− 002	− 0004	− 136***	−.130***	005	0004
East -Born	− 005	023	− 023	−.025	− 047*	− 043	− 027	− 019
Education	001	001	− 002	− 003	011**	014***	005	.003
LF Exp (yr)	001	002	005***	005**	001	001	009*	009*
Age	− 001	− 001	− 001	− 001	−.001	− 001	− 007**	−.004
Test	——	——	——	——	038***	037***	——	——
Credentials	——	——	043***	043***	——	——	——	——
Positive1	016	013	.019	020	010	010	104***	099***
Rest Rgn	− 009	.002	− 012	−.012	− 001	−.010	− 036	− 022
Rest. Hrs	015*	017**	− 006	− 004	− 003	− 0004	018	010
Rest. Days	− 005	015	− 110**	− 119**	.045	044	− 044	−.049
Empl. Serv	007	006	− 029*	− 032*	− 025	− 024	− 0003	− 001
Positive2	.053***	.045***	062***	060***	012	.015	.127***	105***
Tenure	004***	004***	.002**	002**	002**	002***	005***	005***
# of Assig	.006***	.005**	0004	0001	001**	.001*	012***	.011***
Continuity	029	020	− 055**	− 059**	− 029	−.027	− 005	− 003
Public2		010		− 024		− 009		− 004
Large2		− 028		.005		019		− 042
Electric2		− 003		− 018		−.039**		.032
Finance2		− 065***		− 003		019		− 128***
Constant	4.292	4 310	5 192	5 195	4.853	4 808	4 430	4 501
R^2	24	.28	53	53	.18	18	44	.50
F ratio	7.69	7 78	16 91	13 79	8 58	7 43	13.04	13 01
Number	347	347	244	244	603	603	242	242

*p < 10 (two-tailed), **p < 05 (two-tailed), ***p < 01 (two-tailed)

may be arranged along a continuum that indicates the extent to which their characteristics and wage determination resemble characteristics of workers in full-time, non-THS jobs. In the interest of brevity, we shall focus on the two polar ends of the continuum—bookkeepers and clerks.

Among bookkeepers, we found relatively small differences in the wages and socioeconomic characteristics of THS and full-time workers. Moreover, it seems that the wages of THS bookkeepers are determined by the same factors that determine the wages of other bookkeepers. This might occur because trust is important, training is relatively long, and credentials are essential for success in this profession. Bookkeepers' skills are relatively general; therefore, wages are relatively unaffected by client firms' characteristics. The fact that THS-unique experience affects bookkeepers the least suggests that they—like other Israeli bookkeepers—operate in a quasi-occupational internal labor market. They enter the THS company with extensive experience in several jobs and spend nearly two years as THS bookkeepers, during which they actually work more continuously and in fewer client firms than do other THS workers (Table 2). It is plausible that when they exit the THS firm, they get a full-time, year-round job. We do not know if their new job is with one of the client firms to which they were assigned as THS workers.

Thus, in the case of bookkeepers, the THS company faces a group of professionally mature workers with extensive experience and is forced to pay market wage rates. The major difference between THS and other bookkeepers is that the former are less likely to be married. This may explain the preference of THS bookkeepers for temporary work, where they enjoy slightly higher wages, greater flexibility, and greater diversity in their jobs, albeit with no job security.

The picture among clerks is more complex. Judging by their education, sex, and ethnic composition, THS clerks are not underprivileged. Yet they are very young, more likely to be single, and with almost no prior labor force experience. When they join the THS firm, two-thirds of them are assigned to the two lowest wage grades (data not shown). Even after nearly a year with the THS company—of which some six months are spent on actual assignments—the wage rate of the average THS clerk is only 69 percent of the average non-THS clerk (Table 2). Moreover, conventional signals for workers' quality—years of schooling and experience—that determine the wages of non-THS clerks do not affect the entry or current wage rate of THS clerks. Clearly, any worker whose characteristics are similar to those of THS clerks and whose wage level is unaffected by education and experience belongs to the secondary labor market.

But there is a problem with this conclusion. Secondary employers are

said to offer only limited wage growth. Yet THS clerks experienced an impressive 9 percent wage growth, although the average tenure of this occupation in the THS firm is only six months (Table 2). Moreover, clerks' wages are affected only by THS-unique experience—tenure, on-the-job performance, and number of assignments. In fact, it is possible to view THS clerks as being organized in an enterprise internal labor market, where most new workers enter at the lowest wage rates, and wage progression is determined by tenure and on-the-assignment performance. Surely, secondary employers neither arrange their workforce in the internal labor market nor keep records of performance aimed at instituting what Gordon (1979) calls "bureaucratic control."

Yet this concept—control—sheds some light on the behavior of the THS firm regarding its workers, clerks in particular. The company must assure proper performance of its workers on various assignments. It cannot monitor their performance directly, as workers are in different locations in different client firms. In occupations where trust is important (e.g., bookkeepers) and performance can be measured accurately, experience, tests, and professional credentials are required for hiring and are reflected in entry and subsequent wages. In other occupations, as is the case with clerks, the THS company assigns new workers to the lowest wage rates and relies on tenure and client reports for wage progression. The carrot offered to clerks for proper performance—a 9 percent wage increase in six months—is impressive only to those unaware of the fact that the top wage rate for THS clerks is still below the average for non-THS clerks (data not shown).

This being the case, the question is why do clerks (and key-punch operators) work in THS? Here, the dual labor market theory fails to provide satisfactory answers. Considerations of job search may be more fruitful. Given their demographic characteristics and education, most clerks could have found full-time, year-around employment. One might expect THS workers to be paid higher wage rates as a compensation for lack of job security. Indeed, this has been the conventional wisdom ever since Adam Smith's persuasive argument on compensating wage differentials. Yet THS clerks (and key-punch operators) work for lower wages than do other workers. It is possible that young THS workers in these occupations are willing to receive lower wage rates in order *not* to be attached to the labor force or to a specific job for a long time. Since they are at the early stages of their careers, it is possible that they are using THS employment as a relatively cheap method in their search for a permanent position while obtaining on-the-job training. Not having a family, they can afford to live on THS low wages. To the extent that they find a position in one of the

THS client firms, one could argue that the lower wages they receive while in THS are no more than fees for permanent placement.

Unfortunately, we have no data to resolve this issue. However, there is evidence that it is not uncommon for THS workers in all occupations to be offered permanent jobs in client companies. In fact, many users of THS workers state that this is a major reason why they use THS workers (Gordon and Thal-Larsen, 1968). It serves them as a relatively cheap and riskless recruitment channel. Thus, rather than blocking careers and mobility of employees, THS employment may help some workers to gain access to permanent employment in the primary labor market.

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