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Elizabeth Dalton

*University of Texas at El Paso*, [edalton@utep.edu](mailto:edalton@utep.edu)

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# **The Workforce in Alternative Employment Arrangements**

**Elizabeth Dalton, Ph.D.  
University of Texas at El Paso**

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**Institute for Policy and Economic Development  
University of Texas at El Paso  
COBA Building 314  
El Paso, Texas 79968-0703  
915.747-7974 Fax 915.747-7948  
e-mail – [iped@utep.edu](mailto:iped@utep.edu)  
<http://iped.utep.edu>**

## The Workforce in Alternative Employment Arrangements

### Executive Summary

Questions concerning the nature of *alternative employment* in the El Paso region emerged as part of a joint project between several El Paso organizations and the National Center on Employment and the Economy (NCEE). Alternative employment arrangements are discussed in terms of *contingent versus core, temporary versus permanent, and part-time versus full-time* employment. The U.S. Department of Labor Bureau of Labor Statistics (BLS) also analyzes the *personnel supply services industry*, commonly referred to as the temporary staffing industry.

The questions of interest in this paper are the following:

- Are contingent or temporary jobs growing in number? Are there fewer “lifetime jobs”?
- Is the temporary staffing industry growing in El Paso?
- Are contingent jobs good or bad jobs? What are the benefits and drawbacks of contingent work for employers and for workers?

The *personnel supply services industry* is the sector that many people think of when temporary work is discussed. It consists of two segments: agencies that place permanent employees and *temporary or staffing services* agencies that supply workers to client firms on a contract basis. The costs of entry into the industry are low. Consequently, there is intense competition among agencies to recruit both client firms and qualified workers. The BLS projected that the personnel supply services industry would grow 53 percent between 1996 and 2006, making it one of the fastest growing industries in the economy.

Temporary staffing firms recruit, screen, place, and pay temporary workers in client companies on a contract basis. They are the employer of record and bill the client company for the workers' wages plus a fee to cover benefits and the worker placement service. The temporary staffing firm pays all the required employee benefits; however, health insurance, paid vacation and pension benefits are normally not included.

The temporary staffing industry in El Paso has also grown rapidly in the last decade. The local market consisted of 10 to 15 companies in 1990 and grew to over 50 companies by 2001. Competition in the local market is stiff, with many national companies represented in the area. The national companies now dominate the market because of their ability to cut the price of services. Some in the local industry believe that both workers and customers are suffering as a result.

*Two occupational categories dominate the industry nationally and in El Paso: 1) administrative and clerical support; and, 2) operator-laborer occupations.* These jobs commonly require only a high school education and median wages are quite low. In the next decade, the largest numbers of new jobs in the temporary employment market are expected to be in these same two occupational categories.

- A significantly larger portion of temporary workers in El Paso, 40 percent or more, are employed in manufacturing, compared to 28.4 percent for the nation as a whole.
- El Paso staffing agencies fill positions in a ratio of approximately 40:60 light industry to clerical or vice versa. Light industry workers in the El Paso region are placed in manufacturing assembly, plastic injection molding, and logistics and warehousing firms (fork-lift operators and materials handlers). Company production needs determine the timing of assignments and much of the work is seasonal.
- Clerical temps in El Paso replace workers who are on vacation or family leave; or they work on a project basis.
- As much as 60 percent of the business of some El Paso agencies is in filling temp-to-hire positions.

Most research indicates that contingent employment, broadly defined, grew in the United States from the early 1980s to the mid 1990s and, thereafter, declined slightly.

- Applying a narrower BLS definition, contingent workers constitute less than one-tenth of the labor force. Their

numbers declined slightly toward the end of the 1990s.

- The BLS estimates that *temporary staffing industry* employment held steady at 1 percent of the total from 1995-1997 and is currently about 0.9 percent of employment.
- *The percent of the labor force in this industry is higher in the State of Texas and in El Paso than in the rest of the nation.* Average covered employment per quarter in this industry grew from 1.5 to 2.4 percent of total covered employment for the state and from 1.7 to 2.6 percent in El Paso (1990 to 2000).
- The average number of workers employed in this industry in El Paso grew fairly steadily from 3,458 workers in 1990 to 6,427 in 2000.

A 1999 BLS profile confirms that temporary workers are:

- Younger, minority, and female in larger portions than the general labor force.
- Less educated than traditional workers. Over 14 percent of temporary workers age 25 to 64 have less than a high school diploma compared to 9.2 percent of traditional workers.
- Almost three-fifths of temporary workers are female and two-thirds have children.
- Most temporary work is very low paying. Nationwide, median weekly earnings for temporary workers were \$342 compared to \$540 for workers in traditional arrangements.
- In El Paso, light industry work pays from \$5.15 to \$6.50 per hour. This amounts to weekly gross wages of \$206 to \$260 (40-hour week). For fork-lift operators, the average wage is \$6 to \$6.50 per hour, \$7 - \$9 with two to three years of experience.
- Starting salaries for clerical workers in El Paso have increased in the past few years to the range of \$6 to \$6.25 per hour. Some highly-skilled clerical workers are paid \$10 per hour and more.

From the perspective of firms, the benefits of contingent workers are the flexibility to adjust to periods of heavy workload and the ability to manage labor costs. Recruitment, overtime, and layoff costs are reduced and temporary workers

are paid lower wages with few or no benefits. Nevertheless, the use of temporary workers is not always cost effective for companies and may run counter to the corporate culture.

*From the perspective of workers whether the choice of contingent or temporary work is voluntary is the key.*

- Over 60 percent of temporary workers age 16 and over would prefer a traditional permanent job.
- Lower wages and the lack of benefits are significant drawbacks. Health and pension coverage are commonly not provided, or, if offered, they are at the sole expense of the employee.

Social policy implications of contingent work. Social support benefits in the United States (health, pension, unemployment, and family) are normally attached to employment.

- Most temporary workers and many categories of contingent workers do not have access to these benefits.
- *Low-wage earners, in particular, must make use of public safety-net programs in order to make ends meet.* They frequently must access a range of food, health, housing, and child care programs provided by their state and community.

Social safety-net programs are supported by tax-payers. The general public is, therefore, footing part of the bill for the support of contingent workers, some of whom are employed full-time. As John Morse stated over 30 years ago in his study of what were then called "peripheral workers, if these workers provide the economy with an important part of the flexibility which it must have to be efficient and dynamic, we have to try to insure that an undue share of the cost of this flexibility does not fall on the workers themselves, many of whom are least able to bear the cost" (Morse, 1969:40).

## The Workforce in Alternative Employment Arrangements

### INTRODUCTION

In the first months of work on a joint Greater El Paso Chamber of Commerce - National Center on Employment and the Economy (NCEE) project to examine occupational and industrial changes in employment and the corresponding educational requirements of jobs in the El Paso region, a series of questions concerning the nature of alternative employment emerged. *Nonstandard, contingent, and temporary* are other terms used to describe alternative employment arrangements. Initially framed in terms of questions about the size and growth of the local temporary employment market, it soon became evident that these questions are part of a larger and more complex issue of whether the nature of work in the United States has been changing in the past 15 to 20 years in ways that provide less job security and stability for workers.

The broader questions are these.

- Are contingent or temporary jobs growing in number? Are there fewer “lifetime jobs”?
- If they are growing in number, does this trend reflect an important change in the way firms do business in the United States?
- Is the temporary staffing industry growing in El Paso?
- Are contingent jobs good or bad jobs? What are the benefits and drawbacks of contingent work for employers and for employees?

Researchers believe that a gradual restructuring of the labor market has been occurring since the mid 1980s due to changes in the United States and the international economy. Since World War II the U. S. economy has gradually become more integrated with the world economy; and, businesses and workers are increasingly subject to intense competition (Dau-Schmidt, 1995:879).<sup>1</sup> Some point to the period of

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<sup>1</sup> An important Hudson Institute report, *Work Force 2020*, lists five forces that will reshape the U.S. economy over the next two decades: rapid technological change, further global integration of the U.S. economy, rapid economic growth in certain developing nations, deregulation and liberalization, both nationally and globally, and demographic

economic turbulence in the mid-1980s that led to down-sizing in firms, work force reductions, and a more crisis-driven use of contingent workers (Christensen, 1998:107). They believe that the contingent work force has grown as a response to these forces and an increased need for flexible labor markets (Belous, 1995:871). They argue that this is leading to profound changes in employer-employee relations resulting in a weakening of the attachment between firms and workers (Bookman, 1995: 802-03) and declining employer commitment to career development.

Is there a trend to less job stability and, if so, is it inevitable? Research by social scientists and labor economists indicates that the question is complex and there are considerable disagreements on the findings. The disagreements essentially relate to two questions: 1) how to define nonstandard work; and, 2) how large is the population of workers in these jobs? The numbers question is an important one in deciding whether the nature of work is changing.

### WHAT ARE ALTERNATIVE EMPLOYMENT ARRANGEMENTS?

The discussion of alternative employment arrangements is framed in terms of *contingent versus core, temporary versus permanent, and part-time versus full-time* employment. It is also examined by the U.S. Department of Labor Bureau of Labor Statistics (BLS) in terms of the industry that encompasses the temporary staffing industry, the *personnel supply services industry*, and Standard Industrial Code (SIC) 736 in the U.S. Department of Labor formal industry classification system. These terms have different uses that bear on the question of whether the United States is in a period of transition in employment relations, and as such, they need to be clearly understood.

#### Contingent versus Core Employment

Contingent employment is a term coined in 1985 by labor economist Audrey Freeman to refer to *on-demand* employment. It connotes any work arrangement that does not contain a

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change, especially as the Baby Boomers age (Judy and D'Amico, 1997).

commitment for long-term employment and it intends to signify a “lack of attachment” between employer and employee. BLS economists add a further refinement to the definition, variability in hours. A contingent job is one in which the minimum hours can vary in a non-systemic way (Polivka and Nardone, 1989). Contingent employment is, therefore, the broadest definition of nonstandard employment and of jobs that involve a low degree of job stability and variable hours.

Conversely, and logically, core workers are those that have a strong affiliation to their employer and are viewed as having a significant stake in the organization; they are integral members of the corporate family (Belous, 1995:864). In traditional human resource management terms, the core workers represent the human capital of the firm in which it chooses to invest in order to achieve greater efficiencies and profitability. All firms use core and contingent workers to some extent.

A problem with the use of the term contingent employment is that it includes a very *diverse* group of workers. Those who define contingent work broadly include: part-time and temporary workers; workers covered by employee leasing arrangements; the self-employed; contracting out and home-based workers; and, all those who do not have a long-term relationship with a single firm. Some argue that it is misleading to lump all of these workers together in the same category (Cohany, et al., 1998). They note that many part-time jobs and self-employed workers, such as those in business services, do not lack permanence. Part-time work can be very stable and many of the self-employed, e.g., lawyers and accountants, have profitable businesses in which there is no attachment to a single employer. Further, these arrangements do not represent a new phenomenon in the work force.

The BLS has developed a narrower definition of contingent work that counts workers in *four alternative work arrangements*: 1) independent contractors; 2) on-call workers; 3) temporary help agency workers; and, 4) contract company employees, e.g., security company workers/guards. Their definition focuses on the temporary nature of the work.

If the term contingent is too inclusive and possibly misleading, why retain it? As will be more evident in the discussion of the benefits

and drawbacks of some contingent arrangements, *interest in the characteristics of this broad category of workers centers on social policy questions and the social benefits of which are attached to employment*. In the United States the majority of social support benefits are attached in some way to employment: health insurance; pension and retirement benefits; unemployment compensation; and, family benefits. Most individuals with health insurance coverage receive that benefit through their employer. The same is true for pension plans. The category is, therefore, useful in analyzing the well-being of the work force and working families.

### Temporary versus Permanent Employment

The term temporary also denotes *on-demand* employment, but does not include the self-employed, contracted out, or employees of business services firms. The most inclusive definition of temporary work includes both *direct-hire* temporaries and *market-mediated* temporaries. Market-mediated temporary workers are those who work for temporary help or staffing agencies. Of interest is the evidence that suggests that firms are increasing their use of market-mediated temporaries instead of hiring part-time workers directly. This arrangement can reduce the firm’s direct labor and fringe benefits costs, as well as the human resource management costs of hiring, training, and lay off.

### Part-time versus Full-time Employment

Part-time workers are defined as those that work less than 35 hours per week. The issues that concern part-time work relate first to worker motivations. Is part-time work voluntary or involuntary? Is it a choice that fits with family responsibilities or student schedules, or is it due to the inability to find a full-time job? Part-time workers are considered to have more flexibility in working hours and leisure time. Social benefits concerns are again critical. *Research indicates that median hourly wages are lower for part-time versus full-time workers in the same occupations*. In addition, there are generally fewer fringe benefits, even after controlling for education, age, etc. In addition, there are often fewer job rewards and fewer opportunities for advancement (Kallenberg, 1995).

## The Personnel Supply Services Industry

Some research focuses specifically on the personnel supply services industry in evaluating trends in on-demand employment. The personnel supply services industry is the sector that many people think of when temporary work and temporary staffing agencies are discussed. It is useful to describe this industry and its role in supplying workers to meet the fluctuating work load needs of employers in the United States and El Paso.

### THE PERSONNEL SUPPLY SERVICES INDUSTRY IN THE UNITED STATES AND EL PASO

As the industry is defined by the U.S. Department of Labor, the personnel supply services industry consists of two distinct segments: 1) employment agencies that place permanent employees; and, 2) *temporary and staffing services* that supply workers to client or host organizations on a contract basis. Help supply firms provide temporary workers to firms to supplement their workforce in special circumstances: seasonal increases in workload, vacations, and skill shortages. The permanent placement segment of the industry used to be known for placing highly skilled workers and the temporary staffing segment for placing clerical and low-skill workers. This is no longer the case; however, the majority of temporary workers are still in low-skill occupations.

Personnel supply services industry numbers (SIC 736) include both the people who work in the supply firms and those who work in the temporary jobs. Of the 3.2 million workers in the personnel supply services industry in 1998, over 2.9 million of them were temporary workers. The workers in this industry are younger than those in other industries: almost 50 percent are under 35 years of age compared to 39 percent for all workers (BLS 2000:210).

The costs of entry into the personnel supply services industry are low. Consequently, there is intense competition among agencies to recruit both client firms and qualified workers. Most employment agencies, 75.3 percent of agencies and 11.3 percent of employment, have fewer than 10 employees whose jobs consist of interviewing and screening job applicants and matching them to the needs of client firms. A smaller percent of firms (6.6%), but a larger

portion of employment (40.7%), is in agencies with 50 to 249 employees (BLS, 2000:209). The Bureau of Labor Statistics projected that the personnel supply services industry would grow 53 percent between 1996 and 2006, making it one of the fastest growing industries in the economy (Melchionno, 1999:25).

### Temporary Employment Firms

Temporary staffing firms recruit, screen, place, and pay temporary workers in client companies on a contract basis. The temporary workers are under the client company's direct supervision, but receive a paycheck from the temporary supply firm; and, the temporary staffing agency is the employer of record. The temporary staffing agency bills the client company for the worker's wages and benefits, plus a fee for the worker placement service. In 1996, the temporary workers received an average of 72 percent of the billable rate for all types of work. From the remainder, the firm pays Social Security and other benefits, such as unemployment insurance and workers' compensation. Health insurance, paid vacation, and pension benefits are normally not included.

*Recruitment of workers.* Temporary staffing firms advertise in newspapers, on the internet, in trade journals, and offer "finders fees" to other temporary workers to bring in new applicants. The firms then screen applicants, conduct background checks, test applicants to evaluate skills and personality traits, and conduct pre-employment interviews. Some also provide in-house training or send successful applicants for training that they know is in demand by current client firms.

### The Nature of Temporary Employment: Occupations

*Administrative and clerical support is the dominant category of workers supplied by temporary staffing firms in the United States, followed by operators, fabricators and laborers* (see Table 1). Most temporary jobs only require a high school education and median wages are relatively low (BLS, 2000:209). For some jobs, related work experience is required and training requirements mirror those for equivalent occupations in the economy as a whole. Many temporary employment firms offer training in such marketable skills as word processing. Temporary workers, however, no longer perform

only low-skilled clerical and administrative tasks. Higher-skilled workers in many professions make themselves available for temporary work. At present the demand for temporary workers in managerial, technical, and professional occupations is greatest in the financial services, health care, telecommunications, and information technology industries. BLS research indicates that professional occupations now make up over 11 percent of the personnel supply services industry nationwide (Melchionno, 1999:24).

Professional workers seeking temporary employment may be recent college graduates, retirees, and entrepreneurs, experienced workers who want to find new employment and keep up their skills in the interim, or workers who relocate to a new geographic area and want to get to know companies in their field. There are also workers who prefer temporary employment.

*Most new jobs in the temporary employment market are also expected to be in the largest occupational groups of administrative support and operators, fabricators, and laborers.* BLS projections for the decade 1996 to 2006 (see Table 2) show an increase from 655,126 to 1,162,252 workers in the occupational group of operators, fabricators, and laborers: an increase of 77 percent. The second largest numerical increase, from 1.06 to 1.44 million workers, will be in administrative support occupations, including clerical, an increase of 36 percent. *The most rapid increases, however, will be among temporary workers in the computer systems analysts, engineers and scientist, and marketing and sales occupations.* These two occupational groups are expected to grow by 123 percent and 78 percent, respectively. Nevertheless, the numbers of workers in each category are much smaller than for the administrative support and operators, fabricators, and laborers groups of temporary workers.

### **The El Paso Temporary Staffing Industry**

The temporary staffing industry in El Paso generally mirrors that at the national level in the increase in competitive pressures and the kinds of workers placed in local firms. Interviews were held in November 2001 with a small, purposive sample of temporary staffing agency owners and managers in order to better understand the local market for temporary workers. Five persons were interviewed from local, independently-

owned, staffing businesses. Four of the five persons interviewed have been in the staffing business between 12 to 15 years. During this period they have experienced major changes in the local staffing business.

The staffing agency representatives interviewed agree that there has been tremendous growth in the staffing business in El Paso in the past 15 years. They estimate that there were 10 to 15 companies in the local market in 1990 and to date there are over 50 companies. Large firms currently dominate the national market and Adecco (the largest in the United States), Kelly, and Manpower all serve the El Paso market with local offices. The national firms dominate the market because of their ability to cut prices. Consequently, they have increased the pressure to reduce the pricing of services. In some cases national companies price at a loss, especially with large manufacturers in light industry, and engage in price wars. In the earlier years of the decade, the "markup" on top of wages paid to the temporary help supply firm might be as high as 65 percent. The average markup is now about 35 percent, and from this sum the required benefits (FICA, unemployment, etc.) and business costs are paid. The persons interviewed believe that competition is now so stiff that companies are hurting or "cannibalizing" each other by under pricing their services. There are cases where costs cannot be met and service to both workers and customers suffers. As a result, they are concerned that the industry may be developing a bad reputation.

As previously mentioned, in the United States as a whole, agency temps are more likely to work in *administrative and clerical jobs* and in *operator, fabricator, and laborer jobs*. Based on the interviews with owners and managers of El Paso agencies, it is apparent that these two categories also dominate in the El Paso market. El Paso staffing agencies fill positions in a ratio of approximately 40:60 light industry to clerical. Filling temporary professional positions is only 1 to 5 percent of their business. Most local agencies do not work in specialty or niche markets, such as filling medical and nursing positions; however, there is one national firm in the El Paso market that supplies accounting personnel. Light industry temporary workers in the El Paso region are placed in firms that do manufacturing assembly, plastic injection molding, logistics, and warehousing (fork-lift needs and much of the work is seasonal.

**Table 1**  
**Employment of Wage and Salary Workers in Personnel Supply Services (SIC 736),**  
**By Occupation, 1998, and Projected Change, 1998-2008**  
 (Employment in Thousands)

Occupation	1998 Employment		1998-2008 Percent Change
	Number	Percent	
<b>All Occupations</b>	<b>3,230</b>	<b>100.0</b>	<b>43.1</b>
Administrative support, including clerical	1,178	36.5	22.1
Operators, fabricators and laborers	987	30.6	61.2
Precision production, craft, and repair	229	7.1	52.0
Service (e.g., home health aides, janitors, food preparation occupations)	229	7.1	44.1
Professional specialty (e.g., nurses, computer engineers)	158	4.9	60.5
Executive, managerial, and administrative (includes employment interviewers)	155	4.8	36.5
Technicians and related support	150	4.6	48.3
Marketing and sales	116	3.6	60.6
All other occupations	28	0.9	50.6

Source: Bureau of Labor Statistics, 2000. Career Guide to Industries, p. 211.

**Table 2**  
**Projected Growth of Personnel Supply Services Industry Employment,**  
**By Occupation, 1996, Projected 2006, and Percent Change, 1996-2006.**

Occupation	1996	2006 Projected	Percent change 1996-2006 (projected)
Computer systems analysts, engineers & scientists	13,255	29,578	123
Marketing & sales occupations	96,657	172,285	78
Operators, fabricators & laborers	655,126	1,162,252	77
Precision production, craft & repair occupations	131,581	222,923	69
Engineers	28,089	47,052	68
Agriculture, forestry, fishing & related occupations	11,447	19,155	67
Managerial & administrative occupations	57,193	94,669	66
Service occupations	250,271	378,998	51
Technicians & related support occupations	146,083	216,686	48
Management support occupations	96,303	130,933	36
Administrative support occupations	1,061,336	1,443,041	36
All other professional workers	12,272	20,534	67

Source: Rick Melchionno, Spring 1999. "The changing temporary work force: Managerial, professional and technical workers in the personnel supply services industry," *Occupational Outlook Quarterly*, Vol. 43, No.1: p. 28.

Clerical temps replace workers who are on vacation or family leave, or they are hired to work on a project basis. For some El Paso agencies, as much as 60 percent of their business is in filling *temp-to-hire positions*. In this arrangement, a firm will contract for temporary workers; and, if an employee works out well, he or she will automatically become a permanent employee after three months. Several of the agency managers interviewed maintain that temp-to-hire is more likely for clerical positions.

*The staffing business experiences the same cycles of expansion and contraction as the economy in general.* In 2001 local companies experienced a down turn in business of as much as 40 percent for some agencies. In the prior three years there was a steady growth in business.

#### **TRENDS IN NON-STANDARD OR CONTINGENT EMPLOYMENT**

Is contingent and temporary employment growing in the United States? Research on this subject comes from a number of different sources: panel studies, special supplements to the Census Bureau's monthly Current Population Survey (CPS), and smaller studies on the use of contingent workers by corporations. Most research shows growth in contingent employment from the decade of the 1980s through the mid 1990s, with a decline at the end of the 1990s.

Employing the most inclusive definition of *contingent workers*, estimates from the late 1980s and early 1990s calculated the contingent labor force at 23 to 30 percent of all workers. The National Planning Association estimated the size of the contingent work force (temporary, part-time, business service, and self-employed workers) in 1980, 1988, and 1993 (Belous 1995) using a methodology that calculated a conservative lower boundary and a liberal upper boundary on the size of the contingent work force. By their conservative estimate, the contingent work force grew from 23.4 percent of the labor force in 1980 to 25.2 percent in 1993. The "liberal upper boundary" estimates also showed a growth in the labor force.

Again, the BLS has developed a more narrow definition of workers in *alternative arrangements*. It includes in its definition: 1) independent contractors and independent consultants or freelance workers, whether they are self-employed or wage and salary workers; 2) on-call workers, workers called to work only as needed, whether for several days or weeks in row; 3) temporary help agency workers; and, 4) contract company workers, workers employed by a company that provides them or their services to others under contract and who are usually assigned to only one customer. By this definition, the BLS thus estimates that contingent workers accounted for 9.8 percent of total employment in 1995, 9.9 percent in 1997 and 9.3 percent in 1999. *In other words, contingent workers constitute less than one-tenth of the labor force. Their numbers have held steady in the mid 1990s and have even declined slightly toward the end of the decade.*

It is acknowledged that employment in the *temporary staffing industry* has expanded very rapidly in the past 20 years. And some labor research provides evidence that companies are shifting away from direct-hire temps to relying on temporary staffing agencies. Nevertheless, the BLS estimates that total employment in the temporary staffing industry held steady at 1 percent of total employment in 1995 and 1997 and dropped to 0.9 percent in 1999 or 1.9 million workers (DiNatale, 2001:28-33).

Whether contingent employment contributes to increased job instability is harder to address. Looking at the overall stability of jobs, the Hudson Institute study points out that the median job tenure for male workers was 4.0 years in 1996, virtually unchanged from what it was in 1983. For women, median job tenure rose from 3.1 to 3.5 years in this period. However, when the data is examined at a finer level of detail, for example, by *ten-year age brackets*, there is evidence of growing frequency of job shifts. Job tenure drops for men of all ages. Those aged 55 to 64 saw their job tenure drop by nearly one-third from 15.3 years to 10.5 years between 1983 and 1996." Looking at education levels, job tenure for men without a high school diploma dropped by nearly

one-third between 1983 and 1991, while job tenure for men with four or more years of college increased by 9 percent (Judy and D'Amico, 1997:55). The study further notes that the American economy has been in the process of transformation from a goods producing to a service economy for some time and service sector jobs traditionally have shorter job tenure than jobs in manufacturing, mining, and transportation. The trends in job tenure described apply to the entire labor force and not just contingent workers.

*The percent of the labor force in the help supply services industry is higher in the State of Texas and in El Paso than in the rest of the nation.* The Texas Workforce Commission reports that average covered employment per quarter in the help supply services industry (SIC 7363) grew between 1990 and 2000 from 1.5 to 2.4 percent of total covered employment for the state and from 1.7 to 2.6 percent in El Paso (see Chart 1). The average number of workers employed in this industry in El Paso has grown fairly steadily from 3,458 workers in 1990 to 6,427 in 2000. Wages in the industry have grown from 1.06 to 1.38 percent of total wages in this same period (see Table 3 and Chart 2)

## A PROFILE OF TEMPORARY WORKERS

What are the characteristics of temporary workers in the United States and what kinds of work do they do? Data from the 1999 supplement to the Current Population Survey (CPS) confirm that temporary workers tend to be younger, minority (of black or Hispanic origin), and female when compared to all workers in the labor force (DiNatale, 2001). The demographic profile of temporary workers also changed little from the two earlier surveys conducted by the Census Bureau.

- More than one-quarter of temporary workers were under age 25; and, more than half were under age 34 (total of 56 percent between age 16 and 34).
- In the 1999 survey, 74.3 percent of temporary workers were white, 21.2

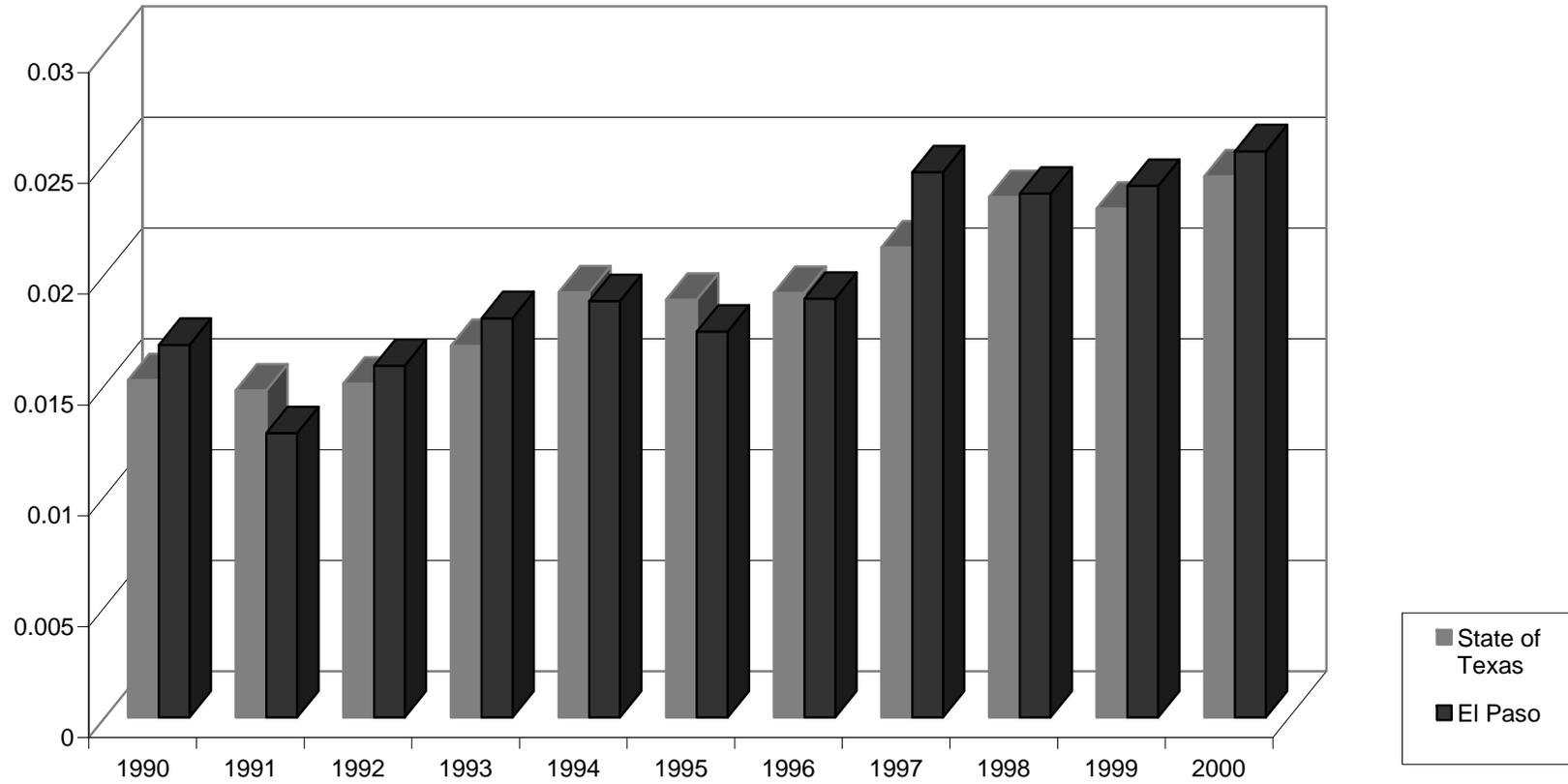
percent black, and 13.6 percent of Hispanic origin.

- Nearly three-fifths of temporary workers in 1999 were female (57.8% female; 42.2% male). This is the highest proportion of females among all four of the *contingent* arrangements in the BLS definition. Of the four BLS contingent employment arrangements, temporary workers were more likely to have children. Two-thirds of female temporary workers had children in 1999 compared to one-half of women in traditional work arrangements. Independent contractors and contract company workers are largely male and highly educated.

The 1999 survey found that temporary workers are less educated than traditional workers. Over 14 percent of those age 25 to 64 had less than a high school diploma compared to 9.2 percent for traditional workers; 30.5 percent were high school graduates, with no college; 33.7 percent had completed some college, but held no degree; and, 21.2 percent were college graduates. The percentage of 25 to 64 year old temporary workers without a high school diploma declined from 14.2 percent in 1995 to 11.2 percent in 1997 and increased to 14.6 percent in the 1999 survey. There is no data on the educational attainment of El Paso temporary workers. The anecdotal information from the local interviews suggests that the typical applicant for temporary work in light industry holds a high school diploma or GED, but some applicants have not attained either. Typical applicants for clerical work have completed high school or technical college, but have little work experience. They need to gain credible work experience and temporary employment can help them to secure this experience.

As far as the occupations of temporary workers are concerned, the 1999 CPS indicated that 42.1 percent worked in service occupations, 28.4 percent in manufacturing, and 9.5 percent worked in finance, insurance, and real estate. From the interviews it is evident that a

**Chart 1**  
**Employment in Help Supply Services Industry as Percent of Total Employment,**  
**State of Texas and El Paso - 1990-2000**



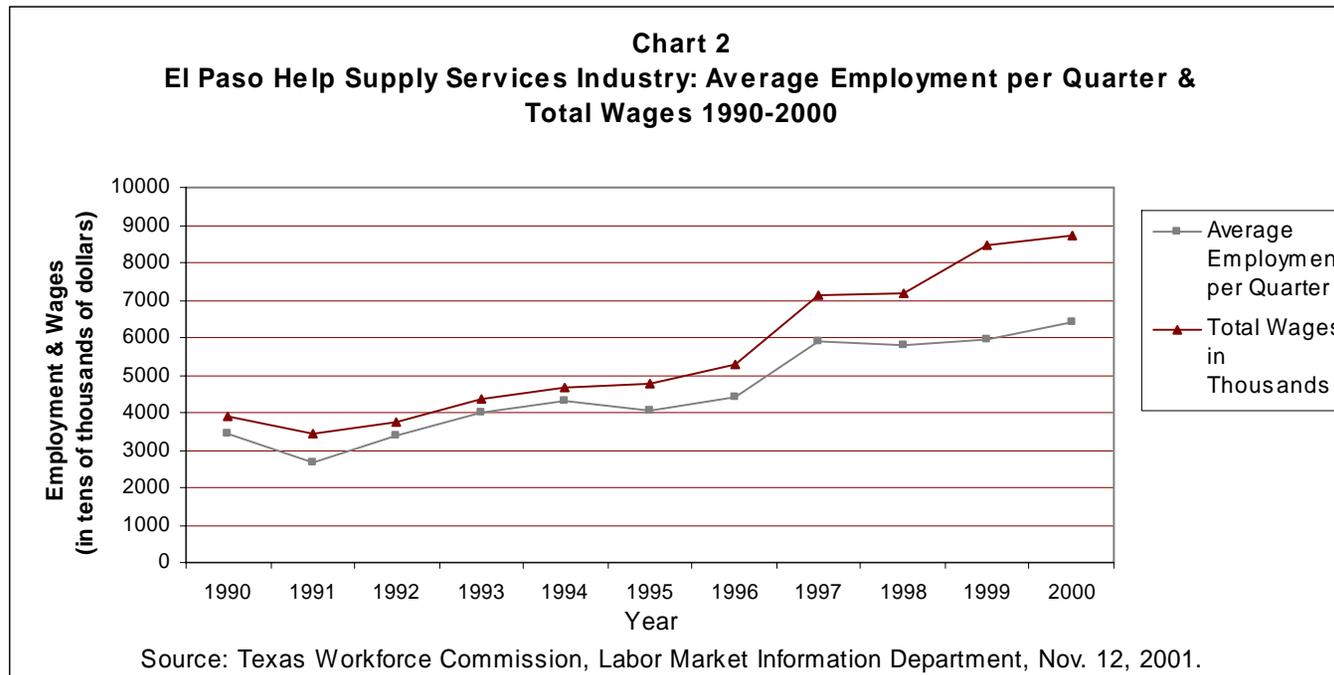
Source: Texas Workforce Commission Labor Market Information Department, Nov. 12, 2001.

**Table 3**

**EI Paso Covered Employment and Wages 1990-2000  
Total and Help Supply Services Industry (SIC 7363)**

Year	Average Number of Firms per Quarter			Average Employment per Quarter			Total Wages		
	Total	SIC 7363	Percent of Total	Total	SIC 7363	Percent of Total	Total	SIC 7363	Percent of Total
1990	9,194	33	0.4%	205,623	3,458	1.7%	\$3,665,866,785	\$39,021,164	1.06%
1991	9,475	35	0.4%	206,991	2,656	1.3%	\$3,855,100,147	\$34,371,940	0.89%
1992	9,654	39	0.4%	214,508	3,404	1.6%	\$4,200,299,928	\$37,261,295	0.89%
1993	9,904	39	0.4%	222,005	4,000	1.8%	\$4,410,089,358	\$43,432,262	0.98%
1994	10,087	36	0.4%	228,583	4,297	1.9%	\$4,624,142,524	\$46,815,086	1.01%
1995	10,299	35	0.3%	231,374	4,031	1.7%	\$4,853,932,076	\$47,584,260	0.98%
1996	10,389	39	0.4%	232,447	4,392	1.9%	\$5,075,126,055	\$52,990,632	1.04%
1997	10,756	36	0.3%	239,161	5,885	2.5%	\$5,442,523,894	\$71,211,127	1.31%
1998	10,953	36	0.3%	244,442	5,780	2.4%	\$5,791,247,633	\$71,572,669	1.24%
1999	10,967	42	0.4%	247,233	5,931	2.4%	\$6,003,207,540	\$84,635,565	1.41%
2000	10,987	43	0.4%	251,529	6,427	2.6%	\$6,306,010,350	\$87,071,641	1.38%

Source: Texas Workforce Commission, Labor Market Information Department, Nov. 12, 2001; Covered Employment and Wages by Industry and County.



significantly larger portion of temporary workers in the El Paso area, 40 percent or more, are employed in manufacturing. Median weekly earnings of temporary workers (all workers 16 and older) nationwide in 1999 were \$342 compared to \$540 for workers with traditional arrangements. Median weekly earnings were \$367 for men and \$331 women compared to \$613 and \$474, respectively, for male and female workers with traditional arrangements (DiNatale, 2001). In El Paso, light industry temporary work pays from \$5.15 to \$6.50 per hour, depending on the skills needed. For a 40-hour work week, this amounts to weekly gross earnings of \$206 to \$260. For fork-lift operators, the average wage is \$6 to \$6.50 per hour and \$7 to \$9 per hour with two to three years of experience. Starting salaries for clerical workers have increased in the past few years to the range of \$6 to \$6.25 per hour. Some highly-skilled clerical workers are paid \$10 per hour and more.

#### **THE BENEFITS AND DRAWBACKS OF TEMPORARY WORK**

What are the benefits and drawbacks, the positive and negative aspects, of contingent and temporary work, both from the perspective of the firms and the workers? The benefits from the perspective of firms begin with their economic needs. The use of temporary workers offers firms greater flexibility to manage labor costs and adjust to periods of heavy workload or staff shortages. It allows them to provide coverage for absent core workers, such as those on family or medical leave, without the costs of hiring permanent workers. Research also indicates that firms protect permanent workers from potential layoffs during low business periods by using temporaries. Independent contractors allow firms to access highly skilled workers for special tasks. Some firms contract out important functions, such as engineering design and computer programming.

Flexibility and reduced labor costs are viewed as the greatest benefit to firms in the use of contingent workers of all types (Christensen, 1998; Nollen and Axel, 1998). They provide companies with a "just-in-time" work force that is available when needed

and when the workload is heaviest. The company also avoids or reduces the costs of recruiting, overtime, and layoffs. Typically temporary workers, although not contract workers, are paid lower wages with few or no benefits. The staffing agency, as the employer of record, handles the administrative tasks of social security, unemployment, and other required tax payments. Thus, the company is free of the paperwork required for legal and regulatory compliance.

There are drawbacks from the use of contingent workers. The study by Nollen and Axel (1998), management professors at Georgetown University, points out that in many companies the use of contingent workers develops as the result of a series of ad-hoc arrangements by various units in the firm and not due to a strategic plan on the effective use of core and contingent workers. Some firms do not have a clear idea of exactly how many such workers are utilized and in what capacities. For others, a friction develops between the two groups of workers over differences in wages, benefits, expectations, and workload. For still other companies, a two-tier workforce is incompatible with its organizational culture. For example, they report that Hewlett Packard abandoned the "core-ring" approach as violating their people philosophy and culture of shared values and inclusiveness.

The use of contingent workers does present a challenge to some companies in human resource management. The traditional human resource framework sees workers as human capital in which to invest, not as a cost to be restrained or cut. Are contingent workers then managed by purchasing or personnel/human resource departments?

A pivotal question for companies in evaluating the cost effectiveness of temporary and other contingent works concerns the amount of training required. Where training costs are low, the use of contingent workers can lower wage and benefit costs. However, if extensive training is critical for worker productivity and workplace safety, contingent workers may not be cost-effective. A lot depends on whether company managers have good

productivity measures. Nollen and Axel point out that managers should not be surprised if contingent workers do not perform as well as regular employees (1998:135). In general, the skill and education levels of contingent workers are a little less. They have less training and experience; and, they may also be less motivated. Contingent workers know that they have less security in their jobs and that their pay is less; and, they may, therefore, be less involved in the workplace. If teamwork matters in the work process, then the use of core and contingent workers in the same units may not be effective.

From the perspective of workers, the benefits depend on whether the choice of contingent or temporary employment is voluntary or involuntary. If the individual needs the flexibility to accommodate family demands or a class schedule, contingent employment may be a good choice. Temporary work can provide a short-term source of income that aids in the transition from one employment to another. It also is a way to explore new careers, get a foot in the door in a new field, and a way to acquire new skills.

The question of *voluntariness* is a key one for workers in assessing whether contingent or temporary work is a positive choice. *National research indicates that a majority of temporary workers (equal percentages of men and women) would prefer a permanent job but could not find one.* The 1999 BLS study found that 60.7 percent of temporary staffing agency workers age 16 and older, with three or fewer years of tenure, would prefer a traditional permanent job. Of this number almost two-thirds reported that they were doing temporary work because they could not find permanent work.

*A second drawback of temporary work is the lower wages.* For lower-skilled workers in particular, wages of temporary workers are lower than for permanent employees. *An equally important problem for workers is the lack of benefits in many occupations, especially health insurance, paid leave, and pension benefits.* Many temporary staffing agencies offer health insurance coverage, but at the full cost of the employee and very few can afford to enroll in these programs.

Nollen and Axel (1998:143), citing BLS studies, report that *an estimated 1 percent of agency temporaries actually receive health insurance benefits.* The El Paso agency managers that were interviewed are very aware of this problem and are of the opinion that regulatory changes are needed to require some type of pro-rated contribution to health insurance plans.

In particular, the lack of health and pension coverage for temporary workers raises serious public policy questions. Many temporary workers depend on social safety-net programs financed by tax dollars. Other drawbacks for temporary workers are the lack of job security or advancement with a firm and lower job satisfaction. Temporary workers often do not see the long-term results of their work.

## CONCLUSIONS AND POLICY CONSIDERATIONS

It is evident that the questions of whether jobs are becoming less stable and the size of the contingent labor force are complex. The broadest definition of *contingent* employment, work that involves a low degree of stability and variable hours, is not very useful because it includes many part-time and self-employed workers whose jobs do not lack permanence, although there is no attachment to a single firm. Narrower definitions of contingent work that focuses on the temporary nature of the work, such as that developed by the BLS, appear to be more useful in analyzing employment trends. The BLS definition includes: independent contractors; on-call workers; temporary help agency workers; and, contract company employees.

Temporary staffing agency workers, formally part of the *personnel supply services industry*, constitute the segment of contingent workers that is most commonly thought of when alternative work arrangements are discussed. This is the industry that recruits, screens, and places temporary workers in client companies on a contract basis. Nationally and in El Paso, administrative and clerical support and operator-laborer occupations dominate in this industry. In general, these jobs require only a high school education and median

wages are relatively low. The largest number of new jobs in the temporary employment market in the next decade is expected to be in these same occupational categories. The personnel supply services industry in El Paso has grown rapidly in the last decade, as it has throughout the country. The competition in the local market is stiff, with many national companies represented in the area. The national companies now dominate the market because of their ability to cut the price of services. Some in the local industry question whether both workers and customers are suffering as a result.

Overall, most research indicates that contingent employment grew in the United States from the early 1980s to the mid 1990s, and thereafter, declined slightly. Depending on the definition, from 23 to 30 percent of all workers are in the contingent labor force. By the more narrow BLS definition, the portion of the labor force in contingent work has declined from 9.9 percent in 1997 to 9.3 percent in 1999. The BLS further estimates that employment in the temporary staffing industry held steady at 1 percent of employment in the period 1995-1997 and is now about 0.9 percent of employment. On the question of job stability, a Hudson Institute study finds that job tenure for men without a high school diploma dropped by nearly one-third from 1983 to 1991. Job tenure for men with four or more years of college increased by 9 percent in the same period.

BLS data from the 1999 Current Population Survey confirms, as do earlier surveys, that temporary workers are younger, minority (of black or Hispanic origin), and female in larger portions than the general labor force. They are also less educated. Most notably, almost three-fifths of temporary workers in the survey were female and two-thirds had children. Most temporary work is very low paying. Nationwide, median weekly earnings were \$342 compared to \$540 for workers in traditional arrangements.

From the perspective of firms, the benefit of contingent workers is in the flexibility to adjust to periods of heavy workload and the ability to manage labor costs. Recruitment, overtime, and layoff costs are also reduced

and temporary workers are paid lower wages with few or no benefits. Nevertheless, the use of temporary workers is not always cost effective for companies and may run counter to the corporate culture. From the perspective of workers, whether the choice of contingent or temporary work is voluntary is the key. Among temporary workers, over 60 percent aged 16 and over would prefer a traditional permanent job. Lower wages and the lack of benefits are the other main drawbacks. Health and pension coverage are commonly not provided, or, if offered, they are at the sole expense of the employee.

The significance of contingent work for social policy relates to the fact that in the United States, most social support benefits are attached to employment: health insurance, pension, unemployment, and family benefits. Most temporary workers and many in other categories of contingent work do not have access to these benefits. Low-wage earners, in particular, must therefore make use of public social safety-net programs. As John Morse stated over 30 years ago in his study of what were then called *peripheral* workers, "if these workers provide the economy with an important part of the flexibility which it must have to be efficient and dynamic, we have to try to insure that an undue share of the cost of this flexibility does not fall on the workers themselves, many of whom are least able to bear the cost" (Morse 1969:40).

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