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## Summary Findings of a Report on Temporary, Part-Time, and Contract Employment in the United States

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# ***SUMMARY FINDINGS***

**of**

## ***A Report on Temporary, Part-Time, and Contract Employment in the United States***

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## Introduction

This summary report highlights the findings from a nationwide survey of employers on their flexible staffing policies. In July and August of 1996 the W.E. Upjohn Institute for Employment Research sponsored a nationwide telephone survey of 550 employers regarding their use of five flexible staffing arrangements: temporary agency workers, short-term hires, regular part-time workers, on-call workers, and contract workers.<sup>1</sup> The Institute contracted with the Kercher Center for Social Research at Western Michigan University to conduct the telephone survey. The U.S. Department of Labor funded the data analysis for this study.

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<sup>1</sup>The definitions used in this report for the various types of flexible workers are listed below:

*Temporary help agency workers:* Individuals who work at the establishment but who are paid through an employment agency and are not on the organization's payroll.

*Short-Term Hires:* Individuals who are employed directly by the organization for a limited and specific period of time. Short-term hires include workers hired for the December holiday season or during the summer and they may work part-time hours.

*Regular Part-Time Workers:* Individuals on the organization's payroll who work less than a full work week and who are not short-term hires. "On-call" workers who are used only on an as-needed basis are also excluded from this definition.

*On-Call Workers:* Individuals, who are often part of an on-call worker pool, who are called in to work only as needed. They can be scheduled for several days or weeks in a row. Regular workers who are "on call" for possible work during unusual hours are not included.

*Independent Contract Workers:* Individuals who are employed by another organization to perform tasks or duties as specifically contracted by the organization. Independent contract workers may be used for carrying out administrative duties or providing business support such as security, engineering, maintenance, sales, data processing, and food service. Independent contractors may also be used to perform activities that are core to the business's operations.

*This study is the first employer survey on flexible staffing arrangements to be representative of private sector practices across the nation.* We surveyed a stratified random sample of establishments with five or more employees. As shown in Table 1, the employment-size distribution of the establishments surveyed closely matches that of private sector employers across the country. In addition, as shown in Table 2, the surveyed establishments represent all sectors of private industry.

Table 1  
Distribution of Employment Among Establishments  
with Five or More Employees and  
Distribution of Establishments in Survey,  
by Establishment Size

<u>Establishment Size</u>	<u>Private Sector Employment</u>	<u>Establishments in Survey</u>
5-9 employees	9.6%	11.5%
10-19	12.0	12.2
20-49	17.4	17.1
50-99	13.5	14.2
100-249	16.6	15.8
250-499	9.6	9.3
500+	21.4	20.0

According to our estimates, in 1995 agency temporaries added 1.5 percent to regular employment and short-term hires added 2.3 percent to regular employment among private sector establishments with five or more employees. Eighteen percent of regular workers worked part-time. These figures are in line with available estimates from government data, which suggests that the information

collected in our survey is representative of flexible staffing practices in the United States.

Table 2  
Distribution of Establishments in Survey, by Industry

	<u>Number</u>	<u>Percent</u>
Agriculture	8	1.5
Mining and Construction	18	3.3
Manufacturing	78	14.2
Transportation, Utilities, Communication	28	5.1
Trade	164	29.8
Service	225	40.9
Not Available	29	5.3

## Highlights of the Report's Findings

***1. The use of flexible staffing arrangements is widespread among establishments of all sizes and in all industries.***

Forty-six percent of surveyed establishments use workers from temporary help agencies, 38.2 percent use short-term hires, 71.6 percent employ part-time workers, 27.3 percent use on-call workers, and 43.5 percent use independent contract workers (Table 3). Excluding part-time workers (which the vast majority of establishments use), 78 percent of the establishments in our survey use at least one of the other types of flexible staffing arrangements.

The use of the different types of flexible workers varies across industries, as shown in Table 4. Manufacturers are heavy users of temporary workers; 72 percent of all manufacturers surveyed use

Table 3  
Percentage of Establishments  
Using Flexible Staffing Arrangements

	Use	Don't Use	Don't Know	Sample Size
Temporary Help Agency Workers	46.0	53.5	0.5	550
Short-Term Hires	38.2	61.5	0.4	550
Part-Time Workers	71.6	28.4	0	550
On-Call Workers	27.3	72.4	0.4	550
Contract Workers	43.5	54.7	1.8	550

Table 4  
Use of Flexible Workers, by Industry

Industry	Percent of Survey Establishments that Use:					Number of Obs.
	Temporary Help Agency Workers	Short-Term Hires	Part-Time Workers	On-Call Workers	Contract Workers	
Agriculture	50	63	38	13	25	8
Mining/Construction	56	33	33	11	61	18
Manufacturing	72	23	41	13	54	78
Transportation, Public Utilities & Communications	50	39	79	21	54	28
Trade	37	38	78	16	34	164
Services	44	42	82	44	47	225

temporary workers. A high percentage of service establishments and retailers hire part-time workers (82 percent and 78 percent, respectively).

***2. The flow of temporary jobs during the year is much greater than the number of temporary jobs that exist at any point in time.***

By their very nature, temporary jobs are short-lived. Our data suggest that over the course of the year, employers create seven to eight times the number of jobs for temporary agency workers and five to six times the number of jobs for short-term hires as would exit at any point-in-time. Although individuals may hold multiple temporary jobs, it is likely that many more individuals experience a spell of temporary employment during the year than are identified in government establishment and household surveys, which measure temporary employment at a point in time.

***3. Employers report using flexible workers for a variety of reasons, the most common being to accommodate workload fluctuations and to fill positions that are temporarily open due to permanent employees' short-term absences.***

Employers most often use flexible work arrangements in order to accommodate fluctuations in their workload over the day, week or year and to fill positions for regular employees that are temporarily absent. The three most frequently given reasons for hiring workers from temporary help agencies are to provide needed

assistance at times of unexpected increases in business, cited by 52 percent; to fill a vacancy until a regular employee is hired, cited by 47 percent; and to fill in for an absent regular employee who is sick, on vacation, or on family medical leave, cited by 47 percent (Table 5). Seasonal needs, cited by 55 percent of employers using short-term hires, appear particularly important in the use of that type of flexible staffing arrangement. Among those using part-time workers, 62 percent use them to provide needed assistance during peak-time hours of the day or week and 49 percent use them to provide needed assistance during hours not covered by full-time shifts. Among employers using on-call workers, 69 percent use them to cover for absent regular employees and 51 percent use them to provide needed assistance at times of unexpected increases in business.

Employers may raise productivity and thus lower labor costs by more effectively screening the workers they hire into regular positions. Screening candidates for regular jobs was cited as important by 21 percent of employers using temporary help agency workers. It was also cited as important by 15 percent of employers using part-time workers.

Interestingly, 54 percent indicated that accommodating employees' wishes for part-time hours is important in their use of part-time workers, suggesting that in many cases employers offer part-time hours to hold onto valued employees.

**Table 5**  
**Reasons for Using Flexible Work Arrangements**

	Temporary Help Agency	Short- Term Hires	Part- Time Workers	On-Call Workers
<u>Reasons Concerning Staffing Levels</u>				
Fill vacancy until regular employee is hired	46.6	20.5	--	26.0
Fill in for absent regular employee who is sick, on vacation, or on family medical leave	47.0	30.0	--	69.3
Seasonal needs	28.1	54.8	--	29.3
Provide needed assistance during peak-time hours of the day or week	14.2	--	62.4	37.3
Provide needed assistance at times of unexpected increases in business	52.2	31.0	--	50.7
Special projects	36.0	37.6	20.8	26.0
Provide needed assistance during hours not covered by full-time shifts	--	--	48.7	--
<u>Other Reasons</u>				
Screen job candidates for regular jobs	21.3	9.0	14.7	8.0
Save on wage and/or benefit costs	11.5	8.1	21.3	6.0
Provide needed assistance during company restructuring or merger	7.5	6.2	--	6.0
Fill positions with temporary agency workers for more than one year	5.1	--	--	--
Save on training costs	5.1	--	--	--
Special expertise possessed by this type of worker	10.3	15.7	--	16.0
Accommodate employees' wishes for part-time hours	--	--	54.1	--
Unable to find qualified full-time workers	--	--	11.4	--
<b>Sample Size</b>	<b>253</b>	<b>210</b>	<b>394</b>	<b>150</b>

Finally, 12 percent of employers using workers from temporary help agencies and 21 percent of employers using part-time workers indicated that the potential savings on wage and benefit costs is an important reason for hiring these workers.

- 4. Companies often save on hourly labor costs by hiring flexible workers. These savings occur primarily because of lower fringe benefit costs associated with workers in flexible staffing arrangements. Companies that offer generous benefits to regular workers are more inclined to use workers in flexible staffing arrangements and/or to use these workers more intensively.*

Respondents were asked to compare the hourly wage costs and the hourly wage plus the hourly benefit costs of short-term hires, part-time workers, and on-call workers with those of regular workers in similar positions. For workers from temporary help agencies, respondents were asked to compare the billed hourly rate of agency temporaries with the hourly wage costs and the hourly wage plus the hourly benefit costs of workers in similar positions. While only a small percentage of establishments indicated that the hourly wage costs (or hourly billed rate) of workers in flexible staffing arrangements are lower than the hourly wage costs of regular workers in similar positions, a large percentage responded that the total of hourly wage plus benefit costs is lower for workers in flexible staffing arrangements than for regular workers in similar positions (Table 6).

**Table 6**  
**Percent of Establishments Responding that the Hourly Pay Plus Benefits Costs of Flexible Workers is Generally Higher, Generally Lower, or About the Same as the Hourly Pay Plus Benefits Costs of Regular Employees in Comparable Positions, by Type of Flexible Worker**

	Higher	Lower	About the Same	Don't Know
Temporary Help Agency Workers <sup>1</sup>	19.4	38.3	38.3	4.0
Short-Term Hires	2.9	59.4	29.7	8.0
Part-Time Workers	2.8	62.9	31.5	2.8
On-Call Workers	5.3	72.7	19.3	2.7

<sup>1</sup> For temporary help agency workers, the comparison was between the hourly billed rate for temporary help agency workers and the hourly pay plus benefits cost of regular employees in comparable positions.

Three of the five categories of flexible workers are direct employees of establishment: short-term hires, part-time workers, and on-call workers. Employees in these positions are much less likely to receive fringe benefits such as paid vacations and holidays, paid sick leave, pensions, and health insurance than are regular, full-time workers (Table 7).

**Table 7**  
**Provision of Benefits, by Type of Worker (in percent)**

	Short-Term Hires	Part-Time Workers		On-Call Workers	Regular Full-Time Workers
		To Any Part-Time	To 50% or More		
Paid Vacation & Holidays	11.0	53.7	48.3	15.3	95.8
Paid Sick Leave	5.7	35.8	32.0	11.3	83.5
Pension Benefits	3.8	37.6	30.2	14.0	78.5
Profit or Gain Sharing	NA	16.0	13.1	6.0	37.6
Health Insurance	9.5	38.9	34.2	13.3	89.8
Any of Above Benefits	16.2	66.7	60.2	24.7	96.5

The large gap in benefits occurs not because flexible workers are concentrated in firms providing few benefits, but rather because firms distinguish between flexible workers and regular, full-time workers in determining benefits eligibility. Statistical analysis shows that establishments offering good benefits to regular, full-time workers are more likely to use various flexible staffing arrangements and/or are more likely to use flexible staffing arrangements more intensively.

*5. Although there is evidence of some mobility of workers in flexible staffing arrangements into regular positions, relatively few employers report "often" promoting these workers.*

For most types of flexible workers, a majority of employers report seldom or never moving them into regular positions and relatively few report often promoting them. Still, 43 percent of employers using agency temporaries, 43 percent of employers using short-term hires, 54 percent of employers with regular part-time workers, and 46 percent of employers with on-call workers report often, occasionally, or sometimes moving these workers into regular positions (Table 8). Moreover, there is a positive and significant correlation between the degree to which employers promote agency temporaries into regular positions and the intensity of their use of these workers.

Table 8  
 Mobility of Flexible Workers into Regular Positions,  
 by Type of Flexible Worker

	Occasionally/ Often    Sometimes    Seldom    Never				Don't Know
	Temporary Help Agency Workers	11.5 9.0	31.3 34.3	19.0 17.1	
Short-Term Hires	14.7	39.6	16.0	28.9	0.8
Part-Time Workers	9.3	26.7	27.3	32.7	4.0
On-Call Workers					

**6. *Our survey provides evidence that use of some types of flexible staffing arrangements has grown in the 1990's.***

Slightly more employers indicated that their use of temporary agency workers, short-term hires, and on-call workers had increased than said their use had decreased. A much larger number of establishments increased their use of part-time workers relative to full-time workers than decreased their use.

A substantially greater number of establishments also reported contracting out work previously done in-house than reported bringing back work in-house. Since 1990, 18 percent of all establishments in our sample have contracted work out previously done in-house, while 10 percent brought work back in-house that was previously contracted out. The large number of respondents indicating some change in the use of contract workers just since 1990 suggests substantial restructuring of production and employment relations in our country. Together with findings from

earlier surveys, our data suggest that there has been a trend toward contracting out at least since 1980.

***7. Most businesses foresee an increase in the use of flexible staffing arrangements in their industry.***

About two-thirds of the survey respondents predicted that businesses in their industry would increase their use of flexible workers—such as workers from temporary help agencies, short-term hires, part-time workers, on-call workers, and contract workers—in the next five years.

**A copy of the full report, *Temporary, Part-Time, and Contract Employment in the United States: A Report on the W.E. Upjohn Institute's Employer Survey on Flexible Staffing Policies*, is available from the W.E. Upjohn Institute for Employment Research upon request.**