

Sve Harsman

Dec 2 1999



Temp Agency Benefits Reports

BLS surveys on temp agency benefits

many offer benefits, but when look at data very few
whats have been, either are really (writing home)
or ↑ co-pay.

DOL report from 1997

0 #s 12.5 minus

in spec supplement asked if incl
Contractor, bailancer etc. + kump together
called ind contractors.

many say they are self employed

15% ^{ind contractor} self employed that say they

Ideas in general

- The cost benefits is biggest issue - cuts xs all
arrangements.

The fact that employers don't have to provide the benefits
means they don't.

employers that offer benefits (HI, pensions) are more
likely to use flexible staffing arrangements (w/o
providing benefits)

219-8771
Office of Disclosure
Chair 895-0500
219-8921

Report by W. J. on the Benefits Group
DOL Task Force
Mike Fanning
Sharon Montgomery exec
end of month

In some cases employers don't have to, in ERISA these benefits have certain tax advantages - n taxable income, if I get \$500/month for employee.
The IRS doesn't want companies to only provide these benefits to management to get around taxes, so require to give to broadly employees if you give the benefits.

OSHA: PITA keeps covered
↑
no ind contractors
mortality - national liability

Ideas

Wing today says provide alternate means.

FLSA: no ind contractors

- extending coverage to more workers should n be tied to employment

Michigan ← data collections
CA - 2 numbers
- states one channeling work even ppl to temp agencies. The argument is that these ppl know how they must + can place them better so an analysis which would be a random assignment following these ppl to see if they do better or not.

2-year study

Stepping stones or
don't get trapped
hang it every yr
had long ds

BLS Supplement: We don't know how these ppl who go into these arrangements, how they fare over time. Or many of these arrangements where they may want something else.

if you had it every yr you could see temps
CLB had limited longitudinal component. 16 months in sample
in CA to at CA in 2024

BLS feeling budget pressure

Standard definition of employee/employer →

proposing laws to extend coverage to her parts

related ^{work} groups

Sec's adv comment

on employee, wife + pension plans
15 member non part

starting comm under ERISA (3 yrs)

Testimony before the Working Group on the Benefit Implications of the
Growth in the Contingent Workforce

U.S. Department of Labor

Susan N. Houseman
Senior Economist
W.E. Upjohn Institute for Employment Research

September 7, 1999

There is a widespread perception that employment in what has variously been called "contingent," "flexible," "alternative," or "nonstandard" staffing arrangements is large and growing. Many regard such a development as troubling, in part because workers in these arrangements typically receive few benefits. Moreover, some firms allegedly use these arrangements to circumvent laws governing benefits and other labor standards. This situation has raised concerns that existing employment and labor laws are inadequate to protect workers in these arrangements.

Others, citing recent BLS statistics on "contingent" employment, counter that the phenomenon is small, and consequently does not merit major policy changes.

Confusion over whether the phenomenon of contingent employment is large or small arises not so much over disagreements about what the data say but rather over what the word contingent means. I will begin my presentation by discussing the various uses of the term "contingent," and will argue that the scope of employment arrangements covered by this working group is considerably greater than that measured in the BLS figures on contingent employment.

In the remainder of my presentation, I will draw upon BLS data and data from a nationwide employer survey conducted by the Upjohn Institute for Employment Research to discuss employment levels, employment trends, and the incidence of benefits among workers in a wide range of employment arrangements, including temporary help, direct-hire temporary, on-call, contract company, independent contractor, and regular part-time jobs. I also will discuss evidence that employers use these arrangements, in part, to save on benefits costs.

What is Contingent Work?

The term "contingent work" was coined by Audrey Freedman in 1985 to describe "conditional and transitory employment arrangements as initiated by a need for labor--usually because a company has an increased demand for a particular service or a product or technology, at a particular place, at a particular time."¹ Since then the term has been used in various ways. Richard Belous and others, who popularized the term in the late 1980s, used it to refer to all employment arrangements besides traditional full-time, employment. Thus, "contingent" workers by this definition include all part-time and self-employed workers, in addition to temporary and on-call workers. In a recent book, Kathleen Barker and Kathleen Christensen note that the term contingent employment is "generally thought to include those jobs that are done on temporary, self-employed contract, or involuntary part-time bases."²

¹Audrey Freedman, "The New Look in Wage Policy and Employee Relations," Conference Board Report No. 865, New York: The Conference Board, 1985.

²Kathleen Barker and Kathleen Christensen, *Contingent Work: American Employment Relations in Transition*, Ithaca, NY: ILR Press, 1998.

Beginning with the February 1995 Supplement to the CPS, BLS sought to collect data on the number of "contingent" workers, and, by implication, provide a more precise definition for the term. In an article published prior to the design of the February 1995 Supplement, BLS economists Anne Polivka and Thomas Nardone sharply criticized the common usage of the term contingent worker as being too broad and discussed how it should be defined and measured.³ They proposed that, based on Freedman's original concept of contingent employment, two key criteria be used in classifying a worker as contingent: 1) a low degree of job security, in particular the amount of job security embodied in the employment arrangement and 2) variability in hours worked. However, in designing the Contingent and Alternative Worker Supplement, BLS only incorporated the first criterion into its definition of contingent workers. In addition, the classification is based on workers' perceptions of job security, rather than on the actual contractual nature of the employment relationship. Specifically, only workers who do not expect their jobs to last for economic reasons are classified as contingent workers in the BLS data.

Using Freedman's original concept of contingent worker, it is clear that while some researchers have over counted the number of contingent workers, the BLS definition undercounts them. For instance, on-call workers are intrinsically contingent, because their hours of work vary. In fact, in their 1989 article Polivka and Nardone cited on-call workers like substitute teachers as examples of workers who should be classified as contingent. However, this aspect of contingency--hours variability--is not measured in the BLS concept. In 1997, only 28 percent of on-call workers were classified as contingent under the broadest BLS definition of contingency. The problem is not limited to on-call workers. For instance, temporary help agency workers are also intrinsically contingent. While agency temporaries may establish a long term relationship with the staffing agency, their employment, hours, and pay will vary with the availability of assignments. However, only 57 percent of agency temporaries are classified as contingent in the 1997 BLS survey. The surprisingly low percentage of agency temporaries who are classified as contingent in the BLS survey suggests a problem with the way the concept of temporary is being measured in the survey or with respondents' understanding of the questions being asked. Similarly, because independent contractors and other self-employed workers are classified as contingent by BLS only if they expect that they will not be self-employed in the near future, very few in these arrangements are counted as contingent. Yet, their assignments with clients may be temporary in nature and it is this contingent use of workers by businesses that Audrey Freedman was referring to in her original article. Consequently, in its statistics on contingent employment, the BLS--probably unwittingly--introduced yet another definition of the term contingent, which does not correspond very closely to and is considerably narrower than any prior usage of the term.

By covering in its hearings a broad set of employment relationships that go well beyond the concept of contingency captured in BLS statistics or even in Audrey Freedman's original use

³ Anne E. Polivka and Thomas Nardone, "On the Definition of 'Contingent Work,'" *Monthly Labor Review*, December 1989, pp. 9-16.

of the term, this working group implicitly has been using the more popular concepts of contingent work. Consequently, BLS's statistics on the "contingent" workforce, which have been discussed in detail by several previous witnesses, are not relevant for this working group.

I would agree with BLS economists and many others who object to the use of the term "contingent" to refer to most workers who are not traditional full-time employees. If I had named this working group, I would have substituted the term "nonstandard work arrangements" or "flexible staffing arrangements" for "contingent workforce." Nevertheless, examining such a broad set of employment relationships is an appropriate scope for this working group for two reasons. First, workers who are not in regular, full-time employment relationships are much less likely to receive benefits than those who are. Second, ERISA and other regulations governing benefits primarily protect full-time employees, and thus firms often can use other employment arrangements to avoid providing benefits to certain groups of workers.

The Number of Workers in "Contingent" or "Flexible Staffing" Arrangements

In addition to generating the first official statistics on "contingent workers," the February 1995 Supplement to the CPS represented the first attempt in government statistics to count the number of workers in a wide variety of "alternative" or--the term I prefer--"flexible" staffing arrangements. The Supplement on Contingent and Alternative Work Arrangements was repeated in February 1997 and February 1999. Table 1 presents the distribution of the workforce by staffing arrangement in 1997.⁴

In the survey, individuals were directly asked whether they were paid by a temporary help agency, whether they were an on-call or day laborer, or whether they were an independent contractor, independent consultant, or free lance worker. Those answering in the affirmative were classified as agency temporaries, on-call or day laborers, and independent contractors, respectively. The category agency temporaries includes the permanent staff of these agencies, though they represent a small percentage of those employed in that industry.⁵ Under the legal definition, independent contractors are self-employed. However, about 12 percent of those calling themselves independent contractors, independent consultants, or free lancers, also stated that they were wage and salary workers. Workers were classified as contract company workers if they responded that they worked for a company that contracted out their services, that they worked at the client's site, and that they primarily worked for one client. The category "other self-employed" comprise self-employed workers who are not classified as independent contractors. Regular part-time employees work fewer than 35 hours per week and are not classified in another flexible staffing arrangement.

⁴The 1999 data were not publicly available at the time of this writing.

⁵A 1989 Industry Wage Survey indicated that permanent full-time staff constituted just 3.2 percent of employment in the industry Help Supply Services, which is primarily made up of temporary help agencies.

Although the CPS does not include a specific question classifying individuals as direct-hire temporaries, I constructed this category from questions in the February Supplement. Specifically, individuals were classified as direct-hire temporaries if they indicated that their job was temporary or they could not stay in their job as long as they wish for any of the following reasons: they were working only until a specific project was completed, they were temporarily replacing another worker, they were hired for a fixed period of time, their job was seasonal, or they expected to work for less than a year because their job was temporary.

To avoid double counting, the categories of employment in Table 1 are constructed to be mutually exclusive. The main overlap across categories occurs with direct-hire temporaries; a number of on-call workers, wage and salary independent contractor workers, and contract company workers are hired on a short-term basis. The proportion of workers in these categories who are also direct-hire temporaries is indicated in Table 1. The category "other direct-hire temporaries" are those short-term hires not classified in another flexible staffing arrangement. Including the on-call, independent contract, and contract company workers who are also direct-hire temporaries, 3.2 percent of the workforce are direct-hire temporaries. In addition, a small number of workers work on an on-call basis or for a contract company. They are classified as on-call workers in the table.⁶

Independent contractors comprise the largest category of flexible staffing arrangements. In fact, over half of all the self-employed call themselves independent contractors, independent consultants, or free lancers. Collectively, agency temporaries, on-call workers, independent contractors, contract company workers, and direct-hire temporaries comprise 12.5 percent of the workforce. Another 5.1 percent are other self-employed and another 13.6 percent are regular part-time employees.

It is noteworthy that agency temporaries account for only one percent of total employment in the CPS Supplement, whereas they account for about 2 percent of employment in the Current Employment Statistics (CES), the Bureau of Labor Statistics's establishment survey. Data from the National Association of Temporary Services Staffing suggests employment in temporary services is slightly less than that reported in the CES, but is much higher than that reported in the CPS, and it is generally presumed that the CPS understates employment in temporary help agencies.⁷

⁶The classification scheme used in this table follows that used in my paper with Anne Polivka: "The Implications of Flexible Staffing Arrangements for Job Stability," in *On the Job: Is Long-Term Employment a Thing of the Past?* edited by David Neumark, New York: Russell Sage Foundation, forthcoming.

⁷Some of the difference in the CPS and CES figures on temporary agency employment stems from differences in the type of data collected in the two surveys. Specifically, the CES counts jobs in the temporary help services industry, while the CPS counts workers whose main jobs are in this industry. Consequently, individuals registered with more than one temporary agency would show up once in the CPS, but would show up more than once in the CES, if they worked two or more jobs for two or more temporary help agencies during the survey week. Also, multiple job holders with secondary jobs in the temporary help industry would not be counted in the CPS as

Table 1 also shows that those in flexible staffing arrangements are more likely to work part time than workers in regular wage and salary positions. This is particularly true for on-call workers and direct-hire temporaries.

Data on the number of workers hired by employee leasing companies are not currently available. In the February 1995 CPS Supplement, respondents were asked if they were paid by an employee leasing agency. A very small percentage (0.3 percent) responded in the affirmative. Subsequent field tests by BLS showed considerable confusion among respondents over that question and so it was omitted from the 1997 and 1999 Contingent and Alternative Work Arrangement Supplements. A report on employee leasing prepared for the Department of Labor estimated there were 608,198 leased employees in 24 states in 1993. At the time, other states collected no data on the number of leased employees, and the report cast doubt on the accuracy of the figures from many of the states that did report data.⁸ It is believed that many leased employees are classified in the help supply services sector along with temporary help agency workers in the CES. In an ongoing project, the BLS is attempting to provide separate estimates for leased employees and agency temporaries.

Trends in Flexible Staffing Arrangements

Very little is known about trends in most flexible staffing arrangements. As noted above, the CES provides information on employment in the help supply services industry, SIC 7363, which is comprised primarily of temporary help agencies. According to this source, employment in the temporary help industry grew dramatically in the 1980s and 1990s. From 1982 (the first year for which data on this industry are available) to 1997, the share of non-farm payroll employment in help supply services grew from 0.5 percent to 2.3 percent. The share in self-employment and in part-time employment has not grown in recent years.

Statistics for on-call, independent contractor, contract company, and direct-hire temporary workers were first collected in the February 1995 Supplement to the CPS. Between 1995 and 1997, the percent of employment in these categories was stable, but this two year time period, during which the economy was in rapid expansion, is too short to determine any trend. Future CPS Supplements on Contingent and Alternative Work Arrangements will provide

agency temporaries, whereas those workers' secondary jobs would be counted in the CES. Another possible explanation for the differences is that, in spite of questions in the CPS designed to avoid this problem, some respondents may still view the client to whom they are assigned as their employer and thus fail to report that they are paid by a temporary help service. The widespread confusion over who is their employer is evidenced by the fact that among those identified as agency temporaries in the CPS, over half at first incorrectly named their client, rather than the temporary help agency, as their employer. Finally, many establishments classified as temporary help agencies in the CES may also provide contract company workers or leased employees.

⁸KRA Corporation, *Employee Leasing: Implications for State Unemployment Insurance Programs*. Final Report, submitted to the Unemployment Insurance Service, U.S. Department of Labor, contract no. K-4280-3-00-80-30, 1996.

valuable evidence on trends in these work arrangements.

In the absence of employment data on specific flexible staffing arrangements, some researchers have looked at the growth in business services employment. In addition to including agency temporaries within help supply services, business services is thought to include many employed as contract company workers. Figure 1 plots indexes of employment in help supply services, business services, and the aggregate non-farm payroll sector over the 1982-98 period. Help supply services grew more rapidly than aggregate business services, which, in turn, grew more rapidly than aggregate employment over the period. Within the business services sector, help supply services was the fastest growing component. However, each component of the business services sector also increased faster than aggregate employment over the period.

Evidence from various employer surveys points to growth in other types of flexible staffing arrangements. For instance, in a 1995 survey of Conference Board members, 34 percent of companies reported sizable growth in their use of direct-hire temporaries in the preceding five years and 24 percent expected sizable growth in the coming five years. Thirty-one percent reported sizable growth in their use of independent contractors and 28 percent expected sizable growth in their use of independent contractors in the next 5 years.⁹ Data from BLS Industry Wage Surveys in 1986 and 1987 show growth in contracting out of services in thirteen manufacturing industries between 1979 and 1986/1987.¹⁰ In a survey of members of the Bureau of National Affairs, a larger percentage of employers reported an increase than reported a decrease between 1980 and 1985 in their use of direct-hire temporaries, on-call workers, administrative or business support contracts, and production subcontracting relative to regular workers.¹¹ In an Upjohn Institute survey of a nationally representative sample of 550 employers, a much larger percentage reported contracting out work previously done in house than reported bringing work back in house since 1990. Moreover, two-thirds of respondents to the Upjohn Institute survey predicted that organizations in their industry would increase their use of flexible staffing arrangements in the coming five years.¹² Thus, it is reasonable to assume that there has

⁹The Conference Board, "Contingent Employment," *HR Executive Review*, 3 (2), 1995.

¹⁰Katharine G. Abraham, and Susan K. Taylor, "Firms' Use of Outside Contractors: Theory and Evidence," *Journal of Labor Economics*, 14(3): 394-424, 1996.

¹¹Katharine G. Abraham, "Restructuring the Employment Relationship: The Growth of Market-Mediated Work Arrangements," In Katherine Abraham and Robert McKersie, eds., *New Developments in the Labor Market: Toward a New Institutional Paradigm*, Cambridge, MA: MIT Press, 1990.

¹²Susan N. Houseman, "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." Report to the U.S. Department of Labor, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1997.

been some growth recently in other types of flexible staffing arrangements, though the amount they have grown is unknown.

Benefits

Lack of benefits is an important issue facing workers in all flexible staffing arrangements. Table 2 shows the incidence of health insurance and retirement benefits by work arrangement. Those in flexible staffing arrangements are far less likely to receive benefits such as health insurance or a retirement plan from their employers than are regular full-time workers. Because many employees who are eligible to participate in an employer provided health insurance or retirement plan decline to do so, it is interesting to look at not only the fraction of workers who receive these benefits from their employer, but also the fraction that are eligible to receive them. Among wage and salary employees, those in flexible staffing arrangements are much less likely than regular full-time employees to participate in and be eligible to participate in a health insurance and retirement benefit plan. The incidence of these benefits is particularly low among agency temporaries. Whereas 73 percent of regular full-time workers receive health insurance through their employer and 84 percent are eligible to participate in an employer health insurance plan, just 7 percent of agency temporaries receive health insurance through their employer and only 24 percent are eligible to participate in an employer health insurance plan. Only 4 percent of agency temporaries participate in an employer retirement plan and only 10 percent are eligible to do so, compared to 63 percent and 67 percent of regular full-time employees who participate or are eligible to participate, respectively, in an employer retirement plan.

This lack of benefits would be of less concern if those in flexible staffing arrangements generally had health insurance from other sources or saved for retirement through a tax deferred retirement account. However, agency temporaries, on-call workers, independent contractors, direct-hire temporaries and regular part-time workers are much less likely to have health insurance coverage from any source compared to regular full-time employees. Over half of agency temporaries have no health insurance from any source. Similarly, workers in all types of flexible staffing arrangements are much less likely than regular employees to have some type of retirement plan. As shown in Table 3, while workers who are not in regular full-time employment arrangements account for slightly over 30 percent of the workforce, they account for almost half of all workers with no health insurance and almost half of those with no retirement plan.

One might speculate that the reason workers in flexible staffing arrangements are less apt to receive benefits is because they are, on average, less productive workers employed in lower paying jobs, who probably would not receive benefits even if they were regular full-time employees. However, demographic and job characteristics cannot explain why workers in flexible staffing arrangements are much less likely to receive benefits than those in regular full-time positions. Using data from the February 1995 Supplement to the CPS, I have estimated models of the probability a worker is eligible to participate in an employer-sponsored health insurance plan, has health insurance from any source, or is eligible to participate in an employer-

sponsored retirement plan. The results show that even controlling for age, education, race, geographic region, union status, industry and occupation, workers in all flexible staffing arrangements are significantly less likely to be eligible to participate in an employer-sponsored health insurance or pension plan or to have health insurance from any source.

One might also speculate that an important reason why workers in flexible staffing arrangements are much less likely to receive health insurance and pension benefits from their employer is because they are more likely to work for employers who do not offer benefits to any workers—including regular full-time employees. However, evidence from the Upjohn Institute employer survey suggests otherwise. Specifically, within establishment comparisons shows that employers are much more likely to offer regular full-time employees these benefits than they are to offer employees in flexible arrangements (Table 4). This finding is important, for it implies that employers are using these employment arrangements to determine benefits eligibility. ERISA and non-discrimination clauses in the IRS tax code make it difficult for employers to offer pension and health insurance benefits just to selected groups of regular full-time workers. However, hiring workers on a part-time or temporary basis may be one way for an employer to avoid offering these benefits to certain groups of workers.

Data from the Upjohn Institute employer survey also show that employers typically offer benefits like paid vacations and holidays and paid sick leave, in addition to health insurance and a retirement plan, to their regular full-time employees. However, they are much less likely to offer these benefits to regular part-time employees and they rarely offer these benefits to employees who work on an on-call or temporary basis.

Using Flexible Staffing Arrangements to Reduce Benefits Costs

Many have hypothesized that employers use various flexible staffing arrangements in order to reduce fringe benefits costs of their workforce and that this practice has become more important with the growth of fringe benefits costs. As already noted, restrictions in ERISA and non-discrimination clauses in the IRS tax code make it legally difficult to limit fringe benefits to certain groups of workers. For example, under ERISA, employers must cover 70 percent of their non-highly compensated workforce in any pension plan they offer in order for that plan to receive favorable tax treatment. However, employers may circumvent ERISA, which applies only to employees working 1000 hours per year or more, by hiring low-hours part-time, on-call, or temporary workers. In addition, ERISA restrictions do not apply to independent contractors, who are self-employed, and to agency temporaries and contract company workers, who are deemed another company's employees.

Although the IRS has cracked down on the misclassification of employees as independent contractors and Congress passed legislation to limit companies' ability to avoid pension obligations by "leasing" its workers from another company, some evidence suggests that the use of flexible staffing arrangements to lower wage and benefits costs is still an important motivation for using many types of flexible staffing arrangements. For instance, in her survey of 21 large

companies, Kathleen Christensen found that 38 percent of companies using direct-hire temporaries, 19 percent using agency temporaries, and 29 percent using independent contractors did so, in part, to reduce health care costs.¹³ In their survey of 1000 organizations, Arne Kalleberg, Jeremy Reynolds, and Peter Marsden report that 16 percent of businesses say that avoiding fringe benefits costs is a very important reason they use agency temporaries or contract company workers and another 22 percent say this factor is moderately important.¹⁴

When directly asked why they use workers in various flexible staffing arrangements, less than 12 percent of employers in the Upjohn Institute survey indicated savings on wage and benefits costs are important. Nevertheless, in a separate set of questions, many indicated that they do, in fact, save on hourly wage and benefit costs by using these arrangements. Specifically, employers were first asked to compare the hourly pay cost of workers in various flexible staffing arrangements to the hourly pay cost of regular workers in similar positions. Next, employers were asked to compare the hourly pay plus hourly benefit costs of workers in flexible staffing arrangements and those of regular workers in similar positions. (In the case of agency temporaries the comparison was between the billed hourly rate of the agency temps and the hourly pay cost or the hourly pay plus benefits cost of regular workers.) Savings on benefits costs appeared to be particularly important.

As shown in Table 5, among employers using agency temporaries, only 19 percent stated that the billed hourly rate is higher than the hourly wage and benefit cost of regular workers in similar positions and 38 percent indicated that it is lower. A negligible percent of employers reported that the hourly wage and benefit cost of direct-hire temporaries, regular part-time employees, and on-call workers is higher than that of regular workers in similar positions, while 59 percent of those using direct-hire temporaries, 63 percent using regular part-time workers, and 73 percent using on-call workers indicated that it is lower.

Statistical analysis of the Upjohn survey data also shows that employers who offered both pension and health insurance to their regular, full-time workforce were more likely to use agency temporaries, direct-hire temporaries, regular part-time workers, and on-call workers and/or to use them more intensively than were employers providing less generous benefits. Similarly, in an early employer survey on the subject, Garth Mangum, Donald Mayall, and Kristen Nelson found that the higher the level of fringe benefits, the more likely the firm was to use agency temporaries

¹³Kathleen Christensen, *Contingent Work Arrangements in Family-Sensitive Corporations*, Boston: Center on Work and Family, Boston University, 1995.

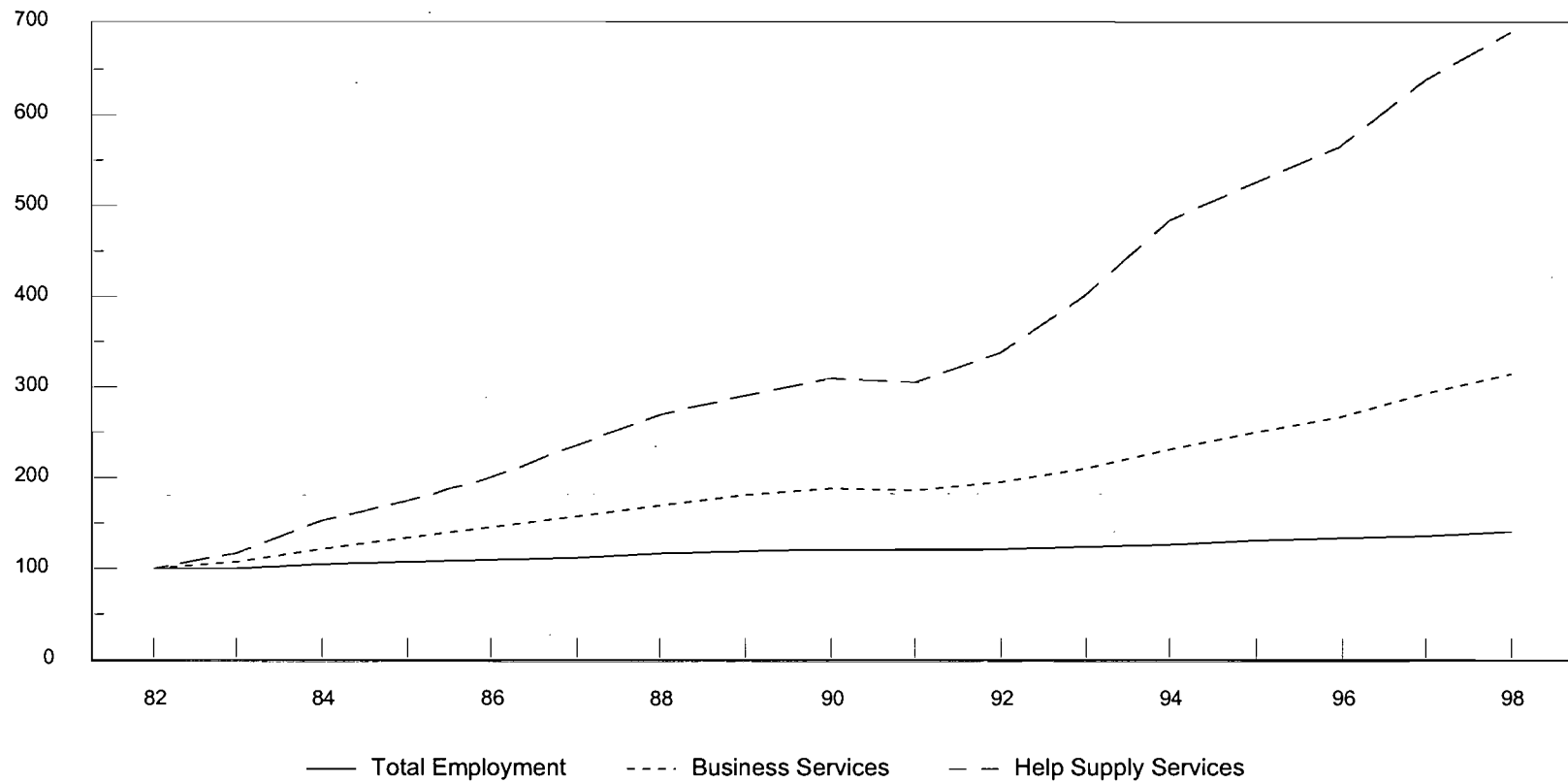
¹⁴Arne L. Kalleberg, Jeremy Reynolds, and Peter V. Marsden, "Externalizing Employment: Flexible Staffing Arrangements in U.S. Organizations," Unpublished paper, University of North Carolina at Chapel Hill, 1999.

or on-call workers.¹⁵ These findings provide indirect evidence that employers are motivated to use flexible staffing arrangements to avoid benefits costs.

It would be misleading to suggest that reducing fringe benefits costs is the only reason, or even the most important reason, businesses use various types of flexible staffing arrangements. For instance, firms traditionally have used all types of flexible staffing arrangements to accommodate fluctuations in their workload or to fill in for absences or vacancies in their regular staff. Firms use flexible staffing arrangements, especially temporary help agencies, to screen workers for regular positions. Additionally, firms use flexible staffing arrangements, especially contract company workers and independent contractors to access special skills. Nevertheless, even if it is not their principal motivation for using workers in these arrangement, evidence suggests that firms often save on benefits costs. The growth in benefits costs has likely made use of these arrangements more attractive.

¹⁵Garth Mangum, Donald Mayall, and Kristen Nelson. "The Temporary Help Industry: A Response to the Dual Internal Labor Market." *Industrial and Labor Relations Review*, 38 (4) 1985, pp. 599-611.

Figure 1. Employment Indexes
(1982=100)



Source: U.S. Bureau of Labor Statistics, Employment and Earnings
D:\Bls\fig4\page1

Table 1. Distribution of Employment by Work Arrangement, 1997

Employment Arrangement	As a Percent of Workforce
Agency Temporaries	1.0
On-call or Day Laborers	1.6
Independent Contractors	6.7
Contract Company Workers	0.6
Other Direct-hire Temporaries	2.6
Other Self-employed	5.1
Regular Part-time Employees	13.6
Regular Full-time Employees	68.8

Source: Author's tabulations from the February 1997 CPS Supplement on Contingent and Alternative Work Arrangements.

Table 2. Percent of Workers with Health Insurance and Retirement Plan, by Work Arrangement

Health Insurance			
	Health Insurance	Health Insurance through Employer	Eligible for Health Insurance from Employer
Agency Temporaries	48.1	7.3	23.8
On-call or Day Laborers	68.5	20.0	29.6
Independent Contractors	74.6	NA	NA
Contract Company Workers	83.1	51.3	68.8
Other Direct-hire Temporaries	74.1	27.1	35.9
Other Self-employed	82.3	NA	NA
Regular Part-time Employees	77.1	17.7	31.1
Regular Full-time Employees	87.6	73.1	83.8
Retirement Plan			
	Covered by Employer Pension Plan or has Tax Deferred Retirement Account	Participates in Employer Pension Plan	Eligible to Participate in Employer Pension Plan
Agency Temporaries	18.3	4.3	9.5
On-call or Day Laborers	37.0	22.2	25.9
Independent Contractors	39.8	NA	NA
Contract Company Workers	50.7	39.2	46.3
Other Direct-hire Temporaries	30.4	19.8	23.3
Other Self-employed	44.9	NA	NA
Regular Part-time Employees	30.6	20.4	24.9
Regular Full-time Employees	68.6	62.6	67.1

Source: Author's tabulations from the February 1997 Supplement on Contingent and Alternative Work Arrangements.

Table 3. Distribution of Workers with No Health and No Retirement Plan

Frequency	Distribution (in percent)		
	All Workers	With No Health Insurance	With No Retirement Plan
Agency Temporaries	1.0	3.3	2.0
On-call or Day Laborers	1.6	3.1	2.6
Independent Contractors	6.7	10.6	9.8
Contract Company Workers	0.6	0.6	0.7
Direct-hire Temporaries	2.6	4.2	4.4
Other Self-employed	5.1	5.6	6.6
Regular Part-time Employees	13.6	19.5	21.6
Regular Full-time Employees	68.8	53.0	52.4
Total	100.0	100.0	100.0

Source: Author's tabulations from the February 1997 CPS Supplement.

Table 4. Provision of Benefits, by Type of Worker

Among Employers with:	Direct-hire Temporaries		Part-time Employees			On-call Workers		Full-time Employees
The Percent Offering Benefits to:	Direct-hire Temporaries	Full-time Employees	To Any Part-time Employees	To 50% or More Part-time Employees	Full-time Employees	On-Call Workers	Full Time Employees	Full-time Employees
Paid Vacation and Holidays	11.0	95.7	53.7	48.3	94.9	15.3	98.7	95.8
Paid Sick Leave	5.7	82.4	35.8	32.0	79.2	11.3	88.0	83.5
Pension Benefits	3.8	71.4	37.6	30.2	67.3	14.0	78.7	78.5
Profit or Gain Sharing	NA	37.1	16.0	13.1	34.5	6.0	36.7	37.6
Health Insurance	9.5	93.8	38.9	34.2	88.8	13.3	96.0	89.8
Any of Above Benefits	16.2	97.6	66.7	60.2	96.2	24.7	99.3	96.5

Source: Upjohn Institute 1996 Employer Survey on Flexible Staffing Arrangements.

Table 5. Comparison of Wage and Benefit Costs

	Sample Size	Higher	Lower	About the Same	Don't Know
Percent of Establishments Responding that the Hourly Pay Cost of Workers in Flexible Arrangements is Generally Higher, Generally Lower, or About the Same as the Hourly Pay Cost of Regular Employees in Similar Positions					
Agency Temporaries ¹	253	62.1	13.4	21.7	2.8
Short-Term Hires ²	138	8.7	21.7	66.7	2.9
Part-Time Workers	394	4.6	19.8	74.6	1.0
On-Call Workers	150	16.7	18.7	61.3	3.3
Percent of Establishments Responding that the Hourly Pay Plus Benefits Costs of Workers in Flexible Arrangements is Generally Higher, Generally Lower, or About the Same as the Hourly Pay Plus Benefits Costs of Regular Employees in Similar Positions					
Agency Temporaries ¹	253	19.4	38.3	38.3	4.0
Short-Term Hires ²	138	2.9	59.4	29.7	8.0
Part-Time Workers	394	2.8	62.9	31.5	2.8
On-Call Workers	150	5.3	72.7	19.3	2.7

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

²Because of an error in the CATI program, some applicable respondents were not asked this question.

Source: The Upjohn Institute 1996 Employer Survey on Flexible Staffing Arrangements.

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**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**

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FINAL 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

Susan N. Houseman

**November 1996
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Executive Summary

In July and August of 1996 the W.E. Upjohn Institute for Employment Research sponsored a nationwide survey of employers on their use of flexible staffing arrangements: workers from temporary help agencies, short-term hires, regular part-time workers, on-call workers, and independent contractors. In this report we summarize the findings from this survey and compare our results to those of government surveys and other private surveys.

We surveyed a stratified random sample of all private sector establishments in the continental United States with five or more employees. Ours is the first employer survey on flexible staffing arrangements to be representative of private sector practices in our country. Interviews were conducted over the telephone at the Kercher Center at Western Michigan University. We took great care to identify the person most knowledgeable of employment in the establishment and sent a letter describing the types of information we would be collecting to that person prior to making the phone call. Our sample includes 550 completed surveys.

The following are highlights of the findings from our survey:

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

In our sample,

- 46 percent of establishments use workers from temporary help agencies
- 38 percent of establishments use short-term hires
- 72 percent of establishments use part-time workers
- 27 percent of establishments use on-call workers
- 44 percent of establishments use independent contract workers.

Excluding part-time workers (which the vast majority of establishments use), 78 percent of establishments in our survey use at least one of the other types of flexible staffing arrangements.

2. **Estimates of the magnitude of employment in flexible staffing arrangements from our survey are very similar to official BLS estimates, where comparisons are possible.**

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

3. **The flow of temporary jobs during the year is much greater than the number of temporary jobs that exist at any point in time. Many more individuals are likely to experience spells of temporary employment during the year than are captured in point in time surveys such as the CPS or CES.**

By their very nature, temporary jobs are short-lived. Our data suggest that over the course of the year, companies 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 exist 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 captured in BLS establishment and household surveys, which measure temporary agency employment at a point in time.

4. **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. Over half also indicated that accommodating employees' wishes for part-time hours was important in their use of part-time workers, suggesting that in many cases employers offer part-time hours to hold onto valued employees. Employers sometimes use flexible staffing arrangements to screen workers for regular positions or to save on wage and benefit costs. These factors were most often cited as important reasons for using agency temporaries and part-time workers.

5. **Companies often save on hourly labor costs by hiring flexible workers. These savings occur primarily because of lower fringe benefits 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 cost and the hourly wage plus the hourly benefit cost 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 cost and the hourly wage plus the hourly benefit cost of regular workers in similar positions.

While only a small percentage of establishments indicated that the hourly wage cost (or hourly billed rate) of workers in flexible staffing arrangements are lower than the hourly wage cost of regular workers in similar positions, a large percentage responded that the total of the

hourly wage plus benefit cost is lower for workers in flexible staffing arrangements than for regular workers in similar positions. About 38 percent of establishments with agency temporaries indicated their billed hourly rate is less than the hourly wage and benefit cost of regular workers in similar positions. Fifty-nine percent of establishments using short-term hires, 63 percent of establishments with regular part-time workers, and 73 percent of establishments with on-call workers responded that the hourly wage and benefit cost of these flexible workers is lower than that of regular workers in similar positions.

Three of the five categories of flexible workers are direct employees of the establishment: short-term hires, part-time workers, and on-call workers. For these categories and for regular full-time employees, we collected information on benefits offered by the employer. Short-term hires, part-time workers, and on-call workers 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. *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.*

Our analysis of data from the February 1995 CPS confirms these findings. Even after controlling for individual and workplace characteristics, individuals in all flexible staffing arrangements are much less likely to be eligible to receive health insurance or pension benefits from their employer than are workers in regular, full-time jobs. Moreover, they are much less likely to have health insurance from any source; workers in flexible staffing arrangements account for over 40 percent of wage and salary workers with no health insurance.

Statistical analysis shows that establishments in our survey 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. One possible explanation for this phenomenon is that employers wish to offer costly benefits only to a certain segment of their workforce, but cannot legally discriminate among regular full-time workers in the benefits package they offer. Employers can circumvent this restriction by hiring some as part-time, temporary or contract workers. Alternatively, employers may be particularly concerned about screening workers for positions that come with costly benefits. The use of flexible staffing arrangements is one way employers screen workers for these jobs.

6. We find evidence of mobility of workers in flexible staffing arrangements into regular positions, although 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. Moreover, there is a positive, statistically significant correlation between the degree to which employers promote agency temporaries into regular positions and the intensity of their use of these workers.

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

Survey respondents were asked if the use of a particular type of flexible worker had increased, decreased or remained the same relative to their regular workforce since 1990. For temporary agency workers, short-term hires, and on-call workers somewhat more respondents stated that their use had increased than stated that 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 reported contracting out work previously done in house than reported bringing back work in-house since 1990. Seventeen percent of all establishments in our sample have contracted work out previously done in-house since 1990. Another 10 percent of all establishments in our sample brought work back in-house that was previously contracted out. The very 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.

8. **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 will 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.

Policy Issues

The fact that a large and growing number of workers are employed in flexible staffing arrangements raises many important policy issues. Workers in flexible staffing arrangements typically do not receive basic workplace benefits and employers sometimes appear to hire these workers in order to avoid paying benefits. This raises the issue of the adequacy of a system in which health insurance and pensions are acquired primarily as fringe benefits of full-time, permanent jobs. In addition, workers in flexible staffing arrangements typically have little job security, and thus are likely to experience spells of unemployment. Yet, part-time workers and workers in temporary jobs often are not eligible to receive unemployment insurance when their jobs end. Thus, our social safety net may be inadequate to protect the large and growing number in alternative work arrangements. Like unemployment insurance, many labor laws are written with the traditional model of employment in mind, and workers in flexible staffing arrangements may not be covered by laws guarding against discrimination, sexual harassment, and the like. Finally, workers in flexible staffing arrangements are less likely to receive training from an employer, raising concerns about future productivity and living standards of the American workforce.

**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**

In July and August of 1996, the Upjohn Institute for Employment Research sponsored a nationwide telephone survey of 550 employers on their use of five flexible staffing arrangements: temporary agency workers, short-term hires, regular part-time workers, on-call workers, and contract workers. In this report, the key findings of our survey are summarized and, where possible, compared to the findings from government and other private surveys on flexible staffing arrangements.

It is widely believed, and available evidence generally suggests, that use of flexible staffing arrangements has grown in recent years. Many have regarded this development as troubling, pointing out that workers in these arrangements often receive low wages, few benefits, and little job security. The growth in these forms of employment, it is argued, has contributed to the growth in earnings inequality and is evidence of a growth in labor market segmentation in the United States.

Others contend that the development has potential benefits. Increased flexibility of the workforce, it is argued, is necessary for companies to maintain their competitiveness and for the economy to sustain healthy job growth. The growth in flexible staffing arrangements may be related to the growth in female labor participation and the preference of many workers for these types of jobs. Moreover, alternative work arrangements may be paths for workers to secure regular, full-time jobs. For example, many temporary help agencies offer "temp-to-perm" placements in which the company hires the agency temporary on a permanent basis if the worker performs satisfactorily while on temporary assignment. If these temp-to-perm placements facilitate good job matches, both workers and firms stand to benefit.

Yet, the debate over the costs and benefits of flexible staffing arrangements is occurring in a partial vacuum of information. Basic data on the magnitudes of and trends in various types of flexible staffing arrangements are spotty. Our understanding of why employers use these types of arrangements and why they may have been increasing their use in recent years is incomplete. Filling these information gaps is critical for understanding the implications of the phenomenon for America's workforce and what the appropriate policy response should be.

Our employer survey was designed to be representative of employment in private sector establishments with five or more employees in the United States. Our survey yields information on 1) what employers use flexible staffing arrangements, 2) how much these employers use them, 3) why they use them, 4) how the wages and benefits of flexible workers compare to those of regular workers, and 5) whether employers have increased or decreased their relative use of these arrangements since 1990 and if so why.

The report is organized as follows: In section I, we discuss the kinds of information about flexible staffing arrangements contained in previous household and employer surveys and how our survey supplements the information from earlier surveys. In section II, we discuss our survey questionnaire and sample in greater detail. We examine what types of employers use flexible staffing arrangements and the magnitude of their use in section III; evidence on why employers use various types of flexible staffing arrangements in section IV; the wages and benefits of workers in flexible staffing arrangements compared to those in regular positions in section V; the mobility of flexible workers into regular positions in section VI; and trends in the use of flexible workers in section VII. The information presented in sections III to VII of the report come primarily from simple tabulations of the data from our survey. In section

VIII, we use statistical analysis to provide a better understanding of the types of employers that use flexible staffing arrangements and the reasons they use them. We conclude in section IX with a summary of our findings and a discussion of their implications for policy.

I. Household and Employer Surveys on Flexible Staffing Arrangements

Most available information on various types of flexible staffing arrangements comes from government household and establishment surveys. The Current Population Survey (CPS), the Bureau of Labor Statistics' monthly survey of 60,000 households, includes questions on the hours that individuals work and their industry of employment. The questions on hours worked provide the basis for statistics on part-time employment in the United States, defined as working less than 35 hours per week. In addition, data on employment in SIC Code 736, which is primarily comprised of temporary help agencies, has been used as an indicator of employment and employment trends in the temporary help industry. A special supplement to the May 1985 CPS was conducted to identify individuals who view their employment as temporary and who are paid by a temporary help agency.¹ The micro data from these surveys may also be used to look at the wages, benefits, and other characteristics of workers in part-time employment and in temporary help agency employment.

Several BLS establishment surveys provide information on aspects of employment in temporary help agencies. BLS's monthly establishment survey (CES) provides information on employment in the help supply services industry, SIC 7363, and is the data source usually cited

¹For a summary of the results from this survey see Howe (1986).

for employment statistics in the temporary help industry. Interestingly, employment in the temporary help industry as measured in the CES is about two times greater than temporary help industry employment figures coming from the CPS. Some of the difference in the two surveys stems from the fact that the CPS measures individuals and the CES measures jobs: one person may work for two temporary employment agencies in a single week. In addition, the CPS supplement only contains information about an individual's main job; individuals with second jobs in the temporary help industry would not be counted. It is also believed that many individuals who, in fact, are paid by a temporary help agency report working for the employer with whom they are placed. Neither the regular CPS nor the CES provide information on the industries in which individuals who work for temporary help agencies are placed.

In addition to the regular CES, some Industry Wage Surveys conducted by BLS provide information on workers in flexible staffing arrangements. An Industry Wage Survey on the temporary help supply services industry in September 1987 provides information on pay and benefits of workers in that industry.² Questions on contracting out were included in the Industry Wage Surveys of thirteen manufacturing industries and utilities in 1986 and 1987. Abraham and Taylor (1996) use the information from these surveys to examine firms' motivations for contracting out.

While the CPS, CES, and Industry Wage Surveys provide some information on workers in part-time employment and employment in temporary help agencies, until recently there was no government survey designed to provide a comprehensive picture of employment

²See Williams (1989) and U.S. Department of Labor, Bureau of Labor Statistics (1988) for summaries of the results of that survey.

in flexible staffing arrangements. The February 1995 Supplement to the CPS was intended to help fill this void. In the supplement, information on employment in four types of flexible or "alternative" work arrangements was collected: workers in temporary help agencies, on-call workers, independent contract workers, and workers in contract companies. Individuals were also asked questions to reveal whether they considered their job temporary. Although no information was collected directly on whether the individual was a short-term hire, this information has been inferred by taking the number of individuals who consider their job to be temporary and netting out the number who say they are paid by temporary help agencies.³ In theory, one can get the distribution of employment by occupation and by industry for each type of flexible work arrangement, but the small number of workers in the sample in such arrangements is likely to make these estimates imprecise. The supplement on contingent and alternative work arrangements was repeated in February 1997, and this new survey should provide valuable information on trends in these types of employment.

Several privately sponsored surveys on employers' use of flexible staffing arrangements have been conducted. Two early and widely cited studies were conducted by Garth Mangum, Donald Mayall, and Kristin Nelson in 1981-82 and by Katharine Abraham in cooperation with the Bureau of National Affairs in 1986. The Mangum et al. study was a nationwide mail survey of employers on their use of temporary help agency workers, short-term hires and on-call workers. The survey, which netted a sample of 882 returns, was restricted to employers in six sectors. In addition to the mail survey, the authors conducted personal interviews with

³See Polivka (1996) for such an estimate.

80 employers in the San Francisco area. The Abraham survey was a mail survey of BNA members, which are usually large companies, on their use of workers from temporary help agencies, short-term hires, on-call workers and contract workers. The results from this survey, which yielded 442 responses, are reported in Abraham (1988, 1990).

Several surveys on employers' use of flexible staffing arrangements have been conducted in recent years. The Bureau of National Affairs conducted another member survey on the use of flexible staffing arrangements in 1994, though the survey was not made comparable to the earlier one. The Conference Board also conducted surveys of members in 1988 and in 1995 on their use of "contingent" workers such as temporary agency workers, short-term hires, part-time workers, on-call workers, leased employees, and independent contractors. A major drawback of these surveys is that the Conference Board membership is composed of very large companies, many of which are foreign. For example, about one-third of the 102 respondents to the 1995 survey are foreign companies. Shulamit Kahn (1996) conducted a telephone survey of human resource executives in 35 large U.S. companies on their use of temporary workers. Additional information on workers in the temporary help industry comes from periodic surveys by the National Association of Temporary Staffing Services (NATSS).

The information in the Upjohn Institute's survey supplements that in other surveys in several important ways. Earlier establishment surveys were either restricted in terms of the industries that were interviewed or in terms of the size of the company or establishment surveyed. Ours is the first such survey designed to be representative of private sector employment in the United States. In addition, the most widely cited (and arguably most

representative) employer surveys on flexible staffing arrangements are now at least 10 years old, and the information in these surveys needs to be updated given the widespread changes in staffing arrangements believed to have taken place in recent years. Our survey also provides comprehensive coverage of staffing arrangements within the organization, including part-time employment. Part-time employment is typically an important part of an employer's flexible staffing strategy, but has been largely ignored in earlier employer surveys. Finally, our employer survey complements the information provided in household surveys such as the February 1995 CPS supplement by providing better information on what employers use these arrangements and why they use them.

II. Survey Questionnaire and Sample

We surveyed a stratified random sample of all private sector establishments with five or more employees in the continental United States on their use of flexible staffing arrangements. All interviews were conducted over the telephone at the Kercher Center for Social Research at Western Michigan University. The definitions of the five types of flexible staffing arrangements covered in the survey are found in Table 1.

Most previous employer surveys on flexible staffing arrangements excluded part-time workers. We included questions on employers' use of part-time workers in our survey because many believe that they are used to increase staffing flexibility, screen workers for regular full-time jobs, and pay lower wages and fringe benefits. Yet, there is little hard data on why employers hire so many part-time workers (Blank, 1990).

Table 1

Definitions of Flexible Staffing Arrangements Used in Survey

<i>Temporary help agency workers</i>	Individuals who work at the establishment but who are paid through an employment agency and are not on the organization's payroll
<i>Short-Term Hires</i>	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.
<i>Regular Part-Time Workers:</i>	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.
<i>On-Call Workers</i>	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.
<i>Independent Contract Workers</i>	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.

Appendix I to this report contains a copy of the questionnaire used in the survey.

Although the specific questions varied slightly by type of worker, the following kinds of information were collected for workers from temporary help agencies, short-term hires, part-time workers, and on-call workers:

- How many workers of each type the establishment used in 1995, and for temporary agency workers and short-term hires, the average duration of employment;
- The main reasons why establishments hire each type of worker;

- How the hourly pay cost and the hourly pay plus benefit cost of flexible workers compare with those of regular workers in similar positions;⁴
- The benefits offered to short-term hires, part-time workers, and on-call workers, who are direct employees of the establishment;
- How often the establishment moves various types of flexible workers into regular, permanent jobs;
- Whether the establishment's use of each type of flexible worker has increased, decreased, or remained about the same relative to the size of the establishment's regular workforce since 1990, and if it has increased or decreased, why.

Questions in the section of the survey on contract workers are more limited. Because of the diversity of functions that may be contracted out for any given organization, we felt it would be difficult to get accurate data on the extent to which each establishment contracts out work without greatly lengthening the survey. Instead, we asked questions in three areas: 1) whether the establishment used any independent contract workers since 1990; 2) whether the establishment contracted work out previously done in-house since 1990, and if so what type of work was contracted out and why it was contracted out; and 3) whether the establishment has brought work back in-house that was previously contracted out since 1990, and if so, what type of work was brought back in-house and why it was brought back in-house. We believe the focus of the survey on trends in contracting out in recent years captures what is of greatest interest to policy makers.

In addition to questions on the establishment's use of flexible workers, a series of questions about the establishment's regular workers and general business operations were

⁴For workers from temporary help agencies, respondents were asked to compare the billed hourly rate with the average hourly pay cost and with the average hourly pay plus benefit cost of regular workers in similar positions.

asked. Specifically, information on the product produced or service provided at the facility, whether the establishment is part of a larger organization, the hours of operation at the facility, the number of full-time, regular workers in the establishment, the fringe benefits offered to these full-time, regular workers, the percent of the workforce unionized, the employee turnover rate, the ratio of fringe benefit costs to total payroll costs, and the importance of various methods of workforce and hours reduction in absorbing fluctuations in the organization's workload was collected. Finally, respondents were asked whether they felt that companies or organizations in their industry would use more flexible staffing arrangements such as temporary employment agency workers, short-term hires, part-time workers, on-call workers and independent contractors in the next five years.

Our sample was drawn from a comprehensive list of establishments in the continental United States maintained by American Business Information, Inc. (ABI). Establishments in public administration, SIC code 9, were excluded from the sample. Thus, the sample excludes all government organizations except public schools, which are classified as educational services. ABI provided us with a random sample of establishments within each of seven strata as defined by the establishments' employment size: 5-9 employees, 10-19 employees, 20-49 employees, 50-99 employees, 100-249 employees, 250-499 employees, and 500 or more employees. The number of establishments sampled within each strata was in proportion to its share of private sector employment in the economy. Thus, our sample is representative of private sector employment in establishments with five or more employees in the country. The first column of Table 2 shows the distribution of private sector employment in the United States by establishment size among establishments with five or more employees; the second

Table 2

Distribution of Employment Among Establishments with Five or More Employees
and Distribution of Establishments in Survey, by Establishment Size¹

<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

¹ Statistics on the distribution of U.S. employment by establishment size come from U.S. Bureau of Census, *County Business Patterns*. These data are for 1993.

column shows the distribution of establishments in our survey.⁵ Tables 3 and 4 report the distribution of establishments in our sample by industry and by region.

We took many steps in developing and administering the survey to increase the accuracy of the responses. We worked quite closely with several Kalamazoo area employers in developing the survey instrument to make sure that the language used in the survey was clear and that respondents could reasonably be expected to provide the information we sought over the phone. We also pretested our survey over the phone, first with area employers and then with a national sample of employers. Our survey instrument underwent many revisions and reflects a balance between our desire to collect quite detailed quantitative information on establishments and their use of flexible staffing arrangements, on the one hand, and the need to

⁵In the course of the telephone interviews, we discovered that several employers in our sample had less than five employees. We included those with three or four employees in the final sample.

Table 3
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
Sample Size	550	

Table 4
Geographic Distribution of Surveyed Establishments

	<u>Number</u>	<u>Percent</u>
New England	19	3.5
Middle Atlantic	77	14.0
East North Central	100	18.2
West North Central	51	9.3
Mountain	45	8.2
Pacific	63	11.5
East South Central	39	7.1
West South Central	40	7.3
South Atlantic	81	14.7
Not Available	35	6.4
Sample Size	550	

keep the instrument relatively simple and short to ensure reasonable response rates and accurate answers, on the other hand.⁶ From our results, we believe our efforts were fairly

⁶For example, we wanted to collect information on the exact breakdowns of employment by occupation for each type of worker, but our pretest results suggested that many employers would find this information difficult to provide over the phone, and if they could, it would greatly lengthen the survey.

successful. The typical telephone interview lasted 15 to 20 minutes, and the number of respondents unable, or unwilling, to provide answers was very small for all but one question.⁷ Fifty-one percent of the establishments contacted completed the survey.

Before administering the telephone interview, surveyed establishments were contacted at least twice. First, a phone call was made to identify the person in the establishment most knowledgeable about its employment practices. This was typically a human resources director at large establishments and the owner or manager at small establishments. If hiring decisions were made off-site, we interviewed the appropriate person at the establishment's regional or corporate headquarters; in these cases, however, the information collected only pertains to the establishment originally sampled. Once the appropriate person was identified, we mailed a letter to that person explaining the purpose of the survey, describing the types of information that would be collected in the survey, and carefully defining the types of flexible workers covered in the survey.

During the course of the telephone interviews, interviewers made note of any question respondents were unable to answer over the phone. If respondents agreed, they were then faxed those questions and asked for written responses. As noted above, however, the percent of respondents unable to answer a particular question was generally small.

⁷Many respondents did not know their fringe benefit costs as a percent of payroll cost.

III. The Use of Flexible Staffing Arrangements

Survey respondents were asked whether their establishment had used each type of flexible worker covered in the survey since 1990. Table 5 shows the percent of establishments in our survey using each type of worker. Particularly in light of the fact that our survey included many small and medium sized establishments, the percent of establishments using each type of flexible staffing arrangement is quite high. Excluding part-time workers, which are used by about

Table 5
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

72 percent of the establishments in our survey, 78 percent of the establishments used at least one of the other types of flexible workers.

Although the incidence of flexible staffing arrangements tends to increase with establishment size, a substantial percentage of small establishments also use the various types of flexible staffing arrangements. For example, among establishments with 5-9 employees 15 percent use temporary help agency workers, 26 percent use short-term hires, 70 percent use part-time workers, 17 percent use on-call workers, and 33 percent use contract workers.

Table 6 reports the percent of establishments using each type of flexible worker by industry. The incidence of agency temporaries is particularly high in manufacturing relative to

other industries, whereas the incidence of short-term hires and part-time workers is relatively low in manufacturing. The use of on-call workers is particularly high in services.

For four out of the five categories of flexible workers—workers from temporary help agencies, short-term hires, part-time workers, and on-call workers—we collected data on the extent of the establishment's use of these types of workers in 1995. For workers from temporary help agencies and short-term hires, respondents were asked 1) how many of each type of worker were hired by their establishment in 1995 (excluding individuals who had to be

Table 6
Use of Flexible Workers, by Industry

Industry	Percent of Survey Establishments that Use:					Number of Observations
	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 and Communications	50	39	79	21	54	28
Trade	37	38	78	16	34	164
Services	44	42	82	44	47	225

replaced prior to the termination of their contract) and 2) what was the average duration of employment for each type of worker. (Respondents in some cases provided a range for the latter question.) Because the use of agency temporaries and short-term hires is likely to be seasonal, we wanted to get a count of the number of each type that the establishment used over

the course of an entire year, rather than at a single point in time. The data obtained in the CPS supplement, for instance, measures the number of workers in temporary help agencies at a single point in time, and thus may understate (overstate) their importance if seasonal use of temporary workers is particularly low (high) in February. Moreover, these point in time estimates do not provide a sense of the number of temporary jobs created and ended during the course of the year.

With data on the number of temporary agency workers and short-term hires used over the course of the year and the average duration of employment of each type of worker, we can estimate temporary agency workers and short-term hires as a percent of the establishment's regular workforce, on average, at a point in time. Specifically, we calculated an adjusted number defined as the number of temporary agency workers or short-term hires used in 1995 multiplied by the average duration of employment in weeks divided by 52. Table 7 shows the ratio of adjusted temporary agency employment and adjusted short-term hires to regular employment (defined as regular full-time and regular part-time employment) among the establishments using these types of flexible workers. For the majority of establishments using agency temporaries and short-term hires, these workers represent less than a one percent addition to their regular workforce. A significant minority, however, make quite extensive use of temporary agency workers and short-term hires. The ratio of agency temporaries to regular workers exceeds five percent among eight percent of the establishments using this type of flexible staffing arrangement. The ratio of short-term hires to regular workers exceeds five percent among sixteen percent of establishments using this type of flexible worker.

Abraham (1988) reported a similar measure of intensity of use of agency temporaries and short-term hires from her 1986 survey of BNA members. Interestingly, the intensity of use of both agency temporaries and short-term hires was considerably less in that survey than

Table 7

Adjusted Temporary Agency Employment and Adjusted Short-Term Hires
as a Percent of Part-Time Plus Full-Time Employment in Establishments
Using Temporary Agency Workers or Short-Term Hires¹

	Establishments Using			
	Temporary Agency Workers		Short-Term Hires	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
< 1%	142	59	106	53
1 - 4.9%	54	22	49	25
5 - 9.9%	10	4	12	6
10% +	10	4	19	10
Don't Know	25	10	14	7
TOTAL	241	100	200	100

¹Temporary agency employment and short-term hires figures were adjusted for the average duration of employment. Specifically, adjusted temporary agency employment (short-term hires) equals the number of temporary agency workers (short-term hires) the establishment used in 1995 multiplied by the average duration of their employment in weeks divided by 52. This adjusted temporary agency employment (short-term hires) figure, which indicates the average number of temporary agency workers (short-term hires) used at any point in time in 1995, was then expressed as a percent of part-time and full-time employment.

in our survey. Specifically, the proportion of establishments for which agency temporaries and short-term hires represented less than a one percent addition to the regular workforce was considerably higher in the Abraham survey than in our survey, and the proportion of establishments for which agency temporaries and short-term hires represented between a one percent to five percent addition to the regular workforce was considerably lower in the Abraham survey than in our survey. The samples in the two surveys are quite different, making comparisons of the figures difficult. In particular, our survey included many small

establishments, whereas the Abraham survey included only large establishments and companies. Regression results reported below show no evidence, however, that establishment size affects intensity of use of either agency temporaries or short-term hires. Although this comparison suggests that the intensity of use of agency temporaries and short-term hires has increased over the last decade, it would be necessary to more carefully compare the samples in the two surveys before drawing such a conclusion.

We also used our data to estimate the ratio of temporary agency workers to regular workers and the ratio of short-term hires to regular workers for the private sector economy as a whole. Specifically, we estimated these ratios within each of eight establishment size classes, and then took a weighted average of these ratios where the weights were each establishment size class's share of private sector employment in the U.S. economy in 1995. Our estimate of this ratio is 1.5 percent for temporary agency workers and 2.3 percent for short-term hires. Although a somewhat greater percentage of establishments in our sample use agency temporaries than use short-term hires, short-term hires are more numerous than agency temporaries in the private sector, according to our survey. This occurs because, among establishments with these types of workers, use of short-term hires tends to be more intensive than use of agency temporaries.

Important caveats should be attached to these estimates. Our sample is relatively small, and respondents were asked for approximate numbers. Still, our estimate for temporary agency workers falls well within the range of official BLS estimates: according to the February 1995 CPS supplement, 0.9 percent of all employees were temporary help agency workers in that month; according to figures from the CES, about 1.8 percent of non-farm wage and salary

employment was in the help supply services industry in 1995, which is dominated by temporary help agencies.⁸ This fact makes us confident of the overall reasonableness of the estimates we received.

There are no official estimates of the number of short-term hires in the economy. Public discussion of temporary workers has largely ignored workers hired directly by companies on a temporary basis. Even the February 1995 Supplement to the CPS does not yield direct information on the number of short-term hires. Polivka (1996), however, estimated the number of short-term hires in the economy from the February 1995 CPS by taking the number of workers reporting that their job was temporary and subtracting out the number reporting that they were paid by temporary help agencies. According to her estimates, 3.1 percent of wage and salary workers were short-term hires in February 1995. Our data along with Polivka's estimate suggest that these workers are more numerous than temporary agency workers and arguably should receive more attention.

Although the number of agency temporaries and short-term hires may seem small, these point-in-time estimates mask much larger flows in and out of temporary jobs. We collected data in our survey on the number of agency temporaries and the number of short-term hires the establishment used during the course of 1995 and the average duration of employment of each type of worker. Thus, we are able to look at the flows in these two types of jobs during a year. Our data suggest that the number of positions for agency temporaries created during a year is seven to eight times greater than the number that exists at any point in time. The

⁸Official BLS figures include the government sector, whereas our sample excludes all government operations, except public schools.

number of short-term hires made during a year is five to six times greater than the number at any point in time, according to our data. We do not know the extent to which the same individuals experience multiple spells of temporary employment. Nevertheless, while 4 to 5 percent of the workforce is in a temporary job at any point in time, a much larger percentage is likely to experience a spell of temporary employment during the year.

Table 8 shows part-time and on-call employment as a percent of regular employment among establishments using part-time or on-call workers. The extent of the use of part-time and on-call workers varies tremendously in our sample. Among establishments using part-time workers, part-time workers make up less than ten percent of the regular workforce in 31

Table 8

Part-Time and On-Call Workers as a Percent of Part-Time Plus Full-Time
Employment in Establishments with Part-Time or On-Call Workers

	Among Establishments Using:	
	Part-Time	On-Call
< 10%	31%	43%
10 - 24%	22%	24%
25 - 49%	20%	11%
50 - 74%	10%	5%
75% +	8%	17%
Don't Know	8%	--
Sample Size	394	76

percent of the establishments; in ten percent of the establishments, they make up between 50 and 75 percent of the regular workforce; and in eight percent of the establishments, they make up over 75 percent of the regular workforce. Thus, for a large minority of establishments, the use of part-time employees is a key part of the organization's staffing strategy. Most

establishments that intensively use part-time workers are in the trade and services sectors. We also used the responses to our survey to estimate regular part-time employment as a percent of the workforce for the private sector in the economy as a whole. Our estimate, 18 percent, is in line with estimates of part-time employment from the CPS, although our definition of part-time employment differs from that used in the CPS.

Because of a programming error, most users of on-call workers were not asked how many on-call workers were in their establishment's pool in December 1995 as part of the original survey. Through follow-up calls, we were able to obtain usable responses to this question from about half of the applicable respondents. With this caveat in mind, the pattern of use of on-call workers is quite similar to that of part-time workers. For 43 percent of establishments using them, these workers represent less than a ten percent addition to regular employment. However, for five percent of establishments using them, on-call workers represent over a 50 percent addition to regular employment, and for 17 percent they represent over a 75 percent addition to regular employment. Thus, it appears that on-call workers are a major part of many organizations' staffing strategy.

IV. Why Do Employers Use Flexible Staffing Arrangements?

A major reason for conducting our survey was to determine why employers use flexible staffing arrangements. Respondents in establishments using workers from temporary help agencies, short-term hires, regular part-time workers, and on-call workers were asked which among a list of possible reasons are important for their establishment's use of the particular type of flexible worker. After going through the preset list of reasons, respondents were asked

whether there is any other important reason for using that type of flexible worker, as an open ended question. These open ended questions did not yield any other particularly significant reasons for using flexible workers, however. The list of reasons varied somewhat by type of worker.

Table 9 shows the percent of establishments indicating that a particular reason was important for their establishment's use of each of the four types of flexible workers. One set of reasons concerns the need to accommodate fluctuations in their workload or in their regular staff. For example, rather than over staffing in the event that some employees are absent, an employer can use workers from agency temporaries, short-term hires, or on-call workers when regular staff are sick, on vacation, or on family medical leave. Similarly, rather than staffing to peak, an employer may use agency temporaries, short-term hires, part-time workers, or on-call workers to accommodate fluctuations in workload over the day, week, or year. In these ways, employers reduce labor costs by reducing the overall amount of labor input they use.

The most frequently cited reasons for why employers use flexible staffing arrangements are these traditional reasons. The three most frequently given reasons for hiring workers from temporary help agencies were providing needed assistance during peak-time hours of the day or week, cited by 52 percent; filling a vacancy until a regular employee is hired, cited by 47 percent; and filling in for an absent regular employee who is sick, on vacation, or on family medical leave, cited by 47 percent. 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 assistance during peak-time hours of the day or week and 49 percent use them to

Table 9

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	--
Sample Size	253	210	394	150

provide needed assistance during hours not covered by full-time shifts.⁹ 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.

In addition to lowering labor costs by reducing the amount of labor input hired, an employer may lower labor costs by reducing the compensation offered to some employees. Discriminating among regular, full-time workers in the pay and benefits packages offered may have adverse repercussions on employee morale. Moreover, employers cannot legally offer different groups of full-time workers different benefits packages.¹⁰ It has been argued that one reason employers use flexible staffing arrangements is to lower wages and/or avoid providing costly benefits, such as pensions or health insurance, for certain groups of workers. Twelve percent of employers using agency temporaries and 21 percent of employers using part-time workers indicated that savings on wage and benefit costs is an important reason for hiring these workers.

Employers may also raise productivity and thus lower labor costs by more effectively screening the workers they hire into regular positions. As the number of lawsuits brought by dismissed employees has increased in recent years, employers may have found it more attractive to screen workers through temporary help agencies, which are the official employer during the probationary period. Screening candidates for regular jobs was cited as important

⁹For example, a bank might hire extra tellers for the increase in business at lunch-time. A retail store open for 12 hours a day might hire full-time workers to cover the first eight hours and part-time workers to cover the last four hours.

¹⁰The value of fringe benefits such as health and life insurance is exempt from income tax only if all full-time workers are offered the benefits. In the case of pensions, if a company offers pension benefits to any employee, it must offer it to all employees working 1000 or more hours per year.

by 21 percent of employers using agency temporaries. It was also cited as important by 15 percent of employers using part-time workers. In these situations, part-time workers, who generally do not receive benefits, are likely to leave if not promoted into a full-time position.

Interestingly, accommodating employees' wishes for part-time hours was cited as important by 54 percent using part-time workers. This finding suggests that employers often offer part-time hours to retain valued employees.

Other reasons included in our survey were cited as important by only a small number of respondents. For example, there are anecdotes that many companies, in their rush to restructure, lay off too many regular employees and then hire these same or other employees as temporary workers. Between six and eight percent of establishments using agency temporaries, short-term hires or on-call workers cited restructuring or mergers as a reason for using these flexible workers. Although there are also many reports of companies that use "temporary" workers on a rather permanent basis, only five percent of the employers with agency temporaries report using them for more than a year.¹¹ Temporary help agencies often advertise the training that they provide to their workers; however, only five percent of companies using temporary agency workers cited savings on training costs as important.

¹¹We did not specifically ask about leased employees, who like temporary agency workers are not hired directly by the employer but rather through a leasing agency. The contract for leased employees is likely to be of indefinite duration or for an extended period of time, though the distinction between leased and temporary agency workers is unclear. Employers in our survey may have counted any leased employees as temporary agency workers. This question was designed to get some sense of the number of establishments using leased or temporary workers on a fairly permanent basis.

V. The Wages and Benefits of Flexible Workers

One reason for the considerable interest in the large and growing number of workers in flexible staffing arrangements is concern that these workers receive lower wages and, in particular, fewer benefits than do comparable workers in regular jobs. Respondents in our survey were asked to compare the hourly labor cost of workers in flexible staffing arrangements with those of regular workers in similar positions. Respondents first were asked to compare the hourly wage cost of a particular type of flexible worker with the hourly wage cost of regular workers in similar positions. For agency temporaries, they were asked to compare the billed hourly rate with the hourly wage cost of regular workers in similar positions. Next, they were asked to compare the total of the hourly wage plus the hourly benefit cost of a particular type of flexible worker with the total of the hourly wage plus the hourly benefit cost of regular workers in similar positions. Again, for temporary help agency workers, respondents were asked to compare the billed hourly rate with the total of the hourly wage and benefit cost for regular workers in similar positions. Although we are particularly interested in the response to the latter question, we believe that by first asking for an hourly wage comparison and then by asking for a comparison of hourly wages plus benefits, respondents were more likely to understand and accurately report comparisons for the second question.

Tables 10 and 11 report the results of these two sets of questions.¹² Although few employers stated that savings on wage and benefit costs were important in their use of flexible

¹²Because of a programming error most applicable respondents were not asked to compare the wages and benefits of short-term hires with those of regular workers. These respondents were called back and asked these questions two months later, but not all respondents were reached.

Table 10

Percent of Establishments Responding that the Hourly Pay Cost of Flexible Workers is Generally Higher, Generally Lower, or About the Same as the Hourly Pay Cost of Regular Employees in Similar Positions, by Type of Flexible Worker

	Sample Size	Higher	Lower	About the Same	Don't Know
Temporary Help Agency Workers ¹	253	62.1	13.4	21.7	2.8
Short-Term Hires ²	138	8.7	21.7	66.7	2.9
Part-Time Workers	394	4.6	19.8	74.6	1.0
On-Call Workers	150	16.7	18.7	61.3	3.3

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

² Because of an error in the CATI program, most applicable respondents were not asked this question during the original telephone survey. See text for explanation.

Table 11

Percent of Establishments Responding that the Hourly Pay Plus Benefit Cost of Flexible Workers is Generally Higher, Generally Lower, or About the Same as the Hourly Pay Plus Benefit Cost of Regular Employees in Similar Positions, by Type of Flexible Worker

	Sample Size	Higher	Lower	About the Same	Don't Know
Temporary Help Agency Workers ¹	253	19.4	38.3	38.3	4.0
Short-Term Hires ²	138	2.9	59.4	29.7	8.0
Part-Time Workers	394	2.8	62.9	31.5	2.8
On-Call Workers	150	5.3	72.7	19.3	2.7

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

² Because of an error in the CATI program, most applicable respondents were not asked this question during the original telephone survey. See text for explanation.

workers, their responses to these pay and benefit comparison questions show that they often save on hourly wage and benefit costs by using flexible workers. Savings on benefit costs appears to be particularly important. For all four types of flexible workers, less than 20 percent of employers reported that the hourly wage cost is lower than that of regular workers in similar positions. For short-term hires, part-time workers, and on-call workers, a majority indicated that the hourly wage cost is about the same as that of regular workers, and for agency temporaries, a majority indicated that the hourly billed rate is higher than the hourly wage rate for regular workers.

The pattern is quite different, however, when the comparison is between the hourly wage plus the hourly benefit costs of flexible and regular workers. For agency temporaries, only 19 percent indicated that their billed hourly rate is higher than the hourly wage and benefit cost of regular workers and 38 percent indicated that it is lower. A negligible percent of employers reported that the hourly wage and benefit cost of short-term hires, part-time workers and on-call workers is higher than that of regular workers, while 59 percent of employers of short-term hires, 63 percent of employers of part-time workers, and 73 percent of employers of on-call workers indicated that it is lower.

Information was also collected on the benefits employers provide to their short-term hires, regular part-time workers, on-call workers, and regular full-time workers. Because temporary agency workers and contract workers are not employees of the establishment interviewed, we could not collect benefits information for these types of workers. Table 12 shows the percent of establishments with a particular type of worker that offer paid vacations and holidays, paid sick leave, pension benefits, participation in a profit or gain sharing plan,

and health insurance to that type of worker. Because our survey pretest showed that employers sometimes distinguish between types of part-time workers, usually based on the number of hours they work, in determining benefits eligibility, employers were asked if any of their part-time workers are eligible for a particular benefit and if so, approximately what percentage of part-time workers are eligible. Table 12 reports the percent of employers with part-time workers that offer any of their part-time workers the particular benefit and the percent that offer 50 percent or more of their part-time workers the particular benefit.¹³

Table 12
Percent of Employers Offering Benefits to Flexible and Regular, Full-Time Workers

	Short-Term Hires	Part-Time Workers		On-Call Workers	Regular Full-Time Workers
		To Any Part-Time	To 50% or More		
Paid Vacation and 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

Our data show that flexible workers are much less likely than regular, full-time workers to be offered these benefits. For example, 79 percent of the employers in our survey offer pension benefits to their regular, full-time workers, but only four percent offer them to short-term hires, 30 percent to at least half of their part-time workers, and 14 percent to their on-call

¹³Employers were asked whether each type of benefit was offered—not whether employees elected to receive it. Many employees eligible to participate in health insurance plans may, for example, elect not to participate, particularly if the co-payment is high and they have coverage from another source.

workers. While 90 percent of employers offer health insurance benefits to regular, full-time workers, only ten percent offer them to short-term hires, 34 percent to at least half of their part-time workers, and 13 percent to on-call workers. One might speculate that the reason for the difference in benefits eligibility is because flexible workers are concentrated in firms that tend to provide all of their workers, including their regular full-time workers, few benefits. However, within establishment comparisons of benefits to flexible and regular workers show that the pattern of benefits provision is virtually identical to that presented in Table 12. Thus, flexible workers are much less likely to receive benefits from their employer not because they are concentrated in firms offering few benefits, but rather because employers distinguish between flexible workers and regular workers in determining benefits eligibility.

Data on wages and benefits of workers in flexible or alternative staffing arrangements were also collected as part of the Supplement to the February 1995 CPS. Our analysis of these data supports the findings on wages and benefits from our survey. We classified workers in the February 1995 CPS Supplement into categories that correspond as closely as possible to the categories used in our survey. The methodology for assigning workers is described in Appendix II. Data from the CPS show that workers in flexible staffing arrangements are much more likely to receive low wages, live in poverty, and have no benefits, than are workers in regular, full-time jobs. Although those in flexible staffing arrangements account for about a quarter of wage and salary workers, according to our tabulations of these CPS data, they account for 57 percent of those in the bottom ten percent of the wage distribution, 56 percent of those not eligible to receive health insurance coverage from their employer, and 42 percent of the working poor (Table 13).

Table 13

Incidence of Low Wages, Health Insurance and Pension Benefits, and Poverty,
by Type of Employment Arrangement

Worker Type	As Percent of All Wage and Salary Workers	Percent in Bottom 10% of Hourly Wage Distribution	Percent Ineligible to Receive Health Insurance from Employer	Percent With No Health Insurance from any Source	Percent Without Pension Benefits	Percent Below the Poverty Line
Agency temporaries	1.1	19.0 [1.7]	80.1 [3.1]	54.0 [3.7]	88.6 [2.9]	25.3 [2.9]
On-call or day laborers	1.9	25.0 [3.4]	74.0 [5.1]	33.5 [4.1]	47.7 [2.7]	17.0 [3.5]
Contract workers	1.3	5.6 [0.8]	33.1 [1.5]	21.1 [1.7]	44.0 [1.7]	9.1 [1.3]
Independent contractors	1.0	13.7 [1.4]	69.6 [2.6]	26.7 [1.8]	71.6 [2.3]	9.8 [1.1]
Short-term hires	3.4	19.5 [6.1]	59.8 [7.3]	27.4 [5.9]	37.6 [3.8]	16.9 [6.1]
Regular part-time workers	15.2	31.9 [44.1]	67.6 [36.9]	24.1 [23.4]	52.0 [23.9]	16.9 [27.4]
Regular full-time workers	76.1	5.7 [42.5]	15.9 [43.5]	12.2 [59.3]	27.3 [62.7]	7.1 [57.7]

Source: Author's tabulations from the February 1995 CPS. The self-employed were excluded from all tabulations. Workers reporting earnings of less than \$2 per hour were excluded from the tabulations on hourly earnings. Numbers in brackets are as a percent of all wage and salary workers. The classification of workers into worker types is detailed in the appendix.

We also estimated standard wage models to test for differences in the wages of those in flexible staffing arrangements and those in regular full-time positions. The dependent variable in the model is the logarithm of the hourly wage, which was constructed by dividing reported usual weekly earnings by usual weekly hours. Dummy variables for whether or not the worker is a temporary agency worker, short-term hire, on-call or day laborer, independent contractor,

contract worker or regular part-time worker were included as explanatory variables. Other control variables include dummy variables measuring the level of education attained, age and age-squared, race, occupational and industry dummy variables, union status, and regional dummy variables. Separate equations were estimated for men and women. The coefficients on the agency temporary, short-term hire, on-call, and regular part-time worker dummy variables are negative and statistically significant, indicating that these workers earn significantly less than regular, full-time workers, even controlling for individual and workplace characteristics. The coefficients on the contract worker and independent contractor dummy variables are insignificantly different from zero. The coefficients and standard errors on the flexible staffing dummy variables are reported in Table 14.

To study the determinants of whether or not individual wage and salary workers are eligible to receive health insurance benefits from their employer, have health insurance from any source, or participate in an employer pension plan, probit models were estimated. In these models the dependent variable equals one if the worker is eligible to participate in an employer sponsored health insurance plan, has health insurance from any source, or participates in an employer pension plan and zero otherwise. The explanatory variables are the same as those used in the wage models. The coefficients and standard errors on the flexible staffing dummy variables in these benefit models are reported in Table 14. Because the coefficients on the explanatory variables in probit models are difficult to interpret, the implied marginal effects of changes in the explanatory variables on the probability that the individual can participate in an employer health insurance plan, has health insurance from any source, or participates in an employer pension plan, evaluated at the mean probability of such participation, are also

Table 14

Coefficient Estimates on Flexible Staffing
Dummy Variables in Wage and Benefits Models¹

	Dependent Variable:							
	ln(hourly wage)		Health Insurance from Employer		Health Insurance from Any Source		Pension Insurance	
	Men	Women	Men	Women	Men	Women	Men	Women
Agency Temporary	-0.188 (0.033)	-0.158 (0.030)	-1.945 (0.106) [-0.603]	-1.775 (0.091) [-0.623]	-1.321 (0.093) [-0.310]	-1.157 (0.084) [-0.264]	-1.751 (0.125) [-0.625]	-1.778 (0.113) [-0.640]
On-Call Worker	-0.050 (0.027)	-0.099 (0.026)	-1.341 (0.070) [-0.416]	-1.917 (0.070) [-0.673]	-0.680 (0.070) [-0.160]	-0.657 (0.066) [-0.150]	-0.569 (0.074) [-0.203]	-0.335 (0.072) [-0.120]
Independent Contractor	-0.017 (0.032)	0.011 (0.033)	-1.369 (0.086) [-0.424]	-1.711 (0.103) [-0.601]	-0.636 (0.094) [-0.149]	-0.546 (0.095) [-0.125]	-1.028 (0.092) [-0.367]	-1.127 (0.106) [-0.406]
Contract Worker	0.022 (0.024)	-0.004 (0.034)	-0.523 (0.069) [-0.162]	-0.682 (0.100) [-0.240]	-0.344 (0.075) [-0.081]	-0.481 (0.111) [-0.110]	-0.384 (0.069) [-0.137]	-0.572 (0.105) [-0.206]
Short-term Hire	-0.103 (0.020)	-0.157 (0.018)	-1.152 (0.052) [-0.357]	-1.416 (0.049) [-0.497]	-0.523 (0.056) [-0.123]	-0.524 (0.053) [-0.120]	-0.398 (0.056) [-0.142]	-0.425 (0.054) [-0.153]
Regular Part-Time Worker	-0.114 (0.022)	-0.098 (0.015)	-1.168 (0.038) [-0.362]	-1.131 (0.024) [-0.397]	-0.205 (0.039) [-0.048]	-0.230 (0.027) [-0.052]	-0.292 (0.039) [-0.104]	-0.377 (0.025) [-0.136]

¹Standard errors are in parentheses. The marginal effect of being a particular type of flexible worker on the probability of receiving a particular benefit is reported in brackets. An intercept term, age, education, race, geographic region, union status, industry, and occupation control variables were included in all models.

reported. Even after controlling for age, education, occupation, industry, union status, and geographic location, workers in all types of flexible staffing arrangements are much less likely to be offered health insurance or pension benefits by their employer or to have health insurance from any source than are regular, full-time workers.¹⁴

¹⁴The results from the wage and benefits equations may be contaminated by sample selection bias. The large number of work categories and the small sample size in many categories make it difficult to model the decision to

VI. Mobility of Flexible Workers into Regular Positions

Employers were asked to evaluate the extent to which they hire or move flexible workers into regular positions. Specifically, for those using workers from temporary help agencies, short-term hires, regular part-time workers, and on-call workers, respondents were asked if their organization hired or moved each type of worker into regular positions often, occasionally or sometimes, seldom, or never. This set of questions complements the questions on whether screening workers for regular positions is an important reason for using the particular type of flexible worker. Understanding the extent to which workers in these flexible staffing arrangements have the opportunity to move into permanent positions with the possibility of stable employment and good benefits is important for developing an appropriate policy response to the widespread use of flexible staffing arrangements.

Table 15 reports the responses to this set of questions on the mobility of flexible workers into regular permanent positions. Employers are most likely to move part-time workers and least likely to move on-call workers into regular positions, but the difference in mobility across groups is not large. Although for each type of flexible worker, only a small minority of employers stated that they often move flexible workers into regular positions, a much larger fraction reported occasionally or sometimes moving flexible workers into regular positions. About 43 percent of employers using temporary help agency workers, 43 percent of

work in various flexible staffing arrangements, and thus to do a standard correction for sample selection bias in the wage models. It is not possible to include the inverse mills ratio in a probit model, and thus to do a standard correction for sample selection bias in the benefits equations. In ongoing work I am experimenting with instrumental variables and with a more complicated modeling of the decision to work, the choice of type of work, and the determinants of wages, health insurance and pension benefits. In an examination of the determinants of health insurance and pension benefits eligibility among part-time and full-time workers, however, Blank (1990) found that modeling the labor supply decisions had little effect on the coefficients in the benefits equations.

those using short-term hires, 54 percent of those using part-time workers, and 46 percent of those using on-call workers indicated that they often, occasionally or sometimes move these workers into regular positions.

Table 15
Mobility of Flexible Workers into Regular Positions,
by Type of Flexible Worker

	Often	Occasionally/ Sometimes	Seldom	Never	Don't Know	Sample Size
Temporary Help Agency Workers	11.5	31.3	19.0	36.8	1.6	253
Short-Term Hires	9.0	34.3	17.1	38.6	1.0	210
Part-Time Workers	14.7	39.6	16.0	28.9	0.8	394
On-Call Workers	9.3	26.7	27.3	32.7	4.0	150

To get a better sense of the quantitative importance of mobility into regular positions, we ran simple correlations between whether or not an employer often moves temporary agency workers, short-term hires or part-time workers into regular positions and our measure of the intensity of the employer's use of each type of worker. We also ran the simple correlation between whether the employer often, occasionally or sometimes move each of these types of workers with the measure of intensity of use. These correlations are positive (.16 and .14) and statistically significant in the case of agency temporaries, but insignificant for short-term hires and part-time workers. This finding is consistent with that of a survey of temporary agency workers by the National Association of Temporary Staffing Services in which more than one-third of respondents reported being offered a job by the organization to which they had been on assignment.¹⁵

¹⁵National Association of Temporary Staffing Services, "Temporary help/staffing services industry continues to create employment opportunities," press release, April 1, 1994.

VII. Trends in the Use of Flexible Workers

A final purpose of our survey was to identify any major trends in employers' use of flexible staffing arrangements in recent years. Much press coverage has been given to the growth in employment in temporary help agencies. Figures widely cited come from the BLS monthly establishment survey (CES) and refer to employment in the help supply services industry, which is largely comprised of employment in temporary help agencies. According to figures from the CES, employment in help supply services increased from 1.2 percent to 2.0 percent of nonfarm payroll employment between 1990 and 1996.

Data on part-time employment for the United States come from the CPS. These data show a large increase in part-time employment in the early 1990's, though this is generally attributed to the recession and the fact that the share of employment in part-time work historically moves counter cyclically. Because of a major revision to the CPS in 1994 more recent data on part-time employment are not comparable to earlier figures, and thus it is impossible to determine trends in part-time employment in the 1990's.

There is little information on the levels, let alone the trends, in employment in the other types of flexible staffing arrangements covered in this survey: short-term hires, on-call workers, and contract workers. The supplement to the CPS on contingent and alternative work arrangements in 1995 and 1997 will help to fill in this information gap on trends for on-call and contract workers.¹⁶

¹⁶Data from the February 1997 CPS had not been released at the time of this writing.

In our survey, employers that had used agency temporaries, short-term hires, part-time workers, or on-call workers were asked whether since 1990 their use of each type of flexible worker had increased, decreased or remained about the same relative to the size of their regular workforce. Table 16 summarizes the responses to these questions. The percent of establishments increasing their use of agency temporaries, short-term hires, and on-call workers relative to their use of regular workers since 1990 was slightly higher than the percent decreasing their use. Employers were not asked how much their use of these flexible workers had changed. These figures are consistent with some trend increase in the use of these types of workers, but there is certainly nothing in our data to suggest there has been a strong trend increase in the 1990's.

Table 16

Percent of Establishments Responding that Their Use of Flexible Workers Has Increased, Decreased, or Remained About the Same Relative to Their Use of Regular Workers Since 1990, by Type of Flexible Worker

	Increased	Decreased	Remained About the Same	Don't Know	Sample Size
Temporary Help Agency Workers	24.3	23.9	47.8	4.0	251
Short-Term Hires	14.3	12.4	72.4	1.0	210
Part-Time Workers	24.9	8.9	64.7	1.6	394
On-Call Workers	17.3	15.3	64.7	2.7	150

In contrast, two to three times as many employers indicated that their use of regular part-time workers had increased relative to their use of regular full-time workers than indicated

their relative use of regular part-time worker had decreased. As noted above, one cannot cleanly look at trends in part-time employment in the 1990's using the CPS.

It is possible that the share of part-time jobs in the economy could be increasing even if the share of workers with part-time hours is not. This is because many individuals who work full-time hours hold multiple jobs, combining a full-time job with a part-time job or combining two or more part-time jobs to work a full-time schedule. The redesign of the CPS allows one to look at the number of workers working full-time hours who hold part-time jobs. In 1995, an estimated 6.5 million workers held one or more part-time jobs. Between 1994 and 1995 the number of full-time workers holding part-time jobs increased by six percent, while the number working less than 35 hours a week at all jobs (the official definition of part-time employment) remained about the same (Gardner, 1996). Thus recent data provide support for our findings on trends in part-time jobs. However, we would need a larger sample to know if our findings on part-time trends are valid or an anomaly.

Tables 17 and 18 report factors important in the decision to increase or decrease, respectively, the use of a particular type of flexible worker relative to the regular workforce. Among those increasing their relative use of flexible workers, the most commonly cited reasons were the need to increase workforce flexibility to accommodate fluctuations in workload and business expansion. The first suggests businesses have been under greater competitive pressure to increase productivity and lower labor costs in recent years. The latter suggests that management may find it easier to increase its relative use of flexible workers

Table 17

Reasons for Increased Use of Flexible Workers

	Temporary Help Agency Workers	Short-Term Hires	Part-Time Workers	On-Call Workers
Percent Responding the Increase was Partly Due to:				
Greater use of flexible workers to screen candidates for permanent jobs	24.2	3.3	--	--
Need to increase workforce flexibility to better accommodate fluctuations in workload	37.1	40.0	52.0	57.7
Competitive pressure to reduce labor costs	3.2	16.7	15.3	11.5
Corporate restructuring or merger	4.8	13.3	3.1	7.7
Increase in benefits or social insurance costs for regular employees	1.6	6.7	12.2	3.9
Greater use of family medical leave by regular employees	9.7	6.7	--	--
Difficulty finding qualified workers on own	37.1	--	--	--
Business expansion	25.8	50.0	48.0	50.0
Business contraction	4.8	13.3	6.1	3.9
Change in the hours of operation	--	--	9.2	0.0
Introduction of new machinery or equipment	--	--	2.0	7.7
Sample Size	62	30	98	26

when employment is expanding. If management increases the relative use of flexible workers when employment is stagnant or falling, it will have to cut the number of regular positions, which is likely to harm workplace morale. It can increase the proportion of its workforce in flexible staffing arrangements without reducing the number of regular workers during an

Table 18

Reasons for Decreased the Use of Flexible Workers

	Temporary Help Agency Workers	Short-Term Hires	Part-Time Workers	On-Call Workers
Percent Responding the Decrease was Partly Due to:				
Difficulty in maintaining product or service quality when using flexible workers	22.0	7.7	8.6	17.4
Better able to find qualified workers on your own	27.1	--	--	--
High turnover of this type of worker	11.9	19.2	11.4	13.0
Tension between temporary and regular workers or union opposition	5.1	--	--	--
Corporate restructuring or merger	5.1	7.7	--	--
Business expansion	0.0	7.7	5.7	13.0
Business contraction	20.3	42.3	37.1	17.4
High fees; labor and/or administrative costs associated with this type of worker	18.6	15.4	2.9	4.4
Introduction of new machinery or equipment	--	--	2.9	8.7
Change in hours of operation	--	--	8.6	8.7
Sample Size	59	26	35	23

expansion. Management also may choose to increase the relative use of flexible workers during an expansion if it is concerned that the increase in business is temporary. Among those increasing their relative use of agency temporaries, 24 percent cited screening workers for permanent positions and 37 percent cited difficulty in finding qualified workers on their own as reasons for the increase. Together, these answers suggest that a large share of the increase in agency temporaries occurred in firms seeking to fill permanent positions.

Among those decreasing their relative use of flexible workers, business contraction was cited by many as a reason, suggesting that flexible workers are sometimes used to buffer regular workers from business fluctuations. Those decreasing their use of agency temporaries also often cited difficulty in maintaining product or service quality, ability to find qualified workers on their own, and high fees as reasons for the decrease.

Questions concerning trends in contracting out were phrased differently than were the questions on trends for the other types of flexible workers. Employers indicating that they had used contract workers in the last six years were asked if they had contracted out work previously done in house since 1990 and if they had brought any contracted work back in house since 1990. It is possible that an establishment could have contracted out some tasks and brought other tasks back in house. The results of this pair of questions are reported in Table 19. The number of employers indicating that they had contracted work out previously done in house since 1990 was almost twice as high as the number indicating that they had brought contracted work back in house. Among establishments that had contracted some work over the

Table 19

Percent of Establishments that Contracted Work Out Previously Done In-House or that Brought Contracted Out Work Back In-House Since 1990

As a Percent of Establishments Using Any Independent Contract Workers Since 1990		As a Percent of All Surveyed Establishments	
Contracted Out Work Since 1990	Brought Work Back In-House Since 1990	Contracted Out Work Since 1990	Brought Work Back In-House Since 1990
37.8	20.9	17.1	9.5
n = 249		n = 550	

last six years, 38 percent contracted out work previously done in house since 1990 compared to 21 percent that brought work back in house since 1990. This implies that 17 percent of all establishments in our sample had contracted out some work previously done in house just in the last six years.

Similar findings are evident in earlier employer surveys. Abraham (1990, p. 92), describing the results of a 1986 survey of Bureau of National Affairs members, reported that from 1980 to 1985 the number of firms with an increase in contracting out (13 percent) was about double the number with a decrease in contracting out (6 percent). The Bureau of Labor Statistics Industry Wage Survey in 1986 and 1987 included a special set of questions on contracting out in 13 manufacturing industries. Abraham and Taylor (1996) reported increases in the use of five contracting services among establishments in these 13 manufacturing industries over the 1979-1986/87 period. Although the samples in these two surveys and ours are quite different, together they suggest that there has been substantial and steady growth in contracting out at least since 1980.

Table 20 provides information on why businesses contracted out work previously done in house. Businesses often reported that they contracted out work previously done in house because of competitive pressure to reduce costs (40 percent) or the inability to compete with contractors on price, quality, or market position (26 percent). In addition, business expansion was cited by 31 percent, suggesting that businesses contract out work when an expansion makes it difficult for their own staff to handle the extra workload or when the increase may be temporary. Interestingly, contracting out work previously done in house is rarely associated with corporate restructuring or merger.

Table 21 provides information on why businesses bring work previously contracted out back in house. Not surprisingly, many employers bringing work back in house express dissatisfaction with the quality of the product or service provided by outside contractors (31 percent). Just as is the case with contracting out work, bringing work back in house is also

Table 20

Reasons Businesses Contracted Out Work Previously Done by Regular Staff

Percent responding that it was partly due to:	
Competitive pressure to reduce costs	40.0
Corporate restructuring or merger	5.3
Inability to compete with contractors on price, quality, or market position	26.3
Business expansion	30.5
Business contraction	5.3
Sample Size	95

Table 21

Reasons Businesses Brought Work Previously Contracted Out Back In-House

Percent responding that it was partly due to:	
Inability to maintain product or service quality using outside contractors	30.8
Corporate restructuring or merger	1.9
Union or employee resistance to outside contracting	0.0
Business expansion	28.8
Business contraction	5.8
Sample Size	52

commonly associated with a business expansion. Although union or employee resistance may often keep employers from contracting out in the first place, our data suggest it is rarely a reason to bring work back in house once it has been contracted out.

In addition to asking questions about trends in the use of flexible staffing arrangements since 1990 within the establishment, we asked respondents their opinion about likely future trends in flexible staffing arrangements in their industry. Specifically, respondents were asked whether they agreed or disagreed with the following statement: "In the next five years, companies/organizations in our industry will use more flexible staffing arrangements, such as temporary employment agency workers, short-term hires, part-timers, on-call workers, and contract workers." The overwhelming majority, 65 percent, agreed with that statement.

VIII. The Determinants of Employer Use of Flexible Workers

Above, we examined the types of employers that use flexible workers and the reasons they give for using these types of workers through simple tabulations of our survey data. In this section we report the results of regression analysis, which provide further insights into who uses flexible workers, the extent of their use, and why they use them.

We first modeled the employer's decision whether or not to use a particular type of flexible staffing arrangement. To do this, we estimated probit models, in which the dependent variable equals one if a particular type of flexible worker is used in the establishment and zero if it is not. We estimated separate probit equations for each of the five types of flexible staffing arrangements in our survey.

As explanatory variables we included the logarithm of employment in the establishment; dummy variables to control for region in which the establishment is located; the share of employment in each of nine occupations in the establishment's industry; the percent of unionization; a dummy variable indicating whether the establishment is in a rural location; the

average unemployment rate in 1995 in the establishment's locality; measures of seasonality and cyclical in the establishment's industry; and a dummy variable set equal to one if the establishment offers both pension and health insurance benefits to regular, full-time workers. In addition, in the models for part-time and on-call workers, we included a dummy variable equal to one if the establishment's hours of operation could be easily covered by full-time shifts.

We expect the sign on the logarithm of employment variable to be positive; all else the same, we would expect that larger establishments would be more likely to have used at least one flexible worker. Although we have no a priori reason to believe that usage of flexible workers would differ across regions of the country after controlling for occupational structure, given the dynamic nature of flexible staffing arrangements, it is possible that certain employment practices have "caught on" more quickly in some regions of the country than in others.

We would expect that usage of flexible workers would be highly correlated with the occupational distribution of the establishment's employment. We constructed occupational share variables by taking the share of employment in the establishment's industry in 1995 in each of the following occupations: executive, administrative, and managerial; professional and specialty; technical and related support; administrative support and clerical; service; marketing and sales; agricultural, forestry, and fishing; precision production, craft, and repair; and operators, fabricators, and laborers. The data on occupational share by industry come from the Bureau of Labor Statistics and are primarily based on BLS Occupational Employment Statistics surveys, which are employer surveys conducted every three years. We have 170 3-

digit SIC code industries represented in our sample. For 83 of these industries, occupational share data are available at the 3-digit SIC code level; for 74 they are only available at the 2-digit level; and for 13 they are only available at the 1-digit level. We also included industry dummy variables at the 1-digit SIC code level in preliminary regressions. However, these industry dummy variables are never significant. Probably because of the high degree of collinearity between industry and occupation, the main effect of omitting them is to lower the standard errors on the occupational share variables.

The predicted effect of percent unionized on the use of flexible workers is ambiguous. On the one hand, unions are likely to oppose employers' use of certain types of flexible staffing arrangements. On the other hand, unions typically raise wages and benefits of workers, giving employers an incentive to use flexible staffing arrangements.

We included a dummy variable indicating that the establishment is located outside a metropolitan area as an explanatory variable, because it is possible that labor markets for flexible workers are less developed in rural areas. This is particularly likely to be the case for temporary help agencies, which exist only in places with sufficient demand for their services.

For establishments located in metropolitan areas, we used the average unemployment rate for 1995 of that metropolitan area as our measure of local unemployment. For establishments in rural areas, we used the state unemployment rate.¹⁷ The unemployment rate is intended to capture the degree of slack in the local labor market. Companies may be better

¹⁷Unemployment rates for nonmetropolitan areas are not published.

able to find qualified workers on their own when labor markets are slack and thus be less inclined to use temporary help agencies.

We also included measures of seasonality and cyclicalities of the establishment's industry. To construct a measure of seasonality we regressed the logarithm of monthly employment in the establishment's 3-digit SIC code industry on 12 month dummies, and restricted the sum of the coefficients on those dummy variables to equal zero. Our measure of seasonality is the standard deviation of the coefficients on the month dummy variables. In constructing our measure of cyclicalities, we regressed the change in the logarithm of monthly employment in the establishment's 3-digit SIC code industry on the monthly change in the logarithm of non-farm payroll employment plus month dummy variables. Our cyclicalities measure is the coefficient on the change in non-farm payroll employment from that regression.

Finally, we wanted to include a control for whether the employer offers good benefits to its full-time regular workforce. It has been alleged that some firms hire workers under alternative work arrangements to avoid providing costly benefits to a certain portion of the workforce. It may also be the case that employers offering good benefits are more concerned about screening workers, and that they hire workers for regular positions from the pool of workers in alternative work arrangements. Our proxy for "good" benefits is whether the employer provides both pension and health insurance benefits to its regular full-time workforce.

Table 22 presents the coefficient estimates and associated standard errors from the probit models. The implied marginal effects of the explanatory variables on the probability

Table 22

The Determinants of Whether an Employer Uses Flexible Workers: Probit Model¹

	Mean (std deviation)	Agency Temporaries	Short-Term Hires	Part-Time Workers	On-Call Workers	Contract Workers
ln (employment)	4.382 (2.374)	0.246 *** (0.042) [0.098]	0.114 *** (0.040) [0.043]	0.041 (0.044) [0.016]	0.133 *** (0.044) [0.045]	0.151 *** (0.040) [0.060]
Industry-Occupation Share:						
managerial	0.090 (0.476)	4.885** (1.928) [1.939]	0.373 (1.780) [0.141]	-2.435 (2.061) [-0.921]	-1.864 (1.913) [-0.636]	2.046 (1.825) [0.808]
professional	0.149 (0.180)	-0.489 (0.561) [-0.194]	-0.380 (0.516) [-0.144]	0.585 (0.657) [0.221]	0.567 (0.574) [0.193]	0.654 (0.518) 0.258
technical	0.041 (0.056)	6.479 *** (1.548) [2.572]	0.261 (1.386) [0.099]	0.433 (1.700) [0.164]	2.620 * (1.447) [0.893]	2.943 ** (1.413) [1.162]
marketing/sales	0.112 (0.159)	0.553 (0.539) [0.220]	0.025 (0.508) [0.009]	0.934 (0.644) [0.353]	-0.915 (0.574) [-0.312]	-0.002 (0.517) [-0.001]
clerical	0.189 (0.119)	0.163 (0.738) [0.065]	0.435 (0.686) [0.165]	-0.808 (0.800) [-0.306]	0.503 (0.726) [0.171]	-0.475 (0.700) [-0.188]
agricultural/related	0.014 (0.073)	1.920* (1.077) [0.762]	1.912 (1.231) [0.725]	-1.110 (0.987) [-0.420]	-0.073 (1.098) [-0.025]	1.286 (1.110) [0.508]
precision production	0.088 (0.115)	1.405 * (0.770) [0.558]	0.197 (0.739) [0.075]	-1.488 * (0.777) [-0.562]	-1.921 ** (0.983) [-0.655]	1.664 ** (0.729) [0.657]
laborers	0.136 (0.179)	0.943 * (0.512) [0.374]	-1.321 *** (0.516) [-0.501]	-1.746*** (0.542) [-0.660]	-0.467 (0.576) [-0.159]	0.385 (0.484) [0.152]

Table 22
(Continued)

	Mean (std deviation)	Agency Temporaries	Short-Term Hires	Part-Time Workers	On-Call Workers	Contract Workers
percent union ²	11.670 (28.238)	-0.561 ** (.261) [-0.223]	-.392 (.246) [-0.148]	-.710*** (.267) [-0.268]	-.424 (-.267) [-0.144]	.189 (.240) [0.075]
rural	0.225 (0.418)	-0.415 ** (0.173) [0.165]	0.242 (0.159) [-0.092]	-0.052 (0.180) [-0.019]	-0.144 (0.181) [-0.049]	0.118 (0.160) [0.047]
area unemployment rate	5.082 (1.640)	-.076 (.056) [-0.030]	.008 (.048) [0.003]	-.015 (.052) [-0.006]	-.075 (.059) [-0.026]	.011 (.049) [0.004]
industry seasonality	0.032 (0.038)	4.382 ** (2.181) [1.740]	5.912 *** (1.998) [2.240]	-1.774 (2.201) [-0.670]	1.622 (2.312) [0.553]	-6.994 *** (2.351) [-2.763]
industry cyclicalilty	1.533 (1.423)	-0.025 (0.059) [-0.010]	0.027 (0.056) [0.010]	0.003 (0.065) [0.001]	0.026 (0.061) [0.009]	0.072 (0.056) [0.028]
good benefits	0.655 (0.476)	0.544*** (0.156) [0.216]	0.228 (0.153) [0.086]	0.300* (0.167) [0.114]	0.351 ** (0.168) [0.120]	-0.031 (0.150) [-0.012]
full-time shift	.428 (.495)	--	--	-0.376 ** (0.155) [-0.142]	-0.213 (0.158) [-0.073]	--

¹Standard errors are in parentheses. Three asterisks indicate significance at the 1 percent level of confidence; two asterisks at the 5 percent level; and one asterisk at the 10 percent level. The marginal effect of the change in a variable on the probability of using a particular type of flexible worker is shown in brackets.

²Coefficients and standard errors have been multiplied by 100.

that the establishment will use the particular type of flexible worker, evaluated at the mean probability that an establishment uses that type of worker, is also reported. As expected, the establishment's employment size is positively related to the probability that it uses flexible

workers, with the exception of part-time workers, which are used by most establishments, large and small. The coefficients on the geographic dummy variables, not shown in the table, suggest that there are not large differences in the usage of flexible workers across regions of the country.

The coefficients on the occupational share of employment in the establishment's industry reveal some interesting differences in the use of flexible workers across occupations. The omitted occupational category is service. The coefficients on the occupational share variables in the agency temporaries equation are generally positive, significantly so for the share of executive, administrative, and managerial workers; technical workers; agricultural workers; precision production, craft and repair workers; and fabricators, operators and laborers. The positive coefficients on the occupational share variables indicate that, all else held constant, the use of temporary agency workers is less common in establishments with a high share of service workers. The use of short-term hires is negatively associated with the share of fabricators, operators and laborers relative to the share in service occupations. Not surprisingly, in the part-time worker probit model the coefficients on the precision production, craft, and repair share variable and the fabricators, operators, and laborers share variable are negative and statistically significant. The shares in these two occupational categories are particularly high in manufacturing, in which there are few part-time workers. The coefficient on the share of technical workers is positive and significant in the on-call worker probit. The coefficients on the share in technical occupations and the share in precision production, craft, and repair occupations are positive and significant in the independent contract worker equation.

As noted above, unions are opposed to the use of most types of flexible workers, while the presence of unions is likely to give management a stronger incentive to use flexible workers to circumvent restrictive work practices and to pay lower wages and benefits. Except for contracting out, the percent of the workforce unionized is negatively related to the use of flexible workers, significantly so for agency temporaries and part-time workers.¹⁸ Contracting out has been a particularly contentious issue between unions and management in recent years, and it is noteworthy that unionization is not associated with less outsourcing.

The degree of seasonality and cyclicalilty would also be expected to affect the probability that an establishment uses certain types of flexible workers. Not surprisingly, the measure of seasonality has a large, significant positive effect on the probability that an employer uses agency temporaries and short-term hires. The degree of seasonality has a significant negative effect on the probability that establishments contract out some functions.

Finally, one of the most interesting findings in these regressions, we believe, is the positive, significant coefficient on the "good benefits" dummy variable, which is set equal to one if the employer provides its regular, full-time workers with both pension and health insurance benefits. This variable is positive and statistically significant in the temporary help agency worker, part-time worker, and on-call worker equations. One possible explanation for this finding is that employers want to offer different benefit levels to different groups of workers, but cannot legally discriminate among regular full-time workers in benefits provision. Thus, the firm may use alternative work arrangements to fill certain positions in order to avoid

¹⁸The latter, in particular, though may reflect a reverse causation. Workplaces with a high proportion of part-time workers are generally thought to be hard to unionize.

providing certain workers with costly benefits. Alternatively, if employers choose to provide costly benefits for regular workers, they may wish to screen these workers especially carefully to ensure high productivity. Hiring workers into alternative work arrangements is one way to screen workers for regular positions.

For agency temporaries, short-term hires, and part-time workers, we also have information on the magnitude of the employer's use. We used our measures of intensity of the employers' use of these workers, as reported in Tables 7 and 8 above, as the dependent variables in regression models with the same set of explanatory variables as were used in the probit models. Because these measures of intensity are censored at zero, we estimated these equations using tobit models.¹⁹ The results from these tobit models are reported in Table 23.

The intensity of the use of temporary workers varies with the occupational composition of the establishment's workforce. The ratio of adjusted agency temporaries to regular workers is negatively associated with the share of employment in professional occupations and positively associated with the share in clerical and technical occupations. As in the probit model, the sign on the industry seasonality measure is positive and significant. Perhaps most interesting is the positive and highly significant coefficient on the "good benefits" variable, implying that employers that provide both pension and health insurance benefits to their regular workers use agency temporaries more intensively than employers who do not provide these benefits.

¹⁹Because information on the number of on-call workers was not collected from many respondents, we did not run a tobit model for this group.

Table 23

The Determinants of the Magnitude of Employers' Use of Flexible Workers: Tobit Model¹

	Mean (std deviation)	Temporary Help Agency Workers	Short-Term Hires	Part-Time Workers
ln (employment)	4.382 (2.374)	-0.014 (0.012)	0.030 (0.021)	0.028 ** (0.013)
Industry-Occupation Share:				
managerial	0.090 (0.476)	-0.003 (0.448)	1.145 * (0.656)	-0.384 (0.421)
professional	0.149 (0.180)	-0.318 ** (0.153)	-0.269 (0.195)	-0.140 (0.122)
technical	0.041 (0.056)	1.181 *** (0.374)	0.303 (0.513)	-0.180 (0.324)
marketing/sales	0.112 (0.159)	0.025 (0.141)	-0.098 (0.192)	0.079 (0.117)
clerical	0.189 (0.119)	0.549 *** (0.181)	-0.196 (0.261)	-0.502 *** (0.164)
agricultural/related	0.014 (0.073)	-0.027 (0.262)	0.334 (0.322)	-0.428 * (0.241)
precision production	0.088 (0.115)	0.170 (0.194)	0.425 (0.263)	-0.607 *** (0.182)
laborers	0.136 (0.179)	0.191 (0.146)	-0.513 ** (0.229)	-0.354 *** (0.138)
percent union ²	11.670 (28.238)	-0.087 (0.065)	0.023 (0.090)	-0.080 (0.060)
rural	0.225 (0.418)	-0.071 * (0.043)	0.050 (0.058)	0.021 (0.038)
area unemployment rate	5.082 (1.640)	-0.015 (0.019)	-0.017 (0.028)	-0.043 ** (0.018)
industry seasonality	0.032 (0.038)	1.387 *** (0.525)	1.840 *** (0.707)	-0.178 (0.503)
industry cyclicalilty	1.533 (1.423)	0.020 (0.014)	-0.008 (0.022)	0.002 (0.013)
good benefits	0.655 (0.476)	0.128 *** (0.041)	0.108 ** (0.056)	0.040 (0.036)
full-time shift	.428 (.495)	--	--	-0.031 ** (0.010)

¹Standard errors are in parentheses. Three asterisks indicate significance at the 1 percent level of confidence; two asterisks at the 5 percent level; and one asterisk at the 10 percent level.

²Coefficients and standard errors have been multiplied by 100.

Seasonal fluctuations are particularly important for explaining how much an employer uses short-term hires. The ratio of short term hires to regular workers is negatively associated with the share of operators, fabricators and laborers and positively associated with the share of employment in managerial occupations. In addition, the coefficient on the good benefits dummy variable is positive and significant, suggesting that establishments offering both pensions and health insurance to regular workers use short-term hires more intensively, all else held constant.

The intensity of the use of part-time workers is positively related to establishment size. The sign on the coefficients for the occupational share variables is negative in all cases, reflecting the high proportion of part-time employment in service occupations, the omitted occupational share variable. The sign on the good benefits variable is positive, but no longer significant in the part-time worker tobit model. The coefficient on the full-time shift dummy variable is negative and significant as expected, showing that an establishment's hours of operation greatly affect its use of part-time workers.

It is interesting to compare the results of our analysis with similar analyses of employer surveys conducted in the early and mid-1980's. Abraham (1990) reports the results of tobit models on the intensity of an establishment's use of temporary workers, using data from the 1986 BNA survey. The dependent variable in her model is the sum of the intensity of use of agency temporaries and the intensity of use of short-term hires, although our regression models suggest that the determinants of use of these two types of temporary workers are quite different. Abraham included as dummy variables in her model a measure of seasonality, which equals one if the business reports its demand as highly seasonal, and a measure of cyclicity,

which equals one if the business reports its demand to be highly variable from year to year. She reported positive significant coefficients on both the seasonal and cyclical dummy variables. While we found a positive significant effect of seasonality on the intensity of use of both agency temporaries and short-term hires, we found no effect from the degree of cyclicity. However, our measures, which were derived from the seasonality and cyclicity of the establishment's three digit industry, are quite different. She also found a significant negative effect of the percent unionized on the intensity of use of temporary workers and a positive, significant effect of percent unionized on the probability that a firm uses independent contractors. Although we found no significant union effect in the tobit models, the coefficient on the percent union variable is negative and significant in the temporary agency worker probit model.

One of the most interesting results from our models is the fact that the coefficients on the "good" benefits variable is positive and often significant in the probit and tobit models. In her equation, Abraham tried to capture a similar effect by including a dummy variable equal to one if the business reported its compensation in the top 10 percent of the distribution. The coefficient on this variable was insignificant. Although they did not use formal regression analysis, Mangum, Mayall and Nelson (1985) noted a positive relationship between firms' use of agency temporaries, short-term hires, and on-call workers and the level of fringe benefits provided, based on data from their nationwide mail survey of businesses in selected industries.

IX. Conclusion

The use of flexible staffing arrangements is widespread, even among small establishments. Seventy-two percent of the establishments in our survey use part-time workers and seventy-eight percent use some form of flexible staffing arrangement besides part-time workers. Studies of flexible staffing arrangements that include only large corporations may miss an important part of the picture.

Part-time and on-call workers often account for a large share of an organization's workforce. In contrast, agency temporaries and short-term hires represent a relatively small addition to regular employment for most organizations. According to our estimates, although use of agency temporaries and short-term hires is widespread, they represent just 1.5 percent and 2.3 percent additions, respectively, to regular employment in the private sector. These figures are consistent with available government statistics.

One might conclude that the magnitude of temporary employment is relatively small and not worth much policy attention. However, the data from our survey show that many more temporary jobs are created in the economy over the course of a year than are captured in surveys such as the CPS or CES which measure employment at a point in time. The number of jobs created during the year for agency temporaries is seven to eight times larger and the number of jobs created during the year for short-term hires five to six times larger over the course of the year than exist, on average, at any point in time. We do not know the extent to which the same individuals experience multiple spells of temporary employment. Nevertheless, it is likely that the share of workers experiencing some spell of temporary employment over the course of the year is much greater than four or five percent.

Why do employers use flexible staffing arrangements? Employers most often say they use these arrangements to accommodate fluctuations in their workload or to fill in for absent, regular employees. Employers also use agency temporaries and part-time workers to screen workers for regular positions. In addition, savings on labor costs, especially on fringe benefit costs, are an important factor spurring employers to use flexible staffing arrangements. Employers rarely provide flexible workers with key benefits like health insurance and pensions. When asked to compare the total hourly cost of flexible workers with that of regular workers in similar positions, employers seldom reported that the total hourly cost was higher, and 38 percent of those using agency temporaries, 59 percent using short-term hires, 63 percent using part-time workers, and 73 percent using on-call workers reported that the total hourly cost of these flexible workers is lower than that of regular workers in similar positions.

Our survey data provide some evidence that the use of flexible staffing arrangements has grown in the 1990's. Slightly more respondents reported that their relative use of agency temporaries, short-term hires, and on-call workers had increased than reported their relative use had declined since 1990. A much larger number reported increasing their relative use of part-time workers than reported decreasing their relative use of part-time workers.

Many more companies also reported contracting out work previously done in house than reported bringing work back in house since 1990. In a survey of BNA members, employers reported a similar increase in contracting out over the 1980-85 period (Abraham, 1990). Abraham and Taylor (1996) also reported an increase in the use of contracting out among 13 manufacturing industries over the 1979-1986/87 period using data from the BLS's Industry Wage Surveys. These findings, coupled with ours, suggest that contracting out has

grown steadily since the 1980's. Further study to more precisely monitor trends in contracting out and to understand its implications for workers is needed.

Should we be concerned if a large and possibly growing number of workers in the United States are working in these flexible staffing arrangements? Our survey results clearly point to benefits as one issue of concern. We were able to collect benefits information on employees of the establishments surveyed: short-term hires, regular part-time workers, and on-call workers in addition to regular full-time workers. Employers are much less likely to offer paid holiday and vacation benefits, paid sick leave, pension benefits, profit or gain sharing benefits, or health insurance to workers in these flexible staffing arrangements than to regular full-time workers. Our analysis of data from the February 1995 CPS Supplement shows that workers in all flexible staffing arrangements are less likely to receive health insurance or pension benefits from their employer or to have health insurance from any source, even after controlling for individual and workplace characteristics. This analysis reinforces the findings from our survey.

Results from our survey suggest that employers' total hourly costs are typically lower for workers in flexible staffing arrangements than for regular workers in similar positions largely because of the higher cost of fringe benefits for regular workers. We also find that, controlling for other factors, employers offering pension and health insurance benefits are much more inclined to use various types of flexible workers and/or to use them more intensively than are employers not offering these benefits to regular full-time workers. Anecdotal evidence suggests that employers use flexible staffing arrangements because they wish to avoid offering benefits to certain groups of workers, effectively segmenting the labor

force, or because they wish to more carefully screen workers that receive good benefits and presumably good wages. Our analysis shows that this phenomenon is statistically quite important.

Our findings reinforce the widespread perception that the way to access key benefits such as a pension and health insurance is by holding a regular, full-time job. The fact that the large and growing number of workers in flexible staffing arrangements typically do not receive basic workplace benefits and that employers often appear to hire these workers in order to avoid providing benefits raises the question of the adequacy of a system in which health insurance and private pension income are obtained primarily through employers.

Another reason for concern is that workers in flexible staffing arrangements often have little job security. This is especially true for agency temporaries and short-term hires, whose jobs are intrinsically temporary. Segal and Sullivan (1995) show that workers in the temporary help industry are more likely to experience unemployment than other workers. Yet, the unemployment insurance system is designed with the traditional model of employment—a full-time job of indefinite duration—in mind. Individuals must meet certain minimum earnings and work hours requirements, which vary from state to state, in order to qualify for unemployment insurance benefits. Several states place additional restrictions on the ability of those deemed "seasonal" workers from collecting benefits.²⁰ Thus, part-time workers and workers in temporary jobs often are ineligible to receive unemployment insurance when their jobs end.

²⁰A recent report by the Advisory Council on Unemployment Compensation (1996) recommended that additional restrictions on the benefits eligibility for seasonal workers be eliminated in states having such restrictions.

Furthermore, workers may become disqualified to receive benefits for refusing a job offer, under certain conditions. These requirements tend to be particularly stringent for part-time and temporary workers. For example, in most states, even if those formerly employed part-time qualify for benefits by meeting the minimum earnings and hours requirements, they become disqualified if they refuse a job offer entailing full-time hours. In many states, unemployed individuals become disqualified for unemployment insurance benefits if they refuse a temporary job, but only if they have a history of such work. This condition may make it difficult for agency temporaries to find permanent jobs. While various eligibility restrictions affecting part-time and temporary workers are understandable attempts to limit abuse of the system, they nonetheless represent a growing hole in our social safety net.

Some labor laws are also written with the traditional model of employment in mind. For example, there is concern that those working as independent contractors and agency temporaries are inadequately covered by laws prohibiting discrimination and sexual harassment in the workplace. Unions have been concerned that employers are using contract and temporary workers to avoid organized labor. Ongoing cases before the National Labor Relations Board are examining whether agency temporaries have "joint" employer status and thus must be covered by the terms of a union contract in the organization in which they are placed.

Although temporary workers are covered by workers compensation laws, there is concern about fraud by some temporary help agencies, which are required to pay the premiums for agency temporaries. Some "less reputable" temporary help agencies allegedly misreport the occupations in which their agency temporaries are placed in order to pay lower workers'

compensation premiums. As their premiums increase with experience rating, they close and reopen as a new company.

Workplace training is another area of concern. Workers in temporary, contract, and part-time jobs are less likely to receive on-the-job training than regular, full-time workers. The amount of training workers in flexible staffing arrangements acquire has important implications for future productivity and living standards of the workforce. Although some temporary help agencies promote the training they provide to their temporary staff, little is known about the training workers in these positions receive relative to those in permanent jobs. The growth in flexible staffing arrangements may mean, however, that workers increasingly will have to provide their own training.

One might be less concerned about the benefits, job security, and training of workers in flexible staffing arrangements if these jobs were typically vehicles to regular, permanent positions for those desiring them. Indeed some have even argued that temporary and part-time jobs should be selectively promoted as a means of getting disadvantaged workers, including those on welfare, into employment. For example, Freedman (1996) argues that because temporary employment agencies are employer oriented, have extensive knowledge of local labor markets, often provide some training to workers they place, and are already widely used by employers throughout the country, they should be enlisted to help run the public employment service.

According to data from the February 1995 CPS, a majority of those who regard their job as temporary want permanent employment, and a significant minority of part-time workers want and are able to work full time. For these workers, do flexible staffing arrangements serve

as bridges to regular employment or as traps in low-wage, unstable work? The limited evidence from our survey on the mobility of workers in flexible staffing arrangements into regular positions is mixed. A large number of employers—ranging from 45 percent of employers of part-time workers to 60 percent of employers of on-call workers—report that they seldom or never move workers in these flexible staffing arrangements into regular positions. Yet, many employers report that they at least sometimes or occasionally promote workers into regular positions. Interestingly, among employers using workers from temporary help agencies, there is a significant positive correlation between the propensity to hire agency temporaries into regular positions and the intensity with which employers use these workers. More research is needed on what happens to individuals in flexible staffing arrangements, ideally by constructing a longitudinal data base on individuals by employment status that would be linked to data on their employers' use of flexible staffing arrangements.

Our survey clearly shows, however, that employers are using flexible staffing arrangements primarily to adjust workforce levels to fluctuations in their workload, not to screen workers for regular positions. While many find permanent, full-time employment through temporary, part-time or contract jobs, this does not obviate the need to address policy issues related to benefits, job security, workplace regulation, and the training of workers in flexible staffing arrangements.

APPENDIX I

Survey of Flexible Staffing Policies

SURVEY OF FLEXIBLE STAFFING POLICIES

for

Upjohn Institute for Employment Research

Hello is this? [name of company]

My name is _____

May I speak with? [title, name] [phone and/or extension number if needed]

Phone and/or extension number

[If the respondent is not available try to schedule an appointment or find out the best time and day to call that person.]

[If the respondent is available, continue.]

Hello. My name is _____ and I am calling from the Kercher Center for Social Research in Kalamazoo, Michigan, on behalf of the Upjohn Institute for Employment Research, which is conducting a nationwide study of flexible staffing policies.

I hope you received our letter mailed to you last week. As we indicated in the letter, this survey is a study about flexible staffing practices in your establishment. This study includes use of workers from temporary employment agencies, short-term hires, regular part-time workers, on-call workers, and independent contractors by your establishment. I would like to ask you some questions about your staffing policies. The survey will take anywhere from 5 minutes to 25 minutes to complete depending on the complexities and scope of your flexible staffing practices. A summary of the survey will be sent to all participating establishments.

All the information that you give us will remain strictly confidential.

May I proceed? [IF NO, ASK TO SCHEDULE AN INTERVIEW AT A TIME
CONVENIENT TO HIM/HER.]

ORGANIZATIONAL IDENTIFICATION AND DEFINITIONS

1. What is the name of your establishment?

What is your name and title?

3. What is the primary product made or service provided at this facility?
4. What is the primary SIC code (standard industrial classification code) for your establishment?

Is your establishment part of a company with facilities of other sites?

- 1 Yes
- 2 No

5. Are the hiring decisions and policies for this establishment made on site or elsewhere?

1. On site
2. Elsewhere
3. Don't Know/No Response

GO TO #7

6. Where are the establishment's hiring decisions made and who is in charge of these policies?

Name of contact:

What is your work phone number? [AREA CODE, THEN ENTER]

[ENTER 7 DIGIT PHONE NUMBER WITHOUT SPACES]

What is the address of your business?

[AFTER GETTING THE ADDRESS]

Thank you for your time. [HANG UP]

THE USE OF WORKERS FROM TEMPORARY EMPLOYMENT AGENCIES

The following questions pertain only to employment at your establishment at [CHECK CALL SHEET].

Now, I am going to ask you questions about your use of workers from temporary employment agencies. That is: Individuals who work at your establishment, but who are paid through an employment agency and are not on your organization's payroll.

7. Since 1990, has your establishment used Workers from Temporary Employment Agencies?
1. Yes
 2. No
 3. [DON'T KNOW/NO RESPONSE]
- GO TO SECTION B
GO TO SECTION B
8. Approximately how many workers from temporary employment agencies were used at your establishment in 1995? (Don't include anyone who left or had to be replaced before the end of their contract period. If the same person was assigned to your establishment more than once, they should be counted for each assignment.)
1. None
 2. DON'T KNOW/NO RESPONSE
 3. Number
- GO TO Q #11
GO TO Q #10
9. Can you tell us approximately how many workers from temp agencies your establishment uses in a typical month?
10. What was the average duration of employment of temporary help agency workers in your establishment in 1995? [ENTER THE NUMBER AND 1, IF DAYS, I.E. 23 DAYS=231. ENTER THE NUMBER AND 2, IF WEEKS, I.E., 2 WEEKS=22; ENTER THE NUMBER AND 3, IF MONTHS. ENTER 4, IF DON'T KNOW. IF THE EXACT NUMBER IS KNOWN, ENTER THE SAME NUMBER FOR BOTH LOW AND HIGH RANGE.]

[RANGE]

Low _____

Enter High Range

[ENTER THE NUMBER AND 1, IF DAYS, I.E., 23 DAYS=231; ENTER THE NUMBER AND 2, IF WEEKS, I.E. 23 WEEKS=232. ENTER THE NUMBER AND 3, IF MONTHS; ENTER 4 IF DON'T KNOW/NO RESPONSE.]

11. In general, which of the following reasons are important for your establishment's use of temp agency workers? [MARK ALL THAT APPLY]

1. Fill vacancy until regular employee is hired
2. Fill in for absent regular employee on vacation, sick or on family medical leave
3. Fill positions with temporary agency workers for more than one year.
4. Screen job candidates for regular jobs
5. Seasonal needs
6. Provide needed assistance at times of unexpected increases in workload
7. Provide needed assistance during peak-time hours of the day or week
8. Special projects
9. Save on wage and/or benefits costs
- A. Special expertise possessed by temporary worker
- B. Save on training costs
- C. Provide needed assistance during corporate restructuring or mergers
- D. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

12. Are there any other important reasons for your establishment's use of workers from temp agencies?

The next question deals with a comparison of the Billed Rate for temp workers with pay for regular workers. The **Billed Rate** is the rate your organization pays the temp agency, NOT the rate the temp agency pays the temporary worker.

13. Is the **BILLED RATE** for temp workers generally higher, lower, or about the same as the hourly pay costs for regular employees in similar positions?
1. Higher
 2. Lower
 3. About the same
 4. [DON'T KNOW/NO RESPONSE]

The next question compares the Billed Rate for temp workers with the total regular Pay plus Benefit costs for regular workers. (The billed rate is the rate your organization pays the temp agency, NOT the rate the temp agency pays the temporary worker.)

14. Is the **BILLED RATE** for temp workers generally higher, lower, or about the same as the total of both hourly **pay and benefit** costs for regular employees in similar positions?

1. Higher
2. Lower
3. About the same
4. [DON'T KNOW/NO RESPONSE]

15. How often would you say that your establishment moved temp agency workers into regular, permanent jobs in 1995?

1. Often
2. Occasionally
3. Sometimes
4. Seldom
5. Never
6. DON'T KNOW/NO RESPONSE

18. Has your establishment's use of workers from temp agencies increased, decreased, or remained about the same relative to the size of your regular workforce since 1990?

- | | |
|---|-----------------|
| 1. INCREASED | GO TO Q # 19 |
| 2. DECREASED | GO TO Q # 20 |
| 3. SAME | GO TO SECTION B |
| 4. Not in business in 1990/not applicable | GO TO SECTION B |
| 5. Don't know | GO TO SECTION B |
| 6. Refused | GO TO SECTION B |

19. Was the **increase**, at least in part, due to: [MARK ALL THAT APPLY]

1. Greater use of temporary agencies to screen candidates for permanent jobs
2. Need to increase workforce flexibility to better accommodate fluctuations in your organization's workload
3. Competitive pressure to reduce labor costs
4. Corporate restructuring or merger
5. Increase in the benefits or social insurance costs for regular workers
6. Greater use of family medical leave by regular employees
7. Difficulty in finding qualified workers on your own
8. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
9. Business contraction (such as decrease in sales, orders, profits or discontinuation of products)
10. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

GO TO SECTION B

20. Was the **decrease**, at least in part, due to: [MARK ALL THAT APPLY]

1. Difficulty in maintaining product or service quality when using workers from temporary help agencies
2. Better able to find qualified workers on your own
3. High turnover of temporary agency workers
4. Tension between temporary and regular workers or union opposition
5. Corporate restructuring or merger
6. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
7. Business contraction (such as decrease in sales, orders, profits or discontinuation of products)
8. High fees charged by temporary employment agencies.
9. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

B. THE USE OF SHORT-TERM HIRES

This set of questions is about the use of **Short-term Hires** in your establishment. That is: Individuals who are hired by your organization for a limited and specific period of time. Short-term hires, for example, include workers hired for the December holiday season or during the summer and they may work part-time hours.

21. Since 1990, has your establishment used Short-term Hires?

1. YES
2. NO GO TO SECTION C
3. [DON'T KNOW/NO RESPONSE] GO TO SECTION C

22. Approximately how many individuals on short-term contract did your organization have in 1995? Please exclude individuals who left or had to be replaced prior to the completion of their contract.

1. None GO TO Q # 25
2. DON'T KNOW/NO RESPONSE
3. Number GO TO Q # 24

23. If your use of short-term hires is seasonal, can you tell me approximately how many short-term hires your establishment made for each season in 1995?

[ENTER ENTER, IF DON'T KNOW/NO RESPONSE]

[HIT ENTER, IF NO MORE HIRING SEASONS]

Season 1

Season 2

Season 3

Season 4

24. What was the average duration of employment of short-term hires in your establishment in 1995? [ENTER THE NUMBER AND 1, IF DAYS, I.E., 23 DAYS=231. ENTER THE NUMBER AND 2, IF WEEKS, I.E. 2 WEEKS=22. ENTER THE NUMBER AND 3 IF MONTHS. ENTER 4 FOR DON'T KNOW/NO RESPONSE. IF THE EXACT NUMBER IS KNOWN, ENTER IT FOR BOTH THE HIGH AND LOW RANGE.]

[RANGE]

Low _____

Enter High Range

[ENTER THE NUMBER AND 1, IF DAYS. I.E., 23 DAYS=231. ENTER THE NUMBER AND 2, IF WEEKS, I.E., 23 WEEKS=232. ENTER THE NUMBER AND 3, IF MONTHS; ENTER 4 IF DON'T KNOW/NO RESPONSE.]

25. In general, are any of the following reasons important in the use of short-term hires by your establishment? [MARK ALL THAT APPLY]

1. Fill vacancy until regular employee is hired
2. Fill in for absent regular employee who is sick, on vacation, or on family medical leave
3. Screen job candidates for regular jobs
4. Seasonal needs
5. Provide needed assistance at times of unexpected increases in business activity
6. Special projects
7. Save on wage and/or benefits costs
8. Special expertise possessed by the short-term worker
9. Provide needed assistance during corporate restructuring or merger
- A. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

26. Are there any other important reasons for your establishment's use of short-term hires?

27. Do you pay any benefits to short-term hires?

1. Yes
 2. No
 3. [DON'T KNOW/NO RESPONSE]
- GO TO Q # 29
GO TO Q # 29

28. Which of the following benefits do you provide to short-term hires?
[MARK ALL THAT APPLY]

1. Paid vacations or holidays
2. Sick pay
3. Pension benefits
4. Health insurance benefits
5. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

The following question deals with a comparison of pay costs of short-term hires with regular pay in your company.

29. Is the hourly pay for short-term hires generally higher, lower, or about the same as the hourly pay for regular employees in similar positions?
1. Higher
 2. Lower
 3. About the same
 4. [DON'T KNOW/NO RESPONSE]

The next question deals with a comparison of the total hourly cost of pay plus benefits of short term hires with the total hourly cost of pay plus benefits for regular employees in your establishment.

30. Is the hourly pay and benefits cost for short-term hires generally higher, lower, or about the same as the hourly pay and benefit costs for regular employees in similar positions?
1. Higher
 2. Lower
 3. About the same
 4. [DON'T KNOW/NO RESPONSE]

31. How often would you say that your establishment moved short-term hires into regular, permanent jobs in 1995?

1. Often
2. Occasionally
3. Sometimes
4. Seldom
5. Never
6. [DON'T KNOW/NO RESPONSE]

34. Has your establishment's use of short-term hires increased, decreased, or remained about the same relative to the size of your regular workforce since 1990?

- | | |
|---|-----------------|
| 1. Increased | |
| 2. Decreased | GO TO Q # 36 |
| 3. Same | GO TO SECTION C |
| 4. [NOT IN BUSINESS IN 1990/NOT APPLICABLE] | GO TO SECTION C |
| 5. [DON'T KNOW] | GO TO SECTION C |
| 6. [REFUSED] | GO TO SECTION C |

35. Was the increase, at least in part, due to: [MARK ALL THAT APPLY]

1. Greater use of short-term hires to screen candidates for regular positions
2. Competitive pressure to reduce labor costs
3. Need to increase workforce flexibility to better accommodate fluctuations in your organization's workload
4. Corporate restructuring or merger
5. Increase in the benefits or social insurance costs for regular workers
6. Greater use of family medical leave by regular employees
7. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
8. Business contraction (Such as decrease in sales, orders, profits or discontinuation of products)
9. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

GO TO SECTION C

36. Was the decrease, at least in part, due to:

[MARK ALL THAT APPLY]

1. Difficulty in maintaining product or service quality when using short-term hires
2. High turnover of short-term hires
3. Corporate restructuring or merger
4. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
5. Business contraction (such as decrease in sales, orders, profits or discontinuation of products)
6. High labor and/or administrative costs associated with short-term hires
7. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

C. THE USE OF REGULAR PART-TIME WORKERS

The following set of questions deal with the Regular Part-time Workers in your establishment. That is: Individuals on the organization's payroll who work less than a full work week and who are not short-term hires.

37. Since 1990, has your establishment used **Regular Part-time Workers**? Please exclude any "on-call" workers who are used only on an as-needed basis.

1. YES

2. NO

3. [DON'T KNOW/NO RESPONSE]

GO TO SECTION D

GO TO SECTION D

38. Approximately how many regular part-time workers did your establishment have on its payroll in December 1995?

1. None

2. DON'T KNOW/NO RESPONSE

3. Number

GO TO Q # 40

GO TO Q # 40

39. Approximately how many hours per week on average do your part-time employees work?

[IF EXACT NUMBER, ENTER THE NUMBER FOR BOTH THE HIGH AND LOW RANGE]

[ENTER 0 FOR BOTH IF DON'T KNOW/NO RESPONSE]

[RANGE]

Low _____

High Range

[HOURS PER WEEK]

[0 IF DON'T KNOW/NO RESPONSE]

40. In general, are any of the following reasons important for your establishment's use of regular part-time workers? [MARK ALL THAT APPLY]

1. Screen job candidates for regular job
2. Provide needed assistance during peak-time hours of the day or week
3. Accommodate employee's wishes for part-time hours
4. Unable to find qualified full-time workers
5. Special projects
6. Save on wage and/or benefits costs
7. Provide needed assistance during hours not covered by full-time shifts
8. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

41. Are there any other important reasons for your establishment's use of regular part-time workers?

42. Next, I am going to ask you about the benefits your organization offers its part-time employees.

Are any of the part-time employees in your establishment offered paid holidays and paid vacations?

1. Yes
2. No
3. [DON'T KNOW/NO RESPONSE]

GO TO Q # 44
GO TO Q # 44

43. Approximately what percentage of your establishment's part-time employees are offered paid holidays and paid vacations?

[ENTER 101, FOR DON'T KNOW/NO RESPONSE]
[PERCENTAGE]

44. Are any of the part-time employees in your establishment offered sick pay?

1. Yes
2. No
3. [DON'T KNOW/NO RESPONSE]

GO TO Q # 46
GO TO Q # 46

45. Approximately what percentage of your establishment's part-time workers are eligible for sick pay?

[ENTER 101, FOR DON'T KNOW/NO RESPONSE]
[PERCENTAGE]

46. Are any of the part-time employees at your establishment eligible to participate in pension plans?

1. Yes
 2. No
 3. [DON'T KNOW/NO RESPONSE]
- GO TO Q # 48
GO TO Q # 48

47. Approximately what percentage of the part-time employees at your establishment are eligible to participate in pension plans?

[ENTER 101, FOR DON'T KNOW/NO RESPONSE]
[PERCENTAGE]

48. Are any of the part-time employees at your establishment eligible to participate in a profit or gain sharing plan?

1. Yes
 2. No
 3. [DON'T KNOW/NO RESPONSE]
- GO TO Q # 50
GO TO Q # 50

49. Approximately what percentage of the part-time employees at your establishment are eligible to participate in a profit or gain sharing plan?

[ENTER 101, FOR DON'T KNOW/NO RESPONSE]
[PERCENTAGE]

50. Does your organization offer health insurance benefits to any of its part-time employees?

1. Yes
 2. No
 3. [DON'T KNOW/NO RESPONSE]
- GO TO Q # 52
GO TO Q # 52

51. Approximately what percentage of the part-time employees at your establishment are eligible for health insurance benefits?

[ENTER 101, FOR DON'T KNOW/NO RESPONSE]

(Note: A part-time employee who is eligible for health insurance benefits may choose not to receive them.)

[PERCENTAGE]

The following question deals with a comparison of wage costs of part-time workers with regular wages of full-time workers in your establishment.

52. Are the hourly wages of part-time workers generally higher, lower, or about the same as the hourly wages of full-time workers in comparable positions?

1. Higher
2. Lower
3. About the same
4. [DON'T KNOW/NO RESPONSE]

The next question deals with a comparison of the total cost of wages plus benefits of regular part-time workers with the total cost of wages plus benefit for full-time employees in your establishment.

53. Are the total hourly wage and benefits costs of part-time workers generally higher, lower, or about the same as the total hourly wage and benefits costs of full-time workers in comparable positions?

1. Higher
2. Lower
3. About the same
4. [DON'T KNOW/NO RESPONSE]

54. How often did your establishment move part-time workers into regular, full-time positions in 1995?

1. Often
2. Occasionally
3. Sometimes
4. Seldom
5. Never
6. [DON'T KNOW/NO RESPONSE]

57. Has your establishment's use of part-time workers increased, decreased, or remained about the same, relative to the size of your workforce since 1990?

- | | |
|--|-----------------|
| 1. Increased | |
| 2. Decreased | GO TO Q # 59 |
| 3. Same | GO TO SECTION D |
| 4. NOT IN BUSINESS IN 1990/NOT APPLICABLE] | GO TO SECTION D |
| 5. [DON'T KNOW/NO RESPONSE] | GO TO SECTION D |
| 6. [REFUSED] | GO TO SECTION D |

58. Was the **increase**, at least in part, due to: [MARK ALL THAT APPLY]

1. Competitive pressure to reduce labor costs
2. Need to achieve greater workforce flexibility to accommodate fluctuations in workload during the day, week, or season
3. Change in the hours of operation of your business
4. Increase in the benefits or social insurance costs of full-time workers
5. Corporate restructuring or merger
6. Introduction of new machinery or equipment (such as new computer technology)
7. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
8. Contraction of business (such as decrease in sales, orders, profits or discontinuation of products)
9. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

GO TO SECTION D

59. Was the **decrease**, at least in part due to: [MARK ALL THAT APPLY]

1. Inability to maintain product or service quality using part-time workers
2. Introduction of new machinery or equipment (such as new computer technology)
3. Desire to reduce high turnover associated with part-time workers
4. Change in the hours of operation of your business
5. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
6. Business contraction (such as decrease in sales, orders, profits, or discontinuation of products)
7. High labor and/or administrative costs associated with part-time workers
8. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

D. THE USE OF ON-CALL WORKERS

This set of questions is about On-Call workers in your establishment. That is: Workers who are called in to work only as needed. They can be scheduled for several days or weeks in a row.

60. Since 1990, has your establishment used On-Call Workers? Please Do Not include your regular workers who are "on call" for possible work during unusual hours.

1. Yes

2. No

3. [DON'T KNOW/NO RESPONSE]

GO TO SECTION E

GO TO SECTION E

62. What is the average number of hours per week or month that your establishment's on-call workers worked during 1995? [IF PER WEEK, ENTER NUMBER AND 1, I.E. 40 HOURS/WEEK AS 401. IF PER MONTH, ENTER NUMBER AND 2, I.E., 170 HOURS/MONTH AS 1702. IF DON'T KNOW, ENTER 3.]

63. How many on-call workers did your establishment have in its pool in December 1995?

65. In general, are any of the following reasons important for your establishment's use of on-call workers? [MARK ALL THAT APPLY]

1. Fill vacancy until regular employee is hired

2. Fill in for absent regular employee who is sick, on vacation, or on family medical leave

3. Screen job candidates for regular jobs

4. Seasonal needs

5. Provide needed assistance during peak-time hours of the day or week

6. Provide needed assistance at times of unexpected increases in business

7. Special projects

8. Save on wage and/or benefits costs

9. Special expertise possessed by the on-call worker

A. Provide needed assistance during company restructuring or merger

B. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

66. Are there any other important reasons for your establishment's use of on-call workers?

67. Are your establishment's on-call workers offered any of the following benefits?
[MARK ALL THAT APPLY]

1. Paid holidays and vacations
2. Sick pay
3. Company pensions
4. Participation in profit or gain sharing plans
5. Health insurance
6. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

The following question deals with a comparison of pay costs of On-call Workers with the cost of pay for regular employees in your company.

68. Is the hourly pay cost for **On-call Workers** generally higher, lower, or about the same as the hourly pay cost for regular employees in similar positions?

1. Higher
2. Lower
3. About the same
4. [DON'T KNOW/NO RESPONSE]

The next question deals with a comparison of the total cost of pay and benefits of On-call Workers with the total cost of pay and benefits for regular employees in your establishment.

69. Is the total hourly pay and benefit cost for **On-call Workers** generally higher, lower, or about the same as the total hourly pay and benefit cost for regular employees in similar positions?

1. Higher
2. Lower
3. About the same
4. [DON'T KNOW/NO RESPONSE]

70. How often would you say that your establishment moved On-Call workers into regular jobs in 1995?

1. Often
2. Occasionally
3. Sometimes
4. Seldom
5. Never
6. [DON'T KNOW/NO RESPONSE]

73. Has your establishment's use of on-call workers increased, decreased, or remained about the same relative to the size of your regular workforce since 1990?

1. Increased
2. Decreased

3. Same

4. [NOT IN BUSINESS IN 1990/NOT APPLICABLE]

5. [DON'T KNOW]

6. [NO RESPONSE]

GO TO Q # 75

GO TO SECTION E

GO TO SECTION E

GO TO SECTION E

GO TO SECTION E

74. Was the increase, at least in part, due to: [MARK ALL THAT APPLY]

1. Competitive pressure to reduce labor costs
2. Need to achieve greater workforce flexibility to accommodate fluctuations in workload over the day, week, or season
3. Change in the hours of operation of your establishment
4. Increase in the benefits or social insurance costs of full-time workers
5. Corporate or organizational restructuring or merger
6. Introduction of new machinery or equipment (such as new computer technology)
7. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
8. Business contraction (Such as decrease in sales, orders, profits, or discontinuation of products)
9. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

GO TO SECTION E

75. Was the decrease, at least in part, due to: [MARK ALL THAT APPLY]

1. Inability to maintain product or service quality using on-call workers
2. Introduction of new machinery or equipment (such as new computer technology)
3. Desire to reduce high turnover associated with on-call workers
4. Change in the hours of operation of your business
5. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)
6. Contraction of business (such as decrease in sales, orders, profits, or discontinuation of products)
7. High labor and/or administrative costs associated with using on-call workers
8. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

E. THE USE OF INDEPENDENT CONTRACTORS

Next, I am going to ask you a few questions about your establishment's use of independent contract workers. 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 your business' operations.

76. Since 1990, has your establishment used **independent contract workers**?

1. YES

2. NO

GO TO SECTION F

3. [DON'T KNOW/NO RESPONSE]

GO TO SECTION F

77. Since 1990, has your establishment ever contracted out work previously done by regular staff?

1. YES

2. NO

GO TO Q # 81

3. [DON'T KNOW/NO RESPONSE]

GO TO Q # 81

78. What type of function or functions previously done by regular staff have been contracted out since 1990?

79. Were any of the following reasons important in your establishment's decision to contract out work previously done by regular staff? [MARK ALL THAT APPLY]

1. Competitive pressure to reduce costs

2. Corporate restructuring or merger

3. Inability to compete with contractors on price, quality, or market position

4. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)

5. Business contraction (such as decrease in sales, orders, profits, or discontinuation of products)

6. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

80. Were there any other important reasons for your establishment's decision to contract out work previously done by regular staff?

81. Since 1990, has your organization ever brought contract work back in house for regular staff?

1. Yes

2. No

3. [DON'T KNOW/NO RESPONSE]

GO TO SECTION F

GO TO SECTION F

82. What type of function or functions has your organization brought back in-house for regular staff in the last five years?

83. Were any of the following important in your organization's decision to bring work previously contracted out back in-house? [MARK ALL THAT APPLY]

1. Inability to maintain product or service quality using outside contractors

2. Corporate restructuring or merger

3. Union or employee resistance to outside contracting

4. Business expansion (such as increase in orders, starting a new product or service line, or entering a new market area)

5. Business contraction (such as decrease in sales, orders, profits, or discontinuation of products)

6. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

84. Were there any other important reasons for your establishment's decision to bring back in house work previously contracted out?

F. GENERAL OPERATIONS

Now we are on the last section which has a few questions on your general operations.

85. Approximately how many full-time payroll employees were employed at your establishment in December 1995?
96. Do the regular, full-time workers in your establishment receive any of the following benefits? [MARK ALL THAT APPLY]
1. Paid holidays and vacations
 2. Sick pay
 3. Company pensions
 4. Participation in profit or gain sharing plans
 5. Health insurance
 6. [NO MORE APPLY/DON'T KNOW/NO RESPONSE]

Are the following very important, somewhat important, or not important for absorbing fluctuations in your establishment's workload?

86. Overtime or comp time
1. Very Important
 2. Somewhat Important
 3. Not Important
 4. [DON'T KNOW/NO RESPONSE]
87. Reduced Work Weeks (Are reduced work weeks important for absorbing fluctuations in your establishment's workload?)
1. Very Important
 2. Somewhat Important
 3. Not Important
 4. [DON'T KNOW/NO RESPONSE]

88. Temporary Layoffs (Are temporary layoffs important for absorbing fluctuations in your establishment's workload?)

1. Very Important
2. Somewhat Important
3. Not Important
4. [DON'T KNOW/NO RESPONSE]

89. Contract Workers (Are contract workers important for absorbing fluctuations in your establishment's workload?)

1. Very Important
2. Somewhat Important
3. Not Important
4. [DON'T KNOW/NO RESPONSE]

90. How many or what percentage of your establishment's workers were covered by a collective agreement in 1995? [ENTER PERCENT AND 1, IF PERCENT. I.E., 1%=11. ENTER NUMBER AND 2, IF NUMBER, I.E., 1 WORKER=12. ENTER 1, IF NONE. ENTER 3, IF DON'T KNOW/NO RESPONSE.]

93. What were the regular number of days of operation per week for your establishment in 1995?

94. What were the regular number of hours per day that your establishment was in operation in 1995?

95. Approximately what was the employee turnover rate at your establishment in 1995? That is approximately what percentage of the workforce does your establishment need to replace each year because of quits, retirements, or firings. (Note that the turnover rate will exceed 100% if the average employee's tenure with you is less than one year.)

[IF EXACT NUMBER, ENTER THE NUMBER FOR BOTH THE HIGH AND LOW RANGE]

[ENTER 0 FOR BOTH IF DON'T KNOW/NO RESPONSE]

[RANGE]

Low _____

[INTERVIEWER, PROMPT ONLY IF NEEDED] Would you say it was:

- 0 - 10%
- 11 - 25%
- 26 - 50%
- 51 - 75%
- 76 - 100%
- Over 100%

High Range

97. Approximately what were the fringe benefits costs, as a percent, of payroll costs in your establishment in 1995?

98. Do you agree or disagree with the following statement?

In the next 5 years, companies/organizations in our industry will use more flexible staffing arrangements, such as temporary employment agency workers, short-term hires, part-timers, on-call workers and contract workers.

- 1. Agree
- 2. Disagree
- 3. [DON'T KNOW/NO RESPONSE]

Thank you for sharing your time with us.

OPTIONAL (if needed): We will be faxing or mailing you today the questions you needed.
OPTIONAL (if needed): We will be calling you later(time).....(day)
.....(date) about the questions we discussed.

OPTIONAL (if needed): Thank you for taking time to send us the additional information about the questions we discussed. Our Fax address is Kercher Center for Social Research 616/387-2882.

End of Survey

APPENDIX II

Methodology for Assigning Employment Categories in February 1995 CPS

Methodology for Assigning Employment Categories in February 1995 CPS

We classified wage and salary employees in the February 1995 Supplement of the CPS into one of six mutually exclusive categories of employment. In the Supplement to the February 1995 CPS, workers were asked whether they were paid by a temporary help agency, were on-call or day laborers, were independent contractors, or worked for a firm that contracted out their labor. Although respondents were not specifically asked whether they were a short-term hire, they were asked whether they considered their job temporary and if so they were asked a series of questions to determine why they considered their job temporary. To construct a category of short-term hires, we included workers whose job was temporary for economic reasons net of those who said they were paid by a temporary help agency, were an on-call worker or day laborer, were independent contractors, or worked for a company that contracted out their services. A similar procedure was used by Polivka (1996) to construct an estimate of what she called direct hire temporaries. We classified those working less than 35 hours per week who did not fall into one of the other flexible staffing categories as regular part-time workers. Finally, we classified those working 35 hour per week or more and who did not fall into one of the flexible staffing categories as regular, full-time employees.

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