

Five Hurricanes and an Oil Spill:

**Lesson from the Gulf Coast Alternative
Staffing Initiative**

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TABLE OF CONTENTS

Executive Summary	4
Preface	7
Introduction	8
Structure of this Report	9
Three Host Agencies in Three Markets	10
Framework for Feasibility Assessment and Business Planning	11
Key Elements Impacting the Gulf Region ASOs	11
Results of the Three-Year Launch Efforts	23
Lessons for the ASO Field	25
Contact Information	28

EXECUTIVE SUMMARY

In the wake of Hurricane Katrina in 2006, three Gulf Coast organizations launched Alternative Staffing Organizations (ASOs), which are worker-centered, social purpose businesses. This report tells their stories.

Just as standard brokering businesses take on the costs and risks of hiring temp workers, and just as they charge a markup to cover these expenses, so do ASOs. These nonprofit businesses help job seekers gain work experience and take on risk by serving as the employer-of-record. In doing so, they remove barriers to employment faced by disadvantaged workers.

For many years, The Charles Stewart Mott Foundation invested strategically in the understanding and growth of the ASO field, funding seed grants, research and the establishment of the national Alternative Staffing Alliance. In 2006 the Mott Foundation recognized the potential relevance of the ASO strategy in the post-Katrina labor market and undertook the Gulf Coast Alternative Staffing Initiative to explore the development of ASOs in response to the needs of the Gulf region and to help inform other nonprofits across the country that might be contemplating the development of an ASO venture. Each based in Louisiana, the three organizations were the Catholic Charities Archdiocese of New Orleans, one of the largest NGOs in New Orleans; UpLIFTD, a vocational rehabilitation agency in Baton Rouge; and Options for Independence, a multi service agency in the rural area around Houma.

As the years of the initiative unfolded, major crises hit the Gulf region including: Hurricane Gustav in August 2008; Hurricane Ike in September 2008; the onset of the Great Recession in late 2008 and early 2009; Hurricane Ida in September 2009; the BP oil spill in April 2010; and Hurricane Isaac in August 2012. Throughout the initiative two of the three organizations operated stand-alone ASOs but were ultimately not able to sustain them.

After an initial year of overcoming challenges related to insurance and legal issues, Catholic Charities operated its ASO between the spring of 2011 and spring 2012, employing an average of 15 workers per month across four industries: construction, hotels/hospitality, light manufacturing, and grounds maintenance/cleaning. The ASO also won contracts to meet Catholic Charities' own immediate and temporary labor needs, supplementing their workers' job experience with supportive services. Yet although the enterprise established a growing flow of both internal and external customers, it was unable to cover its total costs through revenues. During this period, Catholic Charities underwent a leadership transition and faced cutbacks across the agency. The decision was made to indefinitely suspend the ASO operation.

UpLIFTD's ASO operated between March 2011 and March 2012; the enterprise employed an average of 16 workers, primarily in building and grounds maintenance through crew contracts with entities such as Louisiana State University. UpLIFTD however was not able to capture contracts from private businesses as outlined in the business plan, largely due to the challenge of changing the agency's culture from the predictable and structured success

of the government contracts at the core of their operation. Ultimately they were unable to accommodate and indeed embrace the additional streams of activity and accountability needed for ASO success. UpLIFTD did expand however their capacity to hire temporary workers, enabling them to connect local people quickly to recovery jobs after local natural disasters.

Options for Independence one of the rural region's central providers of counseling and support services, was unable to establish a standalone ASO: their CEO, the project's champion, became consumed in responding to the impact to the Houma area of the BP Oil Spill and Hurricane Gustav. Three ASO directors were hired over the five-year term, but incoming directors with a business orientation found it hard to fit into the Options culture and likewise existing staff found it hard to embrace the business orientation of the directors. Towards the end of the initiative the CEO decided to integrate the staffing functions within Options' existing human resources and payroll/finance departments, allowing for the immediate hiring of workers as needs and opportunities arose. Staff across the agency were trained to understand how to initiate temp placement discussions with employers, and the HR Director to understand how to handle all contractual aspects. In July 2014, Options had 21 temp long and short term placements across a range of occupations. Options invested early in working with its general liability and workers compensation carriers so that as new contracts are signed, rate adjustments are issued immediately. Because there is no dedicated ASO staff, costs are low so mark-ups help support the overall agency's operation.

LESSONS FOR THE FIELD

ASOs Have a Role to Play in Response to Disasters

Every year brings hurricane season to the Gulf. Interestingly, these seasonal weather events led all three of the host agencies to apply their new staffing capacity to better engage and respond during community cleanup and rebuilding periods. We believe that ASO can play a unique role in times of natural disasters, given their ability to quickly hire locals who need jobs and get them working where needed after the storms. Workers on the lower rungs of the natural disaster recovery industry need ways to enter and navigate within and through this segment, and local workers often affected by the disaster need ways to connect quickly to flexible employment opportunities.

ASOs Can Serve as a Function of an Agency Rather than an Ongoing Enterprise

Although none of the organizations were able to establish as ASO as was initially conceived, Options and Uplifted were able to integrate the function into their operation. As the use of staffing agencies to fill positions is a growing practice for employers "to try before you buy," as well as a way into the labor market for many workers, ASOs can play a critical function. But for some workforce organizations, operating a stand-alone ASO may not be feasible. Embedding it into existing infrastructure, as Options has done, may be a viable alternative. Through developing the capacity of their HR departments, emphasizing the importance of fast turnaround, negotiating supportive insurance policies and services, and training all their staff in marketing the service, workforce organizations may be able to help

workers get a foot in the door. This applies particularly to workers that businesses may be reluctant to hire.

Organizations Should Be Prepared for Institutional Change

Serving as the initiating and host agency for an ASO requires significant changes on the part of the organization itself. When deciding whether to launch an ASO, the host organization should anticipate a shift in culture, structure and systems in order to provide the support necessary for the budding enterprise.

This organizational change is challenging, in part because it means responding to businesses as the paying customers they are. While it is common for workforce development organizations to talk about the “dual customer” (job seeker and business), payment is often made by a third party, for example, by government contracts or private grants. In this model, the business customer pays the ASO. The model also requires 1) financial stability and good systems to manage billing and payroll; 2) a clear approach to risk management that often comes with hiring higher risk individuals; and 3) processes that support quick turnaround on contracts and job orders. If the organization is already working with employers through government or private contracts whose goal is full-time employment for clients without charging a fee, these potential conflicts need to be managed.

Wherever there is resistance to change, the direct involvement of the organization’s top leadership is essential: they must navigate between the need for change and the need to respect the established systems, mission and values of the host agency. The challenges of organizational change undermined the success of the ASOs in all agencies during this initiative.

The Niche Match Matters

It is critical to identify the specific segments of the local labor market that are a match for an organization’s target population. It is also important to understand which industry segments of the labor market use temporary and temp to hire arrangements and are a good match for the specific skills and experiences of the workers they seek to engage. ASOs can also recruit workers beyond the agency’s traditional target populations, bringing in a broader range of job seekers to meet the needs of its business customers in order to get a toehold in the market. Whatever the approach, it is essential to match the ASO workers to the real and specific demands for staffing services in the local labor market.

PREFACE

In the wake of Hurricane Katrina, three Gulf Coast nonprofit organizations launched Alternative Staffing Organizations. This report tells their stories.

The Charles Stewart Mott Foundation has made significant investments in the understanding and growth of Alternative Staffing Organizations (ASOs). Funding strategies have included seed grants, research, and the establishment of the national Alternative Staffing Alliance.

In 2006, the Mott Foundation recognized the potential relevance of the ASO strategy in the post-Katrina labor market. In partnership with the national intermediary Public/Private Ventures (P/PV) and the Center for Economic Integrity (CEI), the Foundation set out to engage Gulf Coast organizations in a stepped initiative, structured to minimize the disruption of rebuilding efforts as well as the demands already overwhelming many NGOs across the stricken region.

Sheila Maguire, along with P/PV colleagues Josh Freely, Deena Swartz and Shayne Spaulding, worked with Mott Program Officer Neal Hegarty to structure the initiative. Karin Uhlich of the Center for Economic Integrity (CEI) and founding director of Primavera Works, a well-established ASO, was identified as the technical assistance provider and joined the initial reconnaissance visits. Françoise Carré, a renowned researcher on the ASO model from the University of Massachusetts Boston, together with Newell Lessell from the Alternative Staffing Alliance, served as advisors to the project.

After interviewing over 60 organizations, local receptiveness to the ASO concept was gauged by offering an initial Request for Letters of Interest. A bidders conference was held in New Orleans in October 2007, which outlined the ASO model and the proposed development and funding approach. Seven organizations submitted Letters of Interest. Four were invited to complete an intensive Feasibility Assessment and received a \$25,000 grant award. Of these three agencies received business planning grants of \$50,000 and went on to receive implementation grants of \$350,000.

Karin Uhlich and her CEI colleague Johanna Barrero, together with Karen Caldwell of Primavera Works, developed a set of tools for assessing feasibility. This team also provided ongoing business planning and startup technical assistance through site visits, on-to-one and conference calls, periodic all-site meetings, and research and written materials. This report shares the stories they heard, the lessons they learned, and the tools they developed.

INTRODUCTION

Job placement agencies and temporary help staffing services known in the field as the employment services industry project one of the nation's largest rates of employment growth, estimated to reach 3.3 million workers by 2020.¹ An increasing number of people will find themselves working permanently as temporary employees.

Day labor firms, a sub set of staffing agencies, hire workers on a daily basis, often for construction and clean up². Moreover, in the aftermath of natural disasters the demand for day labor grows,³ and several temporary staffing agencies boast disaster recovery specific staffing abilities, suggesting that demand is high enough to create a niche market.⁴ Although post-disaster for-profit temporary staffing agencies create more jobs, they also expose workers to hazardous conditions, pay low wages, and offer little to no health insurance or other worker protections.⁵

Hurricane Katrina hit the Gulf Coast region on August 29, 2005. As Gulf Coast communities sought to rebuild, a set of disturbing economic and social dynamics emerged. Many people suffered physical and emotional distress without access to medical care and support. Transportation and communications systems were disabled; housing was scattered and substandard; and impoverished immigrant workers hired by renovation contractors experienced backlash from long-time locals who were themselves unemployed and struggling. Displaced locals faced barriers to returning home, while those residents remaining, among New Orleans' poorest, struggled to find jobs and secure basic necessities. Most social service agencies were operating in damaged facilities.

At the same time an influx of workers, predominantly immigrants brought in by contractors, worked under poor conditions. Clusters of people solicited work at heavily trafficked street corners; and homeless shelters and human service agencies were overwhelmed by demand.

While the staffing industry can sometimes uplift workers and connect them with decent jobs, scrutiny by the Center for Economic Integrity and other groups has revealed that the low-wage labor segment of the for-profit temporary staffing industry routinely extracts profits to the detriment of disadvantaged workers⁶. Workers in temporary staffing situations are very likely to experience illegal forms of workplace harassment, including sexual abuse, drug exchange solicitation, or other illegal activities⁷. For-profit temporary staffing agencies commonly charge fees for work safety attire, withhold earnings as "placement fees," and pay no health insurance or workers compensation⁸. This industry grew sharply in the Gulf region in the aftermath of Katrina.

Alternative Staffing Organizations (ASOs) have emerged as a viable strategy for interrupting the practices of these profiteering storefront labor brokers. ASOs are worker-centered, social purpose businesses. Just as standard brokering businesses take on the costs and risks of hiring temp workers, and just as they charge a markup to cover these expenses, so do ASOs. But many nonprofit alternative agencies channel their markup to worker wages and supports. ASOs help job seekers gain work experience, a vital service particularly for people who have fewer connections to the labor market and multiple obstacles to employment. ASOs take on risk by serving as the employer-of-record themselves, and in so doing can remove many barriers to employment faced by disadvantaged workers⁹. For example, Primavera Works established a track record for improving the quality of workers' jobs while operating as a non-profit staffing agency.¹⁰

ASO MODEL: PRIMAVERA WORKS

In 1996, staff at Primavera Services Inc. in Tucson, Arizona noticed the vans from day labor firms picking up residents from its homeless shelters. Their investigation uncovered exploitative for-profit day-labor halls, which were charging fees (for transportation, equipment, and check cashing) that drove workers net wages' down to as little as \$2 a day. The agency developed an alternative day-labor service, Primavera Works, which provided worker support and pre-training. PW was able to provide higher hourly wages, free transportation, lunch and equipment. 40 to 60 percent of PW workers transitioned to permanent jobs. Operating as a standard temporary agency but with added worker bonuses, Primavera staff used their hard-won knowledge of day-labor practices to pitch their workers as better prepared and supported. They also helped business customers (the end-user of the labor) to understand the exploitive practices in use by some for-profit day-labor firms.

The goals of the Mott Foundation's ASO initiative were two-fold: 1) to explore whether the ASO model was a good fit for different types and sizes of nonprofits serving disadvantaged workers in the Gulf region post Katrina; and 2) to document the planning and lessons of ASOs so their experiences could inform the national ASO field and future launch efforts by nonprofits across the country.

STRUCTURE OF THIS REPORT

This document outlines the planning and launch efforts of the three Louisiana organizations chosen by the Mott Foundation to plan and launch ASOs: Catholic Charities Archdiocese of New Orleans; UpLIFTD in Baton Rouge; and Options for Independence in Houma. The three sites were determined through a structured feasibility and planning process to be well positioned to explore the development of ASOs in response to the needs of the Gulf region and to provide insights to other nonprofits that might be contemplating the development of an ASO venture. Their efforts provide an important set of lessons for the wider field of alternative staffing.

In this report, we share the framework developed to assist the organizations during the 2008 feasibility assessment stage. We then identify the key strengths and challenges relevant to each site's pre launch and business planning stage. We describe the outcomes

for the three ASO efforts at the culmination of the three-year startup period (2009-2012). We close with broader lessons derived from the initiative.

As the years of the initiative unfolded, major crises in the Gulf region called upon the extraordinary resiliency of these three organizations and the communities that they serve. They were faced with an unrelenting onslaught, including Hurricane Gustav in August 2008; Hurricane Ike in September 2008; the onset of the Great Recession in late 2008 and early 2009; Hurricane Ida in September 2009; the BP oil spill in April 2010; and Hurricane Isaac in August 2012. At the end of this report, we discuss some of the implications of these enormous disruptions to the ASO efforts.

THREE HOST AGENCIES IN THREE MARKETS

The three organizations selected to plan and launch ASOs varied in size, complexity and history¹. They also operated in very different subregions and labor markets. Each brought different assets to the task of launching an ASO, and each faced different internal and external hurdles.

Catholic Charities Archdiocese of New Orleans: (Large and Complex NGO, Major Urban Area)

Catholic Charities serves as one of the largest human services agencies in the city of New Orleans. Post Katrina, Catholic Charities faced enormous rebuilding challenges across its programs and properties. Many of its 950 employees suffered direct loss in the storms. Some relocated out of the area, and others attempted to rebuild their own homes while continuing to show up every day to do their jobs in makeshift facilities. This despite the absence of functioning public transportation, utilities, education or healthcare systems. In the two years after Katrina, Catholic Charities served 54,000 clients and provided over \$15 million in direct financial support through its Community Centers, which operate in eleven neighborhoods across the Archdiocese.

UpLIFTD, Baton Rouge (Vocational Rehabilitation Agency, Mid-Size City)

A vocational rehabilitation organization with a \$1.3 million annual budget, UpLIFTD is located in the state capitol of Baton Rouge. For several decades, the agency has been effectively managing work crews that provide janitorial services to a number of government facilities. UpLIFTD leverages direct work placements to about 700 people with disabilities every year through large set-aside contracts with state and other government agencies. After Katrina, many New Orleanians who had lost their homes sought refuge in Baton Rouge. As a result, UpLIFTD experienced skyrocketing numbers of people in need of employment and basic assistance.

¹ A fourth organization completed the feasibility assessment phase of the initiative. The Lower 9th Ward Neighborhood Empowerment Network Association (NENA), a resident-driven and grass-roots agency, faced devastation which required their full focus and resources to overcome, including reestablishing a stable, functioning place of operations/service. Technical Assistance through the initiative therefore shifted from ASO business planning to the development of a more encompassing strategic plan for the organization.

Options for Independence, Houma*(Multi-Service Agency, Rural Service Area)*

Options for Independence is headquartered in Houma, a small coastal city 60 miles southwest of New Orleans at the convergence of numerous bayous and shipping channels. Options is \$3.5 million operation with a staff of 50 full and part-time employees providing case management and housing services, as well as disaster relief services over a seven-parish area. The agency has a history of innovation and responsive programming, shaping its partnerships and services in direct response to the needs identified within their rural communities. In 2006, they no longer operated an employment-focused program, and they were keenly focused on serving teens and young adults in need of educational and training opportunities.

FRAMEWORK FOR FEASIBILITY ASSESSMENT AND BUSINESS PLANNING

During the feasibility assessment, each of the selected agencies gauged the viability of an ASO strategy and refined their proposed model. Through additional research and intensive surveying of Board, staff and community stakeholders, they analyzed set of key internal and external factors to be considered in assessing the feasibility of an ASO.¹¹ The instruments used are from CEI. They include:

- Preliminary Market Analysis
- Internal and Organizational Factors
- Financial and Infrastructure Capacity
- Social Goals
- Community Context and Social Capital
- Level of Focus and Commitment
- Timing
- Relative Strengths of Proposed Model

KEY ELEMENTS IMPACTING THE GULF REGION ASOs

These assessments helped the organizations determine which specific factors should be dealt with in more depth and detail in their formal ASO business/enterprise plans.¹⁷ In this section, we highlight some of the key learning's as well as their associated implications.

Preliminary Market Analysis

For their comprehensive business plan, each organization analyzed a series of variables in order to predict costs and revenues and to gauge their capacity to provide decent work and associated supports for their participants. They researched the demand for labor across sectors, the competitive entities vying for employer customers, the price and service expectations of those customers, and the unique barriers and talents offered by their unique population of workers. This section of our report centers on each ASO's market context and positioning prior to launch.

Analysis of the Staffing Industry

An ASO must know the characteristics of the broader staffing industry operating in their community. The scope of the industry, trends in the industry, barriers and opportunities for entering the industry (for example recent closures or notable expansion within a particular employer sector) all help an ASO to rule out and/or zero in on a defined market. In some markets, high-profile for-profit staffing companies attempt to address all employer openings rather than just higher paying, higher skilled positions, in an effort to eliminate any inroad for potential competition. In other markets the staffing industry tends to be extremely specialized and segmented. In some cases, reciprocity agreements amongst staffing companies meet the varied job orders in order to prevent employers from entering into contracts and relationships with multiple staffing agencies. For example, one lead staffing company “refers” certain job openings to a second staffing agency behind the scenes for an agreed-upon share of the price charged or a per-time finder fee.

An analysis of the industry’s engagement with the worker population is equally important. In some cases, disadvantaged workers may already be connecting to work through temporary staffing firms. Understanding their experiences and perceptions can help an ASO refine its own model to recruit and better serve the workers. If its target population has not been involved with the staffing industry, an ASO must evaluate whether to expand its own base of prospective workers or to better understand the ways in which its existing target population secures employment.

ASO business planning requires clarity about 1) the aspirations, abilities, and support needs of the specific disadvantaged workers to be placed in jobs; and 2) the trends and demands of the employers and industries offering the jobs best-suited for those workers. Regardless of the targeted sectors or industries, employers will evaluate an ASO’s services based on price, the match of the worker’s skill and ability to the position filled, and the timeliness, attitude and performance of the workers. Naturally, ASOs must measure up to for-profit competitors on those measures.

Catholic Charities faced the most intense market competition in New Orleans, where labor brokering companies seemed to spring up in every urban neighborhood. Frequently these companies would locate themselves in the heart of the target communities, recruiting prospective employees off the streets, from gas stations, or home improvement stores¹². Catholic Charities focused on sectors nearby their operating day centers in the urban core, including hotels and construction work sites.

Perhaps due to the prevalence of jobs in government and associated professions in the state capital of Baton Rouge, UpLIFTD found that the for-profit staffing industry there seemed more concentrated on white collar and clerical segments of the labor economy. Huge numbers of people displaced from New Orleans meant Baton Rouge employers could quickly fill most job openings without the help of intermediaries. This influx of people in need of work also meant that disadvantaged job seekers, such as the disabled and homeless people served through UpLIFTD, faced some tough market dynamics that carried through as a challenge to the agency’s ASO. Their feasibility assessment sought to help UpLIFTD identify one or more market niches in which they

might effectively compete. The agency even recruited involvement at their governing-board level of a major janitorial company to pursue that sector more intensely.

In contrast, the rural communities served by Optionsfor Independence did not identify labor-brokering companies post Katrina. It was unclear whether the lack of presence meant the demand for staffing services was low. If this were the case, Options would face the challenge of introducing and “selling” transitional employment and staffing services to employers in their area. They recognized the need to frame that pitch not only based on the ASO as a mission-driven endeavor (to help young adults seeking work) but also as an effective way to fulfill the objectives of their prospective business customers.

Target Market Analysis and Competition

A broader scan of the local labor economy can also inform ASO development. The projections for growth and job volume across key sectors can point to emerging opportunities and, conversely, can dissuade an ASO from targeting a sector likely to contract in the foreseeable future. ASOs can take advantage of several sources for this research, including federal, state and local labor market information, analysis undertaken by local academic and philanthropic institutions as well as detailed data on contingent and temporary labor trends.

Employers often have specific hiring expectations, which in turn impact the ASOs financing, operations, and supportive service plans. Some industries, for example, may stipulate that workers be cleared through criminal background checks, drug screening, safety training, or other pre-requisites. While there may be opportunities to negotiate on some of those points, particularly because the ASO assumes risk and responsibility as the employer-of-record, other factors are non-negotiable and must be built into the ASO’s operating and support services plan. During feasibility assessment the three ASO host agencies researched their target employment sectors and any competitor companies serving those sectors.

At the onset of this initiative, Catholic Charities in New Orleans sought to serve disadvantaged and homeless workers in sectors of the local economy rebounding after hurricane Katrina. Center-city reconstruction and the revival of tourism led to increasingly abundant job opportunities. Catholic Charities researched the labor-brokering segment of the staffing industry in both construction and tourism, and more closely assessed the skills and challenges of their program participants so they could better support them with an ASO strategy.

Before the feasibility process began, UpLIFTD had already leveraged sheltered work opportunities for disabled and disadvantaged workers through set-aside and vocational rehabilitation contracts with state, federal and local governmental agencies. Their model of supervised work crews (primarily janitorial workers) offered a foundation upon which they hoped to build a complementary ASO. What was unclear at the onset was if and how the staffing industry was recruiting similar groups of workers to fulfill the needs of employers in the private sector. Staffing companies seemed to be fulfilling demand for skilled workers with few barriers to employment, and many employers seemed to favor

direct, permanent hires for their positions through internal HR or staffing company agreements (the practice of internalizing a chosen staffing company directly into HR departments has become widespread in certain sectors and labor markets across the country). UpLIFTD therefore faced the challenge of clearly defining the target sector(s) apt to recognize the potential advantages of hiring their supported workers via an ASO. Ironically complicating matters was UpLIFTD's track record of success, in that they had become synonymous with employing disabled people. This might have stigmatized their ASO just as people with disabilities so often face direct discrimination in the market. To compete, they sought to develop a focus and message responsive to local employers' existing perceptions and concerns.

Options for Independence sought to reinitiate their employment services in response to the growing numbers of people out of work in their region and the struggles that youth in particular faced getting a foothold in the job market. Their ASO staffing research covered a dispersed, rural labor market covering many square miles. Because very few staffing companies operated in their area, the key to success meant in some respects introducing their model as a new and advantageous way to hire supported workers more prone to succeeding in jobs. It seemed that industries such as healthcare, oil, fishing and tourism held potential for employing youth and perhaps other disadvantaged people already served by the agency. Options' staff knew it would be important to address prevalent barriers to employment, including reliable transportation. The organization's feasibility research required gaining a deeper understanding of the range of employers with consistent, unfilled positions.

ASO MODEL: GOODWILL INDUSTRIES

Goodwill was founded in 1902 in Boston by Rev. Edgar J. Helms, a Methodist minister and early social innovator. Helms collected used household goods and clothing in wealthier areas of the city, then trained and hired those who were poor to mend and repair the used goods. The goods were then resold or given to the people who repaired them. Goodwill continues to employ disadvantaged workers through their extensive national network of retail outlets.

A number of local Goodwill chapters have launched complementary ASO programs to help bridge trainees and workers into jobs in the private sector. This opens their range of job placements from sheltered work to independent and transitional employment.

Internal and Organizational Factors

Each ASO evaluated internal and organizational variables as well. These included questions of mission fit, organizational culture and values, their capacity to develop and operate the enterprise; and institutional relationships, including the organization's potential for community leverage. They also evaluated the ways in which each variable, in turn, would be impacted by the introduction of social entrepreneurialism into the organization. Familiarity with these variables sets a solid foundation for any ASO launch.

Mission Fit

Many nonprofits serving disadvantaged populations might assume an ASO would be a good mission fit. The model does, after all, help homeless and unemployed people overcome barriers to employment. However, the question of endeavoring to launch an ASO must be

asked in the context of the other goals drawing upon the organization's resources and attention. How might an ASO interact with, reinforce, or potentially detract from the agency's broader mission-driven efforts? Because ASOs operate as social enterprises, fulfilling the needs and demands of both employers as well as disadvantaged workers, the implications of the "dual-customer" approach also deserves consideration. Feasibility tools helped each site to assess the orientation of the Board of Directors and key staff. Leadership at all levels of all three agencies recognized the implications for the whole organization of developing an ASO enterprise and shared rationales and frameworks that integrated their enterprises into the overarching agency vision. Each of the three sites outlined a clear, mission-centered rationale for the launch of an ASO.

When Catholic Charities was considering mission fit, they took into account their strong and active Hispanic outreach and service division. This consideration was critical, given the burgeoning numbers of immigrant laborers in the region. Because immigrant worker often have informal relationships with their employers, Catholic Charities engaged with workers'-rights groups and the network of worker centers emerging in the Gulf Coast. They learned that for longtime local residents, an ASO seemed to offer a way to address barriers experienced by the growing numbers of homeless and displaced people seeking help. Staff at Catholic Charities saw day labor companies picking up and dropping off workers at many of their homeless shelters. In many respects, their model and vision mirrored that of Primavera Works. Catholic Charities proposed an enterprise they called Community Staffing Services. By winning contracts with employers in construction and in hospitality two industries rapidly rehiring as New Orleans invested in infrastructure projects residents were given an opportunity to work rebuilding the city.

By 2006, UpLIFT in Baton Rouge had been directly employing persons with disabilities for decades through their contracts with Louisiana Rehabilitation Services and other governmental agencies, primarily providing janitorial services in government buildings. Their Board of Directors and leadership staff believed the ASO model would be of highest value if it could considerably expand employment opportunities for their disabled participants via job placements in the private sector. The agency chose to pursue an ASO in an effort to diversify its financial base beyond state rehabilitation contracts. UpLIFT proposed an ASO model that would use their government work contracts as a way to leverage jobs in the private sector, paid for directly by employers. In many respects their mission fit, constituency, and ASO vision closely mirrors the numerous ASOs across the country sponsored by Goodwill Industries.

Founded in 1992, Options for Independence was primarily focused on offering mental health services through the state's department of rehabilitation services, employing a family-based therapeutic model. Given their focus on holistic family services, the addition of employment services was seen as a critical service. With high-school graduation rates in Terrebonne and Lafourche parishes hovering at 50%, the CEO saw the ASO as an employment service model that could integrate well with their services to youth, many of whom struggled to secure employment after completing other Options programs offered in support of their success in high school. The ASO was also seen as a way to serve unemployed and underemployed young adults who had neither graduated from high

school nor received their GEDs. Options planned to operate as a small business venture called Options Staffing Services, to be guided by their existing business advisory panel. They planned to offer a work readiness certificate training program to each temporary employee, after which that worker would be eligible for the staffing service. In many ways, Options envisioned an unusual model, centered on serving youth and young adults in a rural and dispersed labor market.

Organizational Culture and Values

Operating an ASO or any social enterprise differs from that of a more traditional social service program. The host organization must stay firmly grounded in its core mission and values while simultaneously satisfying the demands of the market. This dynamic tension can be jarring and unfamiliar to traditional nonprofits. The placements offered must match the needs and abilities of participant workers, and the workers placed must fulfill the expectations of employer customers. Ideally, an ASO would supply better workers than those from other labor brokers, because they receive higher wages and social support. Employers evaluate the service just as they would a for-profit staffing agency: in terms of timeliness, performance, and cost. A workforce development organization typically receives payment from public or private sources for its services; it is in fact a third party pay system. So even for organizations accustomed to working with businesses under government contracts, the adjustment to employer-as-paying-customer is significant.

During the feasibility phase of an ASO's development, organizations must identify the internal leaders charged with communicating the new approach. Throughout the agency an understanding that satisfying employers means opening doors for disadvantaged workers must be understood and embraced so there is a true commitment to overcoming inevitable hurdles during implementation. Additionally, the agency must review whether the key players and the organization have a track record of managing change. It must gauge the organization's tolerance for competition and entrepreneurial risk-taking. If, for example, Board members balk at the first indications of liability or competition rather than engaging in problem-solving and creative adaptations, the ASO will flounder before even taking root in the marketplace. If key staff members bristle at reassigning an agency van for worker transportation or express resentment over a new advertising line item in the budget, then clearly a persuasive argument has not been made for the potential of an ASO to fulfill the agency mission and to reinforce other program outcomes. All of this requires a clearly articulated vision, sound internal communication, and a dynamic group of devoted people working together. Feasibility instruments attempted to identify which internal key players might be resistant, and what their concerns might be.

At Catholic Charities, an ASO seemed to fit an existing range of services, which included emergency, transitional, and permanent resources to support their participants' movement from crisis toward security. The New Orleans Catholic community also had a proven entrepreneurial track record through Café Reconcile, a restaurant enterprise that trains and employs disadvantaged workers. Two potential concerns surfaced during the feasibility scan: first, the organization's large size and complexity, and second their governance by a Board of Directors Archdiocesan authority. Additionally, becoming employer of record for its ASO participants required a significant change in personnel

policy. There was concern that the layers of checks and balances which fostered an enduring and complex institution could bog down an enterprise requiring rapidity (in response to customer and market demands) and risk (as employer to transitional workers).

Catholic Charities at that time was being led by Co-Presidents, who held important sway in the consideration of an ASO. Both were enthusiastic supporters of the idea. But the risk-averse nature of this institution ran up against the need to keep up with the fast paced staffing industry, whose function in part is to take on the risks and rewards of managing the labor needs of its clients. For example, all of Catholic Charities 950 employees were required to go through the same hiring process, which included drug and background screening. This impeded the agency's ability to quickly place a worker at a client site. Complicating matters, ASO employees were high risk, affecting the organization's overall worker's compensation policies, including higher costs. The issue was surmountable, however: ASO staff included the additional expenses in the cost of its services and marketed it to employers as an added value. Complicating matters, ASO employees were high-risk, leading to effects on the organization's overall workers compensation policies, including higher costs.

Unidentified during Catholic Charities' feasibility assessment was the added layer of oversight and authority exercised at the Archdiocese level. As their umbrella entity, the Archdiocese offers standard insurances and policies which its programs are required follow. This brought the issue of workers compensation coverage to a head, because the umbrella insurance could not accommodate the ASO model: there was fear the ASO could put the entire policy at risk of premium cost increases. In essence, the organizational culture favored uniformity and centralized authority and imposed limitations on risk. By 2009 it became clear that it made more sense to incorporate the ASO as an independent corporation with separate liability and workers compensation insurance, a strategy used by other ASOs across the country. This solution was found by the active involvement of the Co-Presidents, who provided strong guidance through what were turbulent organizational dynamics. However, bureaucracies and a low tolerance for financial risk continued to hamper the ASO during the first two years of operation. Certain administrative accommodations were made, and Catholic Charities continued to manage everything from payroll to employer contracts. Still, employer contracts posed a continuing challenge with the finance department and CC's lawyers, who were reluctant to take on the liability that is at the heart of an ASO's value.

For UpLIFTD, serving as the employer-of-record for its participants was already a core organizational competency. Here, the challenge lay in whether the agency could evolve to serve private and government customers, including whether it could overcome an orientation toward government contracts in all aspects of its organization. Would UpLIFTED have the fluidity required for enrolling both a wider group of participants and a range of employer customers? Key leaders such as the CEO and Board members believed in the model and the promise it could hold to open more and newer doors for disabled and disadvantaged workers. Board members also thought they could compete with for-profit companies, given the organization's widespread community support.

However, given its thirty-year history of success with government-based contracting, UpLIFTD faced a bureaucratic challenge. The somewhat quiet and steady flow of their operations was impacted by a much more spontaneous and less predictable set of demands on staff. The aggressive vision for private-sector expansion held by its CEO ultimately clashed with the established mid-level professional managers and their reutilized systems for finance and administration.

Additionally, individuals placed in temporary employment through the ASO's activities could not also count towards the fulfillment of grant requirements through the state's vocational rehab system. A key challenge lay in the agency's ability to overtly evolve the agency's culture and values from the predictable and structured success of government contracts to not only accommodate but embrace the additional streams of activity and accountability needed for ASO success.

Dealing with some of these concerns led to early-stage delays in marketing to establish a strong private sector base. This set the ASO implementation back by at least a year. The addition of an ASO pathway in the agency was viewed as competing with the government contracts pathway. Ultimately, these internal challenges tugged attention away from aggressive private sector marketing. The delay was particularly problematic for the Board of Directors and upper management because they had projected very high volumes of private sector placements and revenues by year two. The combination of internal frustration and conflict and high ASO performance expectations crystallized the importance of aligning an organization's culture and values firmly at all levels at the onset of enterprise planning. UpLIFTD ultimately embarked on a full agency reorganization in 2010. One long-time manager departed and the managers responsible for the ASO and the government contracts program were reorganized to report to the same supervisor in an attempt to integrate these differing functions.

In the rural southwest Louisiana served by Options, resources flow with relationships. Everything from job openings to program partnerships are developed through familial, faith, historic and community connections. Its entrepreneurial CEO clearly possessed the deep roots and understanding essential to garnering interest in a new venture like an ASO. Options planned to operate as a small business venture that was to be guided by the organization's existing business advisory panel.

As an agency, Options has often developed, reshaped, and shed programs in order to evolve with the needs of its rural and small-town communities. The CEO establishes advisory boards and community panels specific to each endeavor, so Board and communitywide leadership was assessed based on the input of a panel assembled to contemplate the merits of starting an ASO. In many ways the staff structure of Options reflects that approach too, with a core administration team led by the CEO and additional staff hired as emerging ventures or programs take effect. This setup could be ideal for ASO development in that the CEO can assemble community and staff teams who are not entrenched in an established vision or culture and who are predisposed to embrace an ASO enterprise model. What was less clear during the feasibility assessment was the degree to which new Board and staff

would commit to and invest in the emerging ASO: there was no track record to evaluate. A key to Option's success would clearly be the recruitment of private sector partners and internal leaders who could implement an ASO in keeping with the CEO's vision, Option's holistic program approach, and the agency's culture of fluidity and responsiveness to ever emerging, external needs.

Of the three host organizations, Options for Independence may have been most inclined toward entrepreneurial efforts. Yet it became very hard for them to identify and retain an ASO community and staff leaders who could implement an ASO across its nine parish area. In fact, towards the end of the initiative, Options established an ASO office in Jefferson county that quickly found an employer base although funds for the project ran out before they could demonstrate the project's viability.

Organizational Infrastructure and Capacity

In many respects, capacity and capital assessments were the least subjective portion of the feasibility assessment. An ASO requires core competencies related to finance, payroll, risk management, and HR/personnel management. Enhanced capacities must be explored (e.g. weekly vs semi-monthly payroll) and sometimes new systems must be implemented (e.g. invoicing and collection on delinquent accounts). Marketing an ASO to both worker participants and employer customers differs from promoting traditional programs. The ASO model can place new and unfamiliar demands upon existing staff, while often necessitating hiring new staff with private and/or market-based experience. The feasibility assessment examined all of these factors, and reflected on the skills and functioning of current or needed Board members and staff to foster ASO success.

Capital and Finances

Nonprofits may be drawn to social enterprise and ASO models out of the belief that the new revenue stream can improve their agency's financial health. This goal can be elusive. Even mature and well-established ASOs rarely generate revenues sufficient to cover core functions such as dispatcher(s), space, transportation, marketing, and billing. Established ASOs can cover up to 94% of core costs; fewer than half generate revenues that exceed core expenses. Rarely are support services such as case management and counseling, shelter/housing, and so on subsidized by ASO net revenues.¹³ In other words, while the ASO can be viewed as an avenue for establishing a new and potentially self-sustaining service for persons with barriers to employment, it ought not be viewed as a possible revenue source for the broader agency or, for that matter, any other support service offered through the agency.

This realization is key when formulating the business plan and projections for cash flow and net revenues. Any market-embedded strategy will ebb and flow with the local economy and labor market. In some years the ASO may need gap financing for the core staffing operation, while in other years it may generate more than it needs for annual functioning. The revenue generating potential can be helpful in leveraging new grants and other sources of funds because it offers an income stream that most other nonprofit programs do not.

During the feasibility assessment, each host organization reviewed their fiscal position and explored the financial expectations of key decision-makers both for the overarching entity and for the potential ASO. Catholic Charities and Options leaders articulated the goal of establishing a self-sustaining ASO by the end of the three-year startup grant offered by the Mott Foundation. UpLIFTD held a more aggressive goal, seeking to ramp up the ASO within two years so it could be self-sustaining and even generate excess revenues in the timeframe. Post-Katrina, however, none of the organizations could commit to host agency investments in the ASO for the foreseeable future.

Catholic Charities brought extensive institutional capacity to the table, including advanced expertise in everything from payroll, insurance and legal reviews, and program/enterprise development. What remained to be seen, as previously noted, was how much the new or amended protocols and systems could be accommodated, and to what extent the heft of the bureaucracy could be leveraged to support rather than hinder ASO development. They operated multiple program sites suitable to open a complementary ASO storefront and had infrastructure and equipment available for use.

UpLIFTD joined the initiative with similarly impressive resources and systems. They owned their agency headquarters, located in an industrial park adjacent to many prospective employer customers. They had a stable base of funding from state contracts for janitorial services, and the finance department was adept at handling payroll and associated financial and administrative functions. They also held some modest reserves.

Options for Independence identified some key infrastructure challenges. They realized that their headquarters office, within a somewhat isolated office tower on a parkway outside of downtown Houma, could be hard for workers to access. In addition, providing or accessing transportation throughout their entire rural service area might prove difficult unless the ASO operation could integrate with other programs already moving youth between school and training/education sites. With regard to finances, Options openly acknowledged limited cash reserves at the onset.

Their commitment to responding when community needs arise and their ethic of sharing resources with partner entities no doubt earned them their outstanding reputation with an impressive network of public and private sector entities. The organizational knowledge about operating an ASO would have to be overcome by the passion and persuasiveness of the CEO. The agency understood it would need to leverage infrastructure and resources, in addition to ASO employer customers, in order to succeed. And in fact, the CEO used his strong connections to a local bank and an insurance agency: he was able to secure a line of credit for the ASO as well as come to a quick resolution around insuring against the additional risk of the proposed ASO's workers.

Project Leadership

Identifying the project leader of the envisioned ASO is perhaps the most critical element of organizational capacity. Because ASOs must meet the demands of both workers and employer customers, existing staff in an agency can find that dual mission unfamiliar. A key goal of the host agency's leadership then is to recruit ASO project leaders who can embrace

the importance of both workers' needs and employers' needs, bringing a unique set of skills such as private sector marketing and industry specific understanding. In rare instances an established nonprofit can identify the ASO leader internally; most often new talent must be hired. Sometimes attracting a staff person from the for-profit sector also means offering higher wages, which can cause tensions among colleagues. Moreover, while a new person from a profit-driven environment can bring valuable expertise and relationships, this background can also mean a steep learning curve when it comes to mission-driven nonprofit work.

Recruiting and retaining an ASO project leader who can bridge the tension inherent in a dual mission posed different challenges and opportunities in the three Gulf Region sites. Options was unable to find a good match. Three ASO directors were hired over the five-year term of the initiative and each struggled to identify specific sectors or market niches that would offer steady numbers of placements for workers. With lots of young people seeking work and its early difficulty in finding contracts with businesses, internal tensions rose. Incoming directors with a business orientation found it hard to fit into the Options culture and likewise existing staff found it hard to embrace the business orientation of the directors. Their challenge was compounded by the dispersal of employers across the rural parishes they served.

As it continued its efforts, Options struggled to hire a successful ASO manager. Promising leads to work contracts trickled in, but no specific industry or employer segment seemed to take up Options' ASO service. Inroads into healthcare and hospitality were hard to build from scratch, and no individual manager was able to bring or cultivate enough leads to provide a steady enough assignment board to sustain worker demands. In some respects, the strength of the social fabric in rural Houma and surrounding parishes posed unexpected hiring challenges. Business owners often absorbed unemployed family and friends into their open positions and seemed much less apt to utilize an intermediary ASO. This led Options to recognize that larger industry players in the oil industry or other major sectors (e.g. shipping yards) probably held the best potential, but massive disruptions caused by subsequent hurricanes and the BP oil spill cut short those potentials.

UpLIFTD hired a professional with experience in the staffing industry, but her connections and experience in traditional marketing did not translate to success in identifying private sector employers receptive to hiring supported, disadvantaged workers. What proved most challenging in Baton Rouge was reconciling the fledgling enterprise with the agency's culture and work flow via government vocational rehabilitation contracts with the fledgling enterprise's own proactive efforts to recruit workers and placements. Growing conflict and confusion over the pathway for participants entering the agency made it difficult for both existing staff and the ASO team. Ultimately UpLIFTD partnered with the Homeless Service One-Stop in Baton Rouge to cultivate a new worker constituency. They leveraged established relationships with the local homeless services and advocacy network, thereby widening the ASO's social impact. In addition, they expanded their connections with quasi-governmental contracts (for example for grounds cleanup at Louisiana State University), a natural segue from other state contracts and relationships they had cultivated over the years.

Catholic Charities hired a full-time director who had years of experience in the traditional staffing field and had been business owner in the construction industry. A long-time resident of New Orleans with an extensive network of business and family relationships and deep dedication to the area's Catholic Archdiocese, this ASO director was an ideal startup leader. He proved masterful at integrating with the Catholic Charities team as well as at garnering hiring prospects within the private sector, establishing relationships with area hotels. The sheer reach of the Archdiocese and affiliated congregations also gave the New Orleans enterprise a jumpstart, both in identifying workers and employer customers. Based on similar experiences of ASOs around the country, the project director sought opportunities to take over some of the many costly contracts Catholic Charities had established with outside vendors. For example, because of a stipulation that contractors carry high insurance minimums, these contracts for labor (such as cutting grass at its many facilities) were costly to the institution. The ASO could manage the contracts, make enough overhead to cover its operational expense, pay workers, and still provide a service at a significant savings to the parent agency.

Community Context and Social Capital

An internal strength critical to an ASO's success lies in the social capital its parent agency has earned over time. Other nonprofits can be essential for identifying participants, and in providing support services such as shelter, meals, education/training, or case management and counseling that may not be offered through the host organization.

Social capital extends to the private sector, too. Sometimes the only employers ready to switch from an established relationship with a for-profit staffing company are those inclined to support an agency's mission or to trust known leaders in that agency. Securing work contracts with local companies has an important effect on the earliest phases of marketing. Testimonials from the first satisfied customers most effectively persuade other employers to give a fledgling ASO a chance.

Community perception, recent high-profile exposure, strong or failed partnerships, and other aspects of the agency's history can profoundly impact a market-embedded enterprise. Prospective worker participants might question the integrity of the agency; crucial nonprofit partners might view the ASO as a competitor for employment service grants or private sector support; and employers might view the agency as a "do good" entity with no business acumen or adding little value. Any high-profile scandal or, conversely, high profile achievement, shape the community context that will either welcome or reject the ASO. The feasibility assessment included a scan of each agency's reputation and social capital.

Catholic Charities' social capital was a significant asset to the ASO to achieving its marketing success, in part due to the extensive reach of the Archdiocese and its congregations, and in part because of the relationships brought to the enterprise by its manager. In contrast, UpLIFTD and Options looked primarily to the lead ASO staff person to secure new employer contracts. Soon it became clear to both that only the participation of

persons at all levels of the agency, from CEO to Board of Directors to frontline staff, could open new customer doors.

While Options enjoyed strong community credibility, few sectors in the rural service area seemed to offer a sustained level of demand for transitional workers. Direct hiring into permanent jobs and independent contracting of workers for term-limited jobs proved to be more the norm, leaving no stable market niche for its ASO services.

RESULTS OF THE THREE-YEAR LAUNCH EFFORTS

By March 2012, the three host agencies had applied their best efforts over three years to establish ASO enterprises. Two hurricanes had hit the region in 2008, just before the launch period: Ike in August and Gustav in September. The agencies, their communities, and their entire region were also rattled by the 2009 onset of the Great Recession and the 2010 BP Oil Spill catastrophe, as well as two more hurricanes: Ida in 2009 and Isaac in 2012.

The impacts of these crises are difficult to overstate. Each of the three host organizations, as integral service providers and governmental partners, were called upon in each massive recovery effort. The recession and natural disasters undermined cornerstone sectors of the regional economy, including tourism, fishing, shipping and oil extraction/refinement. Through it all, however, Catholic Charities, UpLIFTD, and Options for Independence continued to pursue the marketing and operation of their fledgling ASOs.

Catholic Charities operated their enterprise, Community Staffing Services, after the initial year of the internal challenges described above delayed their ability to dispatch workers. As noted, the formation of a separate corporation ultimately helped them overcome the hurdle of securing worker's compensation insurance. Other internal barriers successfully resolved over time included gaining Archdiocese approval for everything from alternative payroll and background check processes to amended contracts allowing for the assumption of liabilities and risk as the employer-of-record.

Between the spring of 2011 and spring 2012, Catholic Charities' ASO employed an average of 15 workers per month across four industries: construction, hotels/hospitality, light manufacturing, and grounds maintenance/cleaning. They also secured contracts for discrete projects. In one example, 16 of their participants worked 20 hours a week for 6 months building a movie set. Internally, the ASO was poised to take advantage of Catholic Charities' immediate needs by offering lower costs than external contractors. These needs included a wide range of work, such as removing and baking furniture infested with bed bugs and removing drywall from water damaged houses. ASO workers included participants in Catholic Charities' prisoner re-entry programs, who not only were able to get immediate employment but also support and counseling.

Yet although the enterprise had established a solid and growing flow of work, it had not yet achieved revenue streams or supplemental grants sufficient to replace the startup grant from the Mott Foundation. They faced a \$30,000 deficit in 2013. At the same time, Catholic

Charities was undergoing a leadership transition and experienced fiscal challenges across the agency as it spread its own limited resources across 64 different programs, all clearly aimed at addressing priority needs in the community. It was difficult for ASO staff to communicate the financial value of the ASO saving the agency money on contracts as the savings did not show up in established financial measures. Ultimately the decision was made to indefinitely suspend the ASO operation.

Because Catholic Charities effectively worked through a complicated array of legal and administrative requirements, their successes and business template could provide valuable instruction of other Catholic Charities across the country. In summer 2012, the ASO was featured in CHARITIES USA, a national publication of Catholic Charities, sparking some inquiries and interest from colleague agencies in Florida and other states. Encapsulating the New Orleans Catholic Charities model in the future could prove to be a fruitful investment, just as the Goodwill ASO model has been for its own national network of chapters.

UpLIFTD's ASO also succeeded in establishing its operation by spring 2012. Between March 2011 and March 2012, the enterprise employed an average of 16 workers, primarily in building and grounds maintenance through crew contracts with entities such as Louisiana State University. On average, 50 percent of their dispatched workers (8 per month) secured permanent jobs through their ASO placements. The dramatic ebb and flow of work remained a challenge. Contracts tied directly to post-storm recovery and cleanup called for large numbers of workers, however quieter winter months have provided only a handful of placement slots for the enterprise. While the ASO continues to operate, it has yet to gain steady work orders from sectors beyond their janitorial/grounds base of service, likely the best chance for establishing a constant flow of opportunities for its workers. That goal remains central for UpLIFTD, which did successfully expand its reach to serve homeless residents by co-locating offices at the homeless services one-stop in Baton Rouge. The agency has also developed the capacity to markedly expand and contract, evidenced by its peak activity on the heels of Hurricane Isaac, after which 55 workers were dispatched for the cleanup and recovery effort.

The Options for Independence ASO was unable to establish a stand-alone ASO as was envisioned in their business plan, largely as a result of the overwhelming, direct impact to the Houma area of the BP Oil Spill and Hurricane Gustav. As one of the rural region's central providers of counseling and support services, the CEO and staff were consumed by responding to these disasters. Once through the immediate crises, and as the CEO focused on building the organization's core competencies (as opposed to being focused on special projects), he decided to integrate the ASO's staffing functions and capacity within the agency's human resources and payroll/finance departments, allowing for the immediate hiring of workers as needs and opportunities arose.

As of July 2014, Options had 21 job placements across a range of occupations. Some are long term temp arrangements in which Options are the employer-of-record. When the State of Louisiana, for example, was unable to employ directly due to a hiring freeze, it contracted with Options. Options now provide full benefits, payroll and all HR services to temporary

personnel assigned to local government health offices. The Options model includes employment across fields that tend to expand during community crises, including counselors, managers, laborers and skilled trades fields. Key to Option's success has been its staff training: the HR Director and Accountant now understand the speed and flexibility that the ASO model requires; social services staff understand how to initiate temp placement discussions with employers; and the HR Director understands how to handle all contractual matters.

Options' early investment in working with its general liability and workers compensation carriers to support the ASO model has been critical to its success. As new contracts are signed, rate adjustments are issued immediately. Because there is no dedicated ASO staff, costs are low and mark-ups help support the overall agency's operation. Options uses the staffing model as a way to achieve permanent job placements: staff members are trained to try first for a direct hire, and then to introduce the temp service only if it will provide an incentive for a permanent hire. If, for example, the employer is hesitant because of a criminal background, incarceration, lack of experience, or if the employer is anticipating a new contract for which they must hire up quickly, Options is able to process a temp worker within hours, offering the service to the employer while avoiding the additional overhead to the agency that a dedicated ASO staff would incur.

LESSONS FOR THE ASO FIELD

Clearly the context of the Gulf ASO initiative during the period of 2008-2012 was unique and extraordinary. Nonetheless, the planning and efforts of the three sites hold lessons for prospective ASO host agencies and the national field.

Lesson: Be Prepared for Organizational Change.

Serving as the initiating and host organization for an ASO requires significant changes on the part of the host organization. When deciding whether to launch an ASO, the organization should anticipate a shift in culture, structure and systems if it intends to provide the support necessary for the budding enterprise.

This organizational change is challenging, in part because it means responding to a business as a paying customer. Human service nonprofits that operate ASOs often exist to help specific people, such as young adults, women receiving welfare, or the disabled, using resources from government contracts and private donations. While it is common for workforce development organizations to talk about the "dual customer" (job seeker and business), in the ASO model the business customer is paying for services. Additionally, the ASO leverages opportunities for people in need of work by satisfying the need for workers in the private sector. This model has many benefits for the workers: often better pay and support; meaningful work experience; and, importantly, direct contact with potential long-term employers (many ASOs waive the fee charged by staffing firms for temporary to permanent conversion). Because the model requires that employers be well served, this in turn requires a new orientation toward the workers as well, given that they are now being employed and performing work under the auspices of the host organization. It also

requires a new orientation to employers not as donors and grant funders, but as partners invested in good work being performed for their businesses.

Further organizational change involves modifying systems to manage billing and payroll, an approach to risk management that often comes with hiring higher risk individuals. Host agencies must also implement systems and processes that support quick turnaround on contracts and job orders. If the organization is already working with employers through government or private contracts whose goal is full-time employment for clients without charging a fee, these potential conflicts also need to be managed.

Wherever there is resistance to change, the direct involvement of the organization's top leadership is essential: they must navigate between the need for change and the need to respect the established systems, the mission and the values of the host agency. It proved true for all agencies in this initiative that the challenges of organizational change undermined the success of their ASOs.

Lesson: The Niche Match Matters

It is critical to identify the specific segments of the local labor market that are a match for an organization's target population. One strategy is to target segments in which traditional staffing agencies are already operating and supplant existing providers, as, for example, did Primavera Works. In some cases, businesses may already be hiring the same population that the agency is serving, and a critical marketing message may be that by using an ASO, these workers will be better supported. Another approach is to trade on the mission of the organization. Prior research suggests that companies largely make the decision to use an ASO based on good business sense, "recognizing that mission drives the quality of the service they receive. Many customers draw the connection between the motivation to have the worker succeed in the job assignment with the quality of the job match."¹⁴ Another approach is to focus on segments of the market in which businesses may be reluctant to hire a specific type of worker (for example the disabled), and make the case that by using the ASO they are mitigating the risk involved in hiring these workers.

Whatever approach an organization might undertake, it is important to understand which industry segments of the labor market use temporary and temp-to-hire arrangements and which are a good match for the specific skills and experiences of the workers they seek to engage. ASOs can also recruit workers beyond its host agency's traditional target populations, bringing in a broader range of job seekers to meet the needs of its business customers in order to get a toehold in the market. Whatever the approach, matching the ASO workers to the real and specific demands for staffing services in the local labor market is essential.

Lesson: ASOs Can Serve as a Function of an Agency Rather than an Ongoing Enterprise

The use of staffing agencies to fill positions is a growing practice. Staffing organizations are increasingly serving as a way for employers "to try before you buy," as well as a way into the labor market for many workers. As workforce organizations seek new ways to work with businesses, operating a stand-alone ASO may not be feasible, but embedding it into existing infrastructure, as Options has done, may be a viable alternative. Through

developing the capacity of their HR departments, emphasizing the importance of fast turnaround, negotiating supportive insurance policies and services, and training all their staff in marketing the service, workforce organizations may be able to help workers get a foot in the door. This applies particularly to job seekers that businesses may be reluctant to hire.

Lesson: ASOs Have a Role to Play in Response to Natural or Manmade Disasters

Every year brings hurricane season to the Gulf. Interestingly, these seasonal weather events led all three of the host agencies to apply their new staffing capacity to better engage and respond during community cleanup and rebuilding periods. We believe that ASO can play a unique role in times of disaster, given their ability to quickly hire locals who need jobs and get them working where needed. Workers on the lower rungs of the disaster recovery industry need ways to enter and navigate within and through this segment, and local workers often affected by the disaster need ways to connect quickly to flexible employment opportunities.

Launch years 2009-2012 were interrupted by additional disasters, albeit less catastrophic than Hurricane Katrina, including other hurricanes and the BP oil spill. Natural and economic cycles, across whole communities or within certain industries, are disruptive if unanticipated, but can be harnessed constructively if acknowledged. Indeed few other employment approaches than the ASO model may be as effective at addressing the kinds of job opportunities and employer needs that fluctuate cyclically.

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