TEMPORARY WORK

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EXECUTIVE SUMMARY

by

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Research Findings:

In 1988, employment at a single point in time in the temporary help services industry (THS) was estimated to be one million workers, less than one percent of all jobs in the economy. Over the course of the year, however, as many as six million workers had been employed in the industry according to a National Association of Temporary Services estimate. THS employment in 1988 (one million workers) represents a three-fold increase from a decade earlier, when total employment was estimated at 320,000 persons. THS employment grew nearly 10 times faster than total employment during the decade (21.1 percent versus 2.3 percent per year); in addition, temporary employment is becoming less cyclical. During the last recession, THS employment did not fall as much as in earlier recessions. The Bureau of Labor Statistics projects continued growth in THS employment through 1999, averaging five percent annually.

THS workers account for approximately one-third of all temporary workers. If direct-hire temporaries and contract labor are added, approximately three million workers may be categorized as temporary workers at a given point in time.

THS workers are primarily employed by large employers in larger metropolitan areas. Ninety percent of employers in Standard Metropolitan Statistical Areas (SMSA) with a population of more than one million use temporaries. Utilities, transportation, and communications firms report the highest incidence of temporary help usage, while
banking and finance, government, and non-profit organizations report the largest increase in usage.

By occupation, THS workers tend to be employed in clerical jobs (45 percent). Manufacturing, and technical and professional specialty occupations provide 20 and 15 percent, respectively, of employment in the industry. By sex, women predominate in administrative support (including clerical) occupations, accounting for about 62 percent of the workers in that occupational category.

With respect to age, marital status, and age of youngest child, women THS employees differ little from all women workers and are equally likely to engage in temporary employment at all stages of their life cycle. Male temporary workers, by contrast, are younger and tend to be single compared to non-temporary male workers. Married men and fathers are less likely to be temporary employees.

The growth in temporary employment appears to be more demand-led than supply-led. The flexibility temporary employment allows appears to be driven more by employers' "core and ring" staffing strategies (a core of permanent staff supplemented by a transient complement, or "ring," of temporary workers) and associated cost advantages—reduced hiring and separation costs and lower fringe benefit costs—than by workers' demand for the flexibility temporary work affords vis-a-vis family responsibilities. The vast majority of temporary workers report working full days and full work weeks and one-half of those who work less than full-time report themselves as involuntary part-time workers.

On most measures, temporary work is clearly less desirable than regular work, primarily because wage and fringe benefit levels are lower. Women and minorities are overrepresented in temporary work, constituting nearly twice their proportion of the workforce as a whole. These more economically vulnerable workers are probably there more by necessity than by choice. Whether temporary jobs are replacing regular job growth is unclear.
Policy Recommendations:

- A "core and ring" strategy is likely to be detrimental to long-run productivity growth. While some use of temporary help may be beneficial, employers should explore alternative ways to meet their need for flexibility, e.g., investing more in permanent employees.

- Require both temporary help services firms and organizations that use temporaries to report the number, nature, and duration of their assignments in order to gain a better understanding of the dynamics of the labor market for these workers. Improve data collection on temporary workers in the monthly Current Population Survey. Improved data collection efforts should extend to direct-hire temporaries, on-call pools, and contract workers, as well as THS workers.

- Prevent exploitation of temporary workers by improving unemployment insurance coverage for irregular workers and by requiring client employers to provide their regular employee pay and benefits to temporary workers.

- Include temporary workers in collective bargaining units of client employers.
TEMPORARY WORK

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The term temporary work refers to a class of employment relationships in which employer and employee share an ex-ante understanding that the job is of limited duration. The precise form that the temporary employment takes includes on-call arrangements between particular employers and employees, limited duration direct hires, and the utilization of the temporary help services industry. In addition, various forms of contract arrangements may also be considered temporary in nature. Firms sometimes contract for specific jobs to be transferred from their premises to a job shop (another employer), thus decreasing the size of their requisite permanent staff. Sometimes, as in food service and cleaning, the jobs remain on the premises but the employees are transferred to another employer’s payroll and supervision. In employee leasing, leasing firms contract to provide a specified number and type of worker to the client employer for a specified time period, handling all hiring, firing, payroll, and personnel issues for the client. Some contractors are self-employed individuals, such as professional consultants or building trades craftworkers, offering their services for the duration of a specific job. Government sources of data on temporary employment are limited to the temporary help services industry and include Current Employment Statistics, the Current Population Survey, and County Business Patterns. Estimates of other forms of temporary work are obtained from private survey data. (See the Appendix for a brief description of these data sources.)
Increased attention to the phenomenon of temporary work is warranted in light of current debates over the need for flexibility in the labor market. Corporate restructuring is occurring at all levels in response to increased competition, both domestically as a result of deregulation, and internationally. It is important to evaluate the relative costs and benefits of flexibility to the worker and the firm and to investigate whether current or potential abuses warrant policy intervention.

Following a description of the trends in temporary work, this paper considers the costs and benefits associated with the increased flexibility and outlines policy interventions that should be considered. Areas where data are inadequate are also identified, and in an Appendix, recommendations are offered to remedy the gaps.

THE SIZE, GROWTH, AND DISTRIBUTION OF TEMPORARY EMPLOYMENT

The Temporary Help Services Industry

Due to its standard four-digit industry classification (SIC7362), the temporary help services (THS) industry is the category of temporary work about which we know the most. The industry, a subcategory of business services, is comprised of firms which provide businesses with workers for temporary assignments. The workers are on the payroll of the THS firm. According to the industry trade association, the relationship between the THS firm and the worker is that of employer-employee, while that between the THS firm and its customer (the client firm) is one of supplier-purchaser.

The temporary help services industry, measured by both revenue and employment, has been growing at a rate surpassing that of employment as a whole and of service employment taken by itself. This growth is occurring in the context of economic uncertainty and continued growth of female labor supply. Industry observers
cite uncertainty on the part of employers in the wake of the disruptions of the early 1980s making them less willing and less able to make longer term hiring commitments (Carey and Hazelbaker, 1986; Abraham, 1988). Temporary employment often provides a needed flexibility. On the supply side, the industry is often thought to draw women who desire flexibility in scheduling due to the competing demands of wage work and family-work (Howe, 1986). The industry trade association emphasizes variety, choice and control in its attempt to attract workers to the temporary help services industry (Sacco, no date).

The employment of the THS industry constitutes less than one percent of the total labor force. Employment estimates in 1985 range from 455,000 (Current Population Survey) to 708,000 (Current Employment Statistics) to 939,000 (National Association of Temporary Services or NATS). By 1988, according to Current Employment Statistics (CES), there were approximately one million workers in the temporary help services industry. All these estimates are static; that is, they measure the number of workers at a given point in time. NATS estimates that over the course of the year 6 million workers were employed by the industry.¹

Despite its small absolute size, industry growth rates suggest that temporary work is an important phenomenon. Between 1978 and 1985 average annual employment in the THS industry grew 104 percent, from 340,000 in 1978 to 695,000 in 1985--three times that of service employment and eight times that of all employment (Carey and Hazelbaker, 1986). Between 1982 and 1984 it was one of the fastest growing of all industries (at the four digit level). While it accounted for less than 1 percent of all jobs in the economy, the THS industry accounted for 3 percent of all job growth between 1982 and 1985.

As Figure 1, which presents CES data, shows, employment has generally grown steadily, with growth taking off in the early 1980s. Between 1978 and 1988
employment in the THS industry more than tripled, from 333,000 to 1,015,800, while total employment grew by 23 percent, from 86.7 million to 106.3 million.

Perhaps a better measure of the intensity of demand for THS employees is provided by data on the dollar value of payrolls. In the THS industry, the quantity of employment increases if, instead of one worker being dispatched to four different job sites in a one month period, four distinct workers are assigned to those same customers the following month. Employment data would register growth while the demand for temporary workers actually remained constant. Measured in 1982 dollars, payroll grew at a rate of 754 percent in the 1970s and 236 percent in the 1980s. This compares with 456 percent and 164 percent for the same time periods for all service occupations, indicating that using this more accurate measure also shows above average growth for the THS industry (calculated by Lapidus, 1989, from County Business Patterns, various years).

Bureau of Labor Statistics projections estimate continued growth averaging 5.0 percent a year between 1984 and 1999, faster than the 4.2 percent growth rate projected for business services and much faster than the 1.3 percent growth projected for the economy as a whole (Carey and Hazelbaker, 1986). The Bureau of National Affairs (1988) reports periodically on the hiring expectations of some 223 surveyed organizations over a two year time horizon. Most organizations surveyed (two-thirds) expect no change in their use of agency-provided temporaries; 11 percent anticipate increased use and 22 percent expect decreased use.

Other Forms of Temporary Help

Data reported by 9to5, National Association of Working Women, suggest that the magnitude of direct-hire temporary work is as large or larger than the number hired via the temporary help industry. For example, Cigna Insurance of Philadelphia hires 60
percent of its temporary work force directly, Control Data Corporation runs its own temporary services agency, and Travelers Company plans to fill 70 percent of its temporary help needs directly with in-house retirees (9to5, National Association of Working Women, 1986). Contract labor, in which a firm subcontracts a portion of its workload to another firm, may also be considered a form of temporary work. It is difficult to measure; the category may include many 'self-employed' consultants. If actual employment in all types of temporary work is three times greater than THS employment alone, approximately three million workers might be categorized as temporary workers. By way of comparison, general medical and surgical hospitals, another industry at the four-digit level (SIC8062) also employs 3 million workers annually. The telephone communications industry (SIC4881) employed 905,000 workers in 1987 and motor vehicles and equipment employed 865,000.

While little is known definitively about the growth of these other types of temporary work, the Bureau of National Affairs periodic survey of employers' hiring expectations provides some data. With respect to direct-hire temporaries, about 70 percent of those employers surveyed expect to employ about the same number over a two-year period, while 16 percent project more use and 10 percent predict decreased use of direct-hire temporaries. Over 80 percent of the firms who use contractors expect no change, while the remainder are split equally between those who anticipate greater use and those who anticipate less. Clearly with such limited data, it is impossible to know whether temporary work as a whole is growing more or less rapidly than THS.

Distribution by Region, Firm Size, City Size, and Industry

The data above are national averages. However, the use of forms of temporary workers varies considerably by region and by size of SMSA. Ninety percent of all
employers in SMSA's with a population of more than one million use temporaries, as compared with 47 percent of employers in rural areas (Bureau of National Affairs, 1986). In an analysis of the 40 largest SMSA's, Mayall and Nelson (1982) found that THS employment grew even faster than in the U.S. as a whole. They also found high growth to be concentrated in the new cities of the so-called sun belt. THS usage, as measured by THS employment as a percent of total private wage and salary employment, was highest in San Jose, Houston, Anaheim, Milwaukee, Miami, Tampa, New York and Los Angeles (Mayall and Nelson, 1982). All but Milwaukee and New York are, if not sun belt states, at least Southern and Western; all are also large--not small--cities.

In its 1986 survey, the Bureau of National Affairs (BNA) surveyed 442 personnel executives and found that 77 percent used THS firms, 64 percent limited duration direct-hires, 63 percent leasing or contracting out, and 36 percent maintained their own pool of on-call workers (Bureau of National Affairs, 1986). Variations across industries and by size of firm were reported, with limited duration direct-hires used by more non-manufacturing firms than manufacturing firms and on-call pools used by more health care firms than other types of firms. Larger facilities were more likely to use THS firms (84 percent of firms with more than 1000 employees, compared with 64 percent of those with fewer than 100). In a Dun and Bradstreet (1987) survey, 53.6 percent of firms with between 500 and 999 workers planned to use temporary clerical help in 1987, compared with 39.6 percent in 1986.

The American Management Society Contract Labor Survey of 1988 found that, of the 289 companies reporting their usage of THS workers, 36 percent said they use such help every week and an additional 12 percent every week on average. A higher proportion of companies in the utilities/transportation/communication industries (relative to other industries) reported using THS workers. More firms and
organizations (about 50 percent) in banking/finance and in the education/government/nonprofit sector reported increasing their THS usage during 1987; this compares to a 40 percent increase in other industrial sectors (Long, 1988).

Federal and local governments are increasing their reliance on temporary help. In January of 1985, federal civil service regulations issued by the federal Office of Personnel Management were relaxed to permit federal agencies to employ direct-hire temporary workers for up to four years. By the end of January 1986, 300,000 workers in the executive branch were listed as temporary workers, more than 10 percent of all executive branch workers. In 1979 the California state legislature passed enabling legislation that permitted counties to use THS services (Mayall and Nelson, 1982). By 1986, the Service Employees International Union represented 5000 temporary workers employed by the County of Los Angeles (9tc5, 1986).

**Occupational Distribution of THS Employment**

Four general occupational categories of THS employment can be identified: clerical, industrial, medical, and technical and professional. According to data from the Current Population Survey, 45 percent of THS workers are employed in clerical occupations, 20 percent in manufacturing and 15 percent in technical and professional specialties. Clerical help has been the mainstay of the THS industry since its inception. In a 1974 survey, Gannon reported the following estimates: 65-70 percent in the clerical sector, 25-30 percent in the industrial sector, and 2-5 percent in technical and professional placements. In a 1985 mail survey of 1,200 firms in six industries, Mangum et al. (1985) report 62 percent of the respondents utilizing a THS service do so for clerical workers, 43 percent reported using production workers, 46 percent professional workers, and 41 percent reported using service workers. The National Association of Temporary Services reports that employment by segment in 1985
was as follows: clerical 60 percent, industrial 9 percent, medical 11.5 percent, and technical and professional 19.5 percent. Revenue per segment based on billings was 45 percent clerical, 7.4 percent industrial, 8.8 percent medical, and 34.8 percent technical and professional.

Gannon (1984) reports that the medical temporary help area is the fastest growing. This could be due to a number of factors, including the shortage of registered nurses, pressures for cost containment in health care due to the implementation of diagnostic related group insurance reimbursement, and the growth of the for profit sector in health care. This represents a change. In a report based on research undertaken in 1981, Kehrer and Szapiro (1983) found temporary nursing services to be a relatively minor factor in the supply of registered nurse services. They found no evidence to suggest that its importance would increase in the near future.

The growth in the professional sector is thought by Audrey Freedman of the Conference Board to be the result of corporate restructuring. The displaced workers of the early 1980s include managers and salaried employees who were affected by divestitures, buy-outs, spin-offs, and mergers (Freedman, 1986). Whether these are the same workers who are the employees of the new legal, accounting, and management temporary firms is unclear from the available data. However, the impact of growing reliance on professional temporaries may be problematic in the long run. U.S. management practices are already under fire for the relatively short time horizons used in corporate decision making. Short term management and professional staffing problems are likely to exacerbate the problem.

Differences in occupational distribution by sex are instructive. Female temporary workers tend to be concentrated in relatively skilled occupations and have higher levels of education than do their counterparts in the nontemporary labor force. In contrast,
male THS workers have lower levels of education than do men in the non-temporary labor force (Lapidus, 1988). Table 1 reports the occupational distribution of THS employees and compares it with the distribution of the permanent workforce. Administrative support occupations, a category that at the two-digit level includes clerical work, is the single largest occupational category. Sixty-two percent of all female temporary employees are in that category, as compared with thirty percent of the female labor force as a whole. Reasons for this disproportion, which is statistically significant, are discussed below.

THE DEMAND FOR TEMPORARY EMPLOYEES

Towards a Permanent Temporary Workforce?

“Post recession economics have taught us that, in order to maximize efficiency, the cost of permanent personnel no longer can be viewed as a fixed expenditure. Instead, managers now recognize that it is wiser to maintain a lean permanent staff and build temporary help use into their budgets” (Raymond Marcy, senior vice president at ADIA Personnel Services, quoted in *Modern Office Technology*, May 1988). Abraham (1988) finds that the use of flexible staffing arrangements constitutes an important component of many U.S. employers’ short term adjustment strategies. While the THS industry has long been utilized for seasonal fluctuations and to cover vacations and illness leaves taken by permanent staff, personnel managers are now reporting building their use into staffing plans *ex ante*.

The cyclical performance of the THS industry has changed. Smith (1971) and Abraham (1988) note that the industry seems to lead the business cycle. That is, at a cyclical trough increases in demand may be either short term blips or represent a cyclical upturn. “Temporary workers, then, are hired to do the work which permanent
workers would be hired to do if the customers knew of shifts in their demand schedules.* Cyclical performance in the 1980s, however, differs from that of the 1970s. During the recessions of the 1970s employment in the industry declined by 18 percent (1971) and 26 percent (1975). In 1980, despite the greater severity of the recession, employment in the THS industry declined by only 5 percent (Lapidus, 1989). At both business cycle troughs and peaks, then, THS industry employment shows secular growth—at each trough or peak employment is larger than at the previous trough or peak—and, as Figure 2 illustrates, the rate of change is moderating, at least in the trough. Temporary work, since 1978, appears to be a less cyclical phenomenon than previously.

Since temporary work is continuing to grow at rates greater than that of economic expansion, and since it is experiencing secular as well as cyclical growth, and appears even to be reducing its rate of change over the cycle, it is important to consider whether temporary work is displacing what would otherwise be permanent jobs. Labor unions are concerned that permanent jobs are being lost to a variety of temporary arrangements, resulting in declines in union power and membership (Nelson-Horchler, 1987). According to Richard Leonard of the Oil, Chemical, and Atomic Workers Union (OCAW), in the petroleum refining and chemical processing industries the use of contract labor has expanded beyond emergencies and plant turnarounds to "... the wholesale replacement of their regular permanent workforces with labor supplied by outside agencies" (Leonard, 1988). Contract language that has traditionally protected union workers from replacement by temporary laborers has been the source of numerous strikes called by the OCAW. Some observers expect the use of contract labor to increase in the white collar field as well, including among non-unionized professionals. Walter W. Macauley, president of Adia Personnel Services, predicts that temporary hiring of professionals—some for relatively long-term assignments of six-
months to two years—will grow. Richard A. Jacobs, senior vice president at A.T.
Kearney Inc., based on a survey of 375 large U.S. companies, estimates that on average
these firms are expanding temporary help, including contract labor, at about 17 percent
per year, and are reducing regular employment in all occupational areas by about 1.5
percent per year (Macauley and Jacobs in Nelson-Horchler, 1987).

Ring and Core Staffing Strategies

Trends in the THS industry are consistent with a more general movement away
from long term employment relationships. This in turn parallels other forms of
corporate restructuring. Business Week (1986) depicts the firm of the future as a
"hollow corporation," a coordinating rather than a producing entity. The firm as
network contracts for more and more services, reversing an older pattern of reliance
on vertical integration. This new pattern is said to maximize firms' flexibility and
responsiveness to changing market conditions. The business press is replete with talk
of downsizing and spinoffs: employee leasing, contracting out and temporary help are
elements of this overall corporate strategy. Relying on external (to the firm) markets
for labor rather than on what have come to be called internal labor markets represents
a departure from post-war corporate staffing patterns.

The THS industry may be facilitating the further development of a two-tiered
labor market. Some labor economists have long posited the existence of a dual or
segmented labor market in which the economy is depicted as composed of a core and a
periphery. Labor relations in the core sector—capital intensive industries with high
wages, oligopolistic market structures, high levels of unionization, and higher than
average profit rates—have tended to be based on long-term attachments between
workers and firms. The development of internal labor markets offering the possibility
of career ladders, on-the-job training, formalized grievance procedures and some
measure of job security, were both enabled by and in turn encouraged such long-term attachments (Doeringer and Piore, 1971). These conditions never extended to the entire labor force, however. The industries in the core are surrounded by a periphery characterized by competition, low barriers to entry, and lower than average rates of profit. Labor in the periphery constitutes a secondary labor market in which workers experience high degrees of turnover and few if any opportunities for advancement.

The potential implications of the segmented labor market model for understanding the trend toward temporary work become apparent when the size distribution of firms with the largest proportions using THS workers is recalled. Based on the survey data available, it is apparently within the core sector of the economy that reliance on temporary help is growing the most. The THS industry, while allowing firms to convert a greater portion of their labor costs from fixed to variable costs, also facilitates the development of more casual systems of labor relations in the sectors of the labor market that once provided the greatest degree of job security (Mangum et al., 1985).

In an article in *Harvard Business Review*, Bolt (1983) argues that from a management perspective the benefits of guaranteeing employment security outweigh the short term costs. He contends that layoffs are a short sighted response to an economic downturn: employees who feel secure in their jobs are more productive. "No amount of technological innovation, worker education and training, work force restructuring, or job redesign can realize its full productivity-improvement potential without the cooperation of trusting employees, men and women who know that change in the workplace does not threaten their livelihood." Yet further in the same article, in outlining the ingredients of a human resources strategy for job security, Bolt advocates using 'manpower buffers.' He cites Japanese success in relying on part-time workers, retirees, and subcontractors to keep the permanent work force at a stable
level, and quotes an IBM executive who cites the buffer strategy as an important tool for ensuring full-time work to regular employees. Obviously, job security is not to be extended to the 'manpower' buffers, who are often women.

Mangum, Mayall and Nelson (1985) are among those who argue that the temporary help industry enables employers to offer various forms of employment guarantees to some workers at the expense of others. Core firms are under increasing competitive pressures from international competition and deregulation that are pushing them toward "reorganizing on a ring and core basis, holding to a minimum the number of workers who can expect to have a future with the company and for whom the company is willing to provide health and life insurance and retirement benefits" (Applebaum, 1986a). A full understanding of the development of a "ring and core" staffing strategy, and confirmation as to whether it is actually occurring, awaits the availability of more reliable data on staffing patterns by industry and firm, including the number of temporary workers and the type and lengths of their assignments.

The Quality of Jobs

Debate over the impact of the temporary help industry on the quality of jobs being created occurs within the context of disagreements among labor economists over the quality of jobs being produced by the "great American job machine" (Bluestone and Harrison, 1986). The new jobs, many argue, are low-skilled and low paid and do not provide the wages, benefits, and job security that workers need to support themselves and families. Kosters and Ross of the American Enterprise Institute argue that to the extent low earnings are more prevalent in the 1980s, they are the result of low working hours, not low wages. They assume that the vast majority of individuals who work less than full-time/full year do so voluntarily. Given these assumptions, they conclude these workers would be worse off if only full-time, full-year work were
available (Kosters and Ross, 1987); the validity of this argument is further examined below. Evidence provided by Kosters and Ross also suggests that focusing on wage comparisons may miss an important cost saving aspect of temporary work because compensation for regular jobs includes substantially more fringe benefits.

While the pressure for cost reduction is a motive for increasing reliance on temporary help, technological change appears to be facilitating it. According to Harrison and Bluestone (1988) many of the skills needed in the burgeoning service economy are taught in school rather than on the job, enabling firms to rely less on the need to promote from within. In an earlier work, Bluestone, Hanna, Kuhn, and Moore (1981) argue that the technology of mass marketing (advertising) has enabled firms in the retail industry to replace skilled full-time sales people who built careers in retailing work with part-time, part year workers who are younger and develop no attachment to any employer. It should be noted that although technological factors contribute to the possibility of a contingent workforce response, they do not necessitate it. According to Applebaum (1986a), the impact of new microprocessor-based technologies depends critically on strategic decisions by firms with respect to how they implement them. They can be implemented so as to reduce or enhance the skills required of workers who use them (Hartmann, Kraut, and Tilly, 1986).

**Uncertainty and Contingent Jobs**

Political factors may also be enabling employers to restructure work in a manner that provides less job security. The system of labor relations that developed in the primary sector did so in part as a response to the demands of organized labor. The unionized sector of the labor force has shrunk dramatically in the 1980s. The unionization rate in 1960 was 31.4 percent; in 1970, 27.3 percent; in 1980, 23 percent;
and in 1986, 17.5 percent. Rather than being in a position to bargain for job
security, many unions in the 1980s have had to negotiate about concessions.

While increased economic uncertainty is often cited as a major reason for THS
industry growth as firms are reluctant to make any commitments to workers
(particularly in light of changes in the employment-at-will doctrine), the contention has
not been tested. We do not know that economic uncertainty is increasing. It is
possible that what we are witnessing is the redistribution of uncertainty from
employers (who formerly carried their labor force through economic downturns) to
workers. The long period without a recession, since 1982, and a tendency toward a
reduced cyclical component of THS employment suggest that uncertainty may have
been decreasing and THS may be becoming a more permanent part of the firm's labor
force, especially for large firms. Uncertainty is a constant feature of a market
economy; who is going to bear the cost of adjustment to change, however, is often a
matter of political strength. As Berger and Piore (1980) state: "The distribution, or
rather redistribution, of that uncertainty is the underlying issue in the labor market
institutions which emerge in response to waves of worker unrest and which appear as
the proximate cause of duality in the labor markets of advanced economies." Lower
unionization rates imply that workers have less of a lever with which to shift the cost
of uncertainty to management.

In our view, increasing reliance on an employment buffer and labelling it a policy
of employment stability is a non-solution. As Gary Burtless, a senior fellow at the
Brookings Institution, states: "To create greater security for the core, we are creating
much less security for the periphery" (Uchitelle, 1988).
Long-Term Impacts of Temporary Work

Ironically, while the movement away from long term attachment between workers and firms is being undertaken in the name of competitiveness, it may in fact be having the opposite effect. Productivity may fall as workers are "less willing to go beyond their immediate tasks and concern themselves with a company's overall operation" (Uchitelle, 1988). Applebaum (1986b) also notes a tradeoff between building the skilled and responsible workforce needed to maximize the productivity increases from computer technology and minimizing short run costs. Reducing short term labor costs at the expense of investing in human capital may be costing the nation a great deal in terms of forgone GNP.

Applebaum further argues that this reorganization has particular implications for women workers. Internal job ladders have recently provided opportunities for advancement for clerical workers in some industries, as clerical workers gained skills and some were promoted to supervisory positions. The external market in clerical help provided by the THS industry potentially decreases opportunities on internal job ladders by increasing the supply of relatively skilled workers available from outside the firm. Firms rely on external sources such as community colleges and business schools to provide training, rather than providing training in-house to workers. Additionally, the entry level positions, often the most routine jobs in the firm, are themselves amenable to being filled by temporary help. Thus, a structured internal labor market in clerical jobs disappears and positions are filled by temporary workers. Applebaum's argument is supported at least in part by the greater and increased use of temporary workers by the largest firms.

There may also be unintended (and undesirable) equal employment opportunity effects of a core and periphery strategy, particularly when it is recognized that THS employment is more minority- and female-dominated than the labor force as a whole.
In a study undertaken for a National Planning Association research project on contingent workers, out of 50 case studies of American companies, only one corporation studied had "even bothered to look" at the equal employment opportunity implications of contingent worker strategies (Belous, 1988).

Three additional aspects of firm demand for temporary help require further investigation. First is the possibility that there are perverse incentives to use temporary help to lower unemployment insurance premium rates. Second is the possibility that firms are using temporary help to bypass legal rulings as the doctrine of employment-at-will is eroded by the courts. A new doctrine, while still legally evolving, would establish basic minimum job rights (if workers are in regular jobs) and would almost certainly not apply to temporary workers. Third, the use of temporary workers may both generate health and safety problems and allow firms to overstate their safety records. For example, the OCAW cites an advertisement placed by BASF chemicals in Geismar, Louisiana, claiming "4 million work hours at Geismar without an injury, serious enough, to require the loss of time from work." The union claims that the plant is run and, to a large extent, supervised by non-BASF temporary workers who are not counted in these statistics. The union also contends that in the chemical industry, inexperienced and untrained workers are processing large volumes of toxic substances at a danger to themselves and their communities. Further light could be shed on this issue if reporting on health and safety incidents involving temporary workers were required.

LABOR SUPPLY CONSIDERATIONS

Employment in the THS industry affords workers a unique degree of flexibility. While the choice is not without constraint, THS employees can elect to work particular
days, hours, or times of the year. This degree of control over one's hours of work is often thought to appeal to women with family responsibilities, explaining why two thirds of the industry's employees are female. To the extent that the growth in temporary employment reflects changes in worker preferences, it may be improving the pareto efficiency of the labor market. Following a description of the demographic characteristics of THS employees and their statistical counterparts in the non-temporary work force, we evaluate the evidence on whether the growth of temporary help is a supply led phenomenon.

**Demographic Characteristics of THS Workers**

Table 2 presents data from the May 1985 Current Population Survey (CPS), in which respondents were asked whether their salary is paid by a temporary employment services firm. While the size of the sample is small, it represents the only national sample of THS employees. Nearly two-thirds (64 percent) of the THS industry's employees are women, as compared to 36 percent of the control group (representing the labor force as a whole; see Figure 3). The mean age of female temporary employees is 34, compared with 37 for their non-temporary counterparts. In addition, while 44 percent of female temps are "married, not separated" as compared with 49 percent of the control group, the difference in proportion is not statistically significant. This is in contrast to the difference in marital status between male temporary and non-temporary workers; 30 percent of the former as compared with 73 percent of the latter are "married, not separated." This difference is significant at the .005 percent level (see Table 2). Also, male THS workers are much younger (32 versus 39) than other male workers. For women, both the age difference and the statistical significance of the age difference between temporary and non temporary workers is smaller.
Coupled with marital status differences between male THS workers and others (non-THS workers), the age difference suggests that for men, THS employment is undertaken when they are young and single. Because female THS employers differ little from all female workers on average, women appear to be equally likely to engage in THS employment at all stages of their life cycles. Temporary employment thus appears to be a different life cycle phenomenon for men and women (Lapidus, 1989).

**Choice Versus ‘Nothing Left to Choose’**

Whether the gender composition of the THS industry reflects worker preferences, or whether it is the result of the creation of an increasing number of low-wage/low opportunity jobs and the subsequent rationing of those jobs to women through discrimination in the labor market is difficult to test directly. On the one hand, women, especially married women, may seek temporary work in order to be able to arrange flexible work schedules. On the other hand, overrepresentation of those who have traditionally occupied a subordinate position in the labor market may indicate that employment in the THS industry falls to those with the least market power, those who are often viewed as less desirable as full-time permanent workers (women, minorities, mothers of young children, etc.) by employers. Since temporary workers might be denied access to ‘a living wage’ and to opportunities for mobility and training, public intervention into this market may be indicated.

According to Wayne Howe (1986) of the Bureau of Labor Statistics, the gender and age profile of the industry is not surprising because women and young persons are more likely than others to experience transitory conditions, e.g. entering or leaving the labor force gradually. Howe states that the concentration of women in the THS industry (2/3 as compared with 2/5 of all wage and salary jobs) "clearly reflects the
benefits offered to many women by the temporary help supply service industry, particularly the combination of flexible work schedules and the opportunity to acquire needed experience and job market exposure. ... Women with family responsibilities are particularly attracted to temporary employment because it provides the flexible work schedules that allow them to reconcile work outside the home with family commitments* (1986).

If Howe's formulation (and the widespread view that women choose temporary jobs for flexibility) is correct, female THS employees should be more likely to be married and/or mothers than are female permanent employees. In addition, the availability of temporary employment should draw women into the labor force who would otherwise not be.

Using data from the May 1985 CPS, Lapidus (1988) tests the hypothesis that women with family responsibilities chose temporary employment based on those responsibilities. In a logit analysis based on maximum likelihood estimation techniques, the family characteristics of women workers failed to predict whether the worker would be employed by a temporary help services firm. Female THS employees were found to be indistinguishable from other women workers along the dimensions of marital status, presence of other earners, and age of youngest child. Additionally, female THS employees differ along the dimension of their marital status, age of children, and level of education from a sample of women out of the labor force. Thus female THS workers are more like other female workers than they are like female nonworkers. The hypothesis that the existence of the industry increases female labor supply is not supported. Comparable tests were conducted for the male labor force. For male employees, such family characteristics as marital status and presence of children did affect the likelihood of their being employed in the THS industry: married men and fathers were less likely to be THS employees.
Other data support the argument that the desire for part-time employment, at least in the form of part-day and/or part-week schedules, does not appear to be fueling the growth in temporary help. Seventy-one percent of all female THS workers in the CPS sample reported that they either worked full time or were working part-time involuntarily. In addition, two thirds of all temporary workers reported that they usually worked eight or more hours per day and four-fifths reported working a regular day shift (Lapidus, 1988). Due to the cross sectional point-in-time nature of the data, it is not possible to determine the extent to which the possibility of part-year work is contributing to the supply of temporary workers.

Another possible explanation for why women are overrepresented in the THS industry is that the industry has a large number of administrative support jobs (a category which includes clerical workers) and women occupy a disproportionate number of these jobs. It is likely that ceteris paribus jobs without firm-specific human capital requirements are more likely to be filled by temporary workers, or more generally, by workers without long term attachments to the firm. Is there something intrinsic to clerical work, particularly in terms of firm-specific versus more general human capital requirements, that can explain its overrepresentation in THS employment? If so, then perhaps the gender composition of THS employment merely reflects underlying patterns of occupational segregation and therefore does not require policy interventions specific to the industry.

This proposition is difficult to test. There does not, however, appear to be a prima facie case for the contention that clerical work has a lower firm-specific to general human capital ratio than does, for example, welding. Advocates of pay equity have pointed to bias in skill classification based on the gender of the worker, thus making skill assessment particularly difficult in the case of a predominantly female occupation (Treiman and Hartmann, 1981). In addition, the time trends in the growth
of THS employment in Figure 1 do not match the trends in the growth of clerical
work. The THS industry experienced its most rapid growth when the growth in
clerical work was slowing (Hunt and Hunt, 1986). Another indication that the growth
rate in the THS industry is demand rather than supply driven is that THS firms report
that 90 percent of their advertising budget is spent on recruiting workers.

In our view, the racial composition of the THS industry is a further cause for
concern. The more disadvantaged members of the labor force, may not be choosing
temporary work so much as being relegated to it because the better jobs are taken by
others (white males). As Table 2 shows, one fifth of all THS employees are black,
about twice the proportion of blacks in the work force as a whole. The racial
disproportion is greater for men than for women (see Figure 4). That the industry is
made up of workers who are disproportionately young, female, and black is at least
cause for further investigation of whether those employed in the industry are there by
choice.

Pay and Benefits

Pay and benefit levels also suggest that it is the more vulnerable members of the
labor force who are being drawn to temporary employment, and that the growth of
temporary work represents employer demand rather than worker preferences.
According to Lapidus (1988), women temporary workers earned somewhat less than a
random sample of all other women workers ($5.92 versus $5.96 per hour, respectively)
while male temporary workers fared substantially worse than others ($5.39 versus $10.02
per hour). In a September 1987 Wage Survey of the Temporary Help Supply industry,
the Bureau of Labor Statistics (1988) found that the pay levels of temporary workers
were substantially below those of full-time permanent workers in other industries in
the same geographical area. In assessing the availability of benefits, the Bureau's
investigators found that about two fifths of the temporary workers were employed by
temporary help firms that provided paid holidays, three-fourths by firms that offered
paid vacations, and one-fourth in establishments that provided at least part of
the cost of medical coverage. Since all of the companies required a minimum number
of hours for benefit eligibility, however, it is not known how many workers actually
received benefits. The report does state that due to their intermittent work schedules,
temporaries often have a more difficult time than do the permanent staff of these
companies in meeting eligibility requirements related to length of service (U.S. Bureau

**Temporary Help Firms as a New Employment Agency**

Although the preponderance of women and minorities among the THS workforce
may be a cause for concern among policy makers, it does not follow that the
temporary help services industry should be blamed for providing women and minorities
the opportunity of employment, which they might not otherwise have. Indeed, it may
even be the case that the THS industry is becoming a major screening and recruitment
tool for employers. (That THS employment appears to be becoming less cyclical is
consistent with this hypothesis.) Job candidates that the employer may view as
coming from a potentially high-risk pool can be screened during a temporary
appointment and possibly offered permanent employment with the firm. Alternatively,
employees may use temporary work assignments to screen employers, learn about jobs,
make themselves and their abilities known to employers, and so on.

Unfortunately, there are no definitive data available to test these possibilities.
It is not known how many temporary workers move on to permanent jobs at their
placements or how long they remain as temporary workers before moving on to more
permanent employment. Sasso's claim that over 6 million hold temporary jobs during
the year suggests high turnover in temporary firms, which could be the result of many workers moving into permanent jobs and needing to be replaced in the THS firms. (The same high turnover, however, could also be explained by a tendency for temporary workers to move in and out of the labor force or to move between THS firms.) In a Bureau of National Affairs survey of 223 firms and agencies about alternative staffing practices (BNA, 1988), a relatively small proportion of firms reported using temporary employment as a screening or recruiting device, and one employer noted that its unauthorized use for that purpose subverted the company’s affirmative action plan.\textsuperscript{4} Then, too, if women and minorities are subject to discrimination in the larger labor market, there is no a priori reason to believe that THS firms do not incorporate bias in the placement process. Minority women may be more likely to be placed in back office clerical jobs, for example, while white women may be more likely to receive the better clerical assignments, but still be less likely than white men to receive more professional assignments.

Virtually no systematic data are available on the assignments of temporaries that would allow us to explore these issues. Unpublished results of a preliminary survey by Manpower Temporary Services of a nationally representative group (100 respondents out of 304 surveyed) of its temporary workers who had signed up for at least one training module in office automation skills (offered free of charge but on the employee’s time) show that a substantial portion of temporary workers do find permanent placements. Fifty percent of those surveyed were at permanent positions within one year of training; approximately three-fifths of those believed that their temporary experience and the Manpower-provided training helped in finding a permanent job. Sharon Canter, Director of Strategic Information, reports that ordinarily about 30 percent of their temporary workers leave to find permanent jobs.
so that participating in the skills program appears to enhance their ability to find regular employment (Canter, 1989).

While temporary help firms can reasonably claim that they may be creating employment opportunities for people who would not be employed otherwise, the conditions of that employment and its potential tendency to displace full-time job creation may nevertheless warrant the attention of policy makers. And that women and minorities are more likely to be temporary workers suggests that better enforcement of equal employment opportunity is needed in the rest of the labor market.

CONCLUSIONS FROM THE RESEARCH

On balance, what can we conclude about the nature and growth of temporary jobs? And what can we conclude about how desirable such temporary employment is? What can we guess about the future direction of this phenomenon? In arriving at our conclusions, we should first note that data are not available for many of the aspects of temporary jobs that are of most interest (for example, the length or nature of assignments) and that what data are available pertain to the employees of temporary help services firms, and not to other types of temporary workers (such as direct hire temporaries and those hired through contract arrangements). With this major caveat stated, we nevertheless proceed to offer several judgments.

First, the phenomenon of temporary work is growing nearly ten times faster than total employment (21.1 percent versus 2.3 percent per year during the past ten years). It is also changing. During the last recession, temporary work did not drop as markedly as it had in earlier recessions, suggesting that use of temporary employees may be becoming something of a permanent arrangement with many employers.
Temporary workers are being "sold" in the business press as a solution to staffing some undesirable jobs of a permanent nature (such as office mailroom jobs), and a "core and periphery" strategy is being touted as a way to provide increased job security for one's most valuable employees. The largest firms are more likely to use temporaries.

Second, at the same time, the less cyclical nature of temporary employment suggests that "flexibility" may not be its most desirable characteristic from the point of view of the employer. Lower cost (especially in terms of benefits and hiring and separation costs) or acquiring needed skills (e.g., word processing) may be equally important. But this cost-cutting use, especially, may not be desirable in the long run, even from the point of view of business itself. If such temporary staffing patterns prevent the training and investment in workers that is needed to make a better long-run adaptation to changing employment requirements, the short-cut of using temporary workers may be reducing, rather than increasing, productivity growth over the long run.

Third, the phenomenon seems to be more demand-led than supply led. The flexibility temporary employment allows appears to be more desired by employers than employees. Several factors support this conclusion. Although women are more likely to be temporary workers than men, and it has often been assumed women prefer these jobs for their flexibility, actually women who are temporary workers do not differ in their family characteristics from all other women workers. Men's share of temporary work has been growing during the same period that men's real wages have been falling, and real family incomes have stagnated, suggesting again, that workers may take these jobs by default not out of choice. Moreover, the vast majority of temporary workers report working full work days and full work weeks, and half who work less than full-time report themselves as involuntary part-time workers. Finally,
THS firms spend a much higher proportion of their advertising budgets recruiting workers than recruiting clients.

Fourth, on most objective measures, temporary work is less desirable from the point of view of the employee than regular work (except for the apparently small proportion who genuinely desire the lesser labor market commitment temporary work allows and are willing to pay for it in foregone compensation). Wages are clearly lower, especially for men, and benefit coverage is limited compared to the nontemporary full-time worker. The cost to the employer, even after paying the agency fee, is still less than would be the cost of hiring a new employee.

Fifth, the groups that are thought to have been historically disadvantaged in the United States and that are protected by civil rights laws are overrepresented in temporary jobs, again suggesting that temporary work is less desirable and represents a reasonable employment alternative only for the most economically vulnerable.

Sixth, whether temporary jobs are replacing regular jobs or substituting for regular job growth is unclear. But the more rapid growth of THS jobs and its potentially less cyclical nature, as well as the many cases cited by unions of job replacement, all point to the strong possibility that "bad" jobs may be driving "good" jobs out of circulation.

What possible futures do we see for temporary job growth? Left unregulated, we think it likely that more firms, especially large firms, will attempt to convert larger parts of their internal labor markets to casual markets staffed by temporaries, and will turn increasingly to the use of contract labor and labor leasing firms for such lower-level jobs as cleaning, guard service, and food service, primarily to contain costs. Ironically, legislation such as the ERISA requirements for pension vesting after five years and the 1986 Tax Reform Act mandating no discrimination in fringe benefits may contribute to the desire for large firms to downsize their permanent work forces.
While committed free-market economists might mutter, "I told you so," and advocate deregulation, a clear alternative, assuming the goals of those Acts remain sound, is to regulate further in order to close the loopholes.

We are concerned that the core-and-ring staffing strategy will look especially attractive to employers because of anticipated demographic patterns. Eighty percent of labor force growth between now and the year 2000 and beyond will consist of women, minorities, and immigrants. It is not difficult to imagine that the core will be reserved primarily for white males, while the ring will be staffed by everyone else. Public and private labor market policies that allow this to happen will be doing a disservice to the nation's long-term productivity growth, a growth which requires everyone to be able to participate in the labor market to their full potential.

Another entirely different labor market future presents itself: labor shortage. If economic growth continues steadily and modestly, the U.S. will be facing severe labor shortages. In that context the supply of temporary workers will likely dry up, their cost will be driven up, and they will be used by employers only to fill the real emergencies that do occur in all businesses. The problem of temporary work will solve itself. But this scenario also suggests some changes in current policy. Businesses that have come to rely on temporaries and have structured their work accordingly will not be able to operate in a new environment where securing the loyalty of one's employees will once again become paramount.

Economically speaking, the use of some temporary arrangements seems sensible; it increases the ease, and reduces the cost, of responding to changes in demand, making the economy more adaptable and flexible. But where temporary arrangements are being used as a short cut to avoid the human resource investments that would guarantee flexibility and adaptability in the long run, they are clearly detrimental. And from the worker's viewpoint, when temporary work offers employment only under
inferior conditions and destroys rather than supplements regular full-time opportunities, it clearly endangers the worker's standard of living.

POLICY ISSUES

The policy options offered in the literature address two major concerns: concerns about the conditions of temporary work itself and concerns about the elimination of full-time jobs (or lack of growth) and their replacement by temporary work. Most of the suggested remedies would make employing temporary workers more costly; they would both discourage the employment of temporary workers and improve the conditions of those who remain in temporary work.

The central situation of temporary work, however, is an unusual one, and the policy levers available to address the situation are not easily identified. In temporary work, employees who work side-by-side in a work place actually have two different employers. As suggested above, the implications of the growth of this phenomenon for employee-employer relationships, for the quality of working life, and for morale on the shop or office floor are important and may require policy intervention. It is not, however, clear--in every case--to which employer the remedy should be addressed. In addition, the phenomenon (at least if limited to THS employees), while growing rapidly, is still relatively small, and policy "overkill" may be undesirable. Nevertheless, the seriousness of the issues raised--particularly the potential for bad jobs to drive out good jobs and for the most economically vulnerable to be concentrated in temporary jobs--suggests that policy alternatives be thoroughly considered, before it is decided that nothing need be done just yet.
Reporting Requirements

One policy recommendation we believe is clearly warranted is that both temporary help services firms and organizations that use temporary help be required to report on the number, type, and duration of temporary help assignments. For client organizations it is important to know the proportion of their labor force that is temporary (including all categories of temporary work). Data on the wages, benefits, race, sex, and age of the workers would also be useful to investigate the social desirability of increased temporary employment and its potential to displace full-time jobs. Such a reporting requirement, itself, might marginally discourage hiring temporaries, but more importantly it would provide the information base necessary to evaluate the costs and benefits of temporary work and test hypotheses about corporate restructuring and core-and-ring staffing strategies. At least one private sector employer is voluntarily gathering such information on its own usage of temporaries (and for all types of temporaries) in order to monitor its equal employment opportunity situation (Belous, 1988).

More and better data on temporary work should be also gathered through the Current Population Survey. The special May 1985 supplement on temporary work should become a regular feature of the survey; questions should be asked about wages and benefits and about employment activity in the prior year.

Regulating the Quantity of Temporary Work

The quantity of temporary work could be regulated more directly (not only indirectly through raising the cost), much as home work is in some industries. The number of temporary (whether THS, direct-hire, or contract) workers could be limited to a proportion of the employer's workforce on the regular payroll.
Regulating the Quality of Temporary Work

While the quality of life and worker morale issues may not be easy to address, we believe they are critically important for such issues as long-term productivity growth. One limited remedy (because such a small proportion of the U.S. labor force is unionized) would be to require that temporary employees be included in bargaining units at their client employers and covered by collective agreements in place. This is especially an issue where contracting out is used to subvert existing labor agreements.

Improving unemployment insurance coverage for temporary (and part-time) workers needs to be explored. Little is known now about whether and how temporary workers currently qualify for unemployment insurance, but many states set annual earnings eligibility minima and many also disqualify those who limit their availability to part-time work (9005, 1986). Nor do we know how temporary workers are counted in unemployment statistics. Recent discussions with staff at the Bureau of Labor Statistics suggest, for example, that a temporary worker without full assignment for the week would most likely be classified as “employed part-time involuntarily” if interviewed on a day she or he was without work.

Other important policies that should be considered are those that would regulate the pay and benefits of temporary workers. Temporary help services firms offer fewer benefits than other firms on average. Short of banning temporary work entirely or requiring all employers to provide minimum health insurance (or instituting a national health service) and other benefits, most of the leverage for public policy would seem to be on the client employer not the temporary firm.

A client employer could be required to give temporary employees automatic access to its benefits after a certain period of time (e.g., four weeks). Currently, under the Tax Equity and Fiscal Responsibility Act (TEFRA), leased employees automatically have access to the client employer’s pension benefits (where they exist).
if they work beyond 12 months or 1500 hours (9tc5, 1986). A client employer could also be required to insure pay parity for all temporary workers, including THS workers (in which case the employer would have to insure that the THS firm pays the worker the same wage a regular employee would earn), direct hire temporaries, contract workers, and part-time workers. Current ERISA requirements mandate employers to include part-time workers who work more than 20 hours per week in pension plans, and the 1986 Tax Reform Act mandates non-discrimination in benefits among employees, including part-time employees who work more than 20 hours per week. Additional legislation of this type could provide protection for temporary workers as well as part-time workers. Of particular importance for temporary workers, because the majority of them are women, would be equal access to parental leave and child care benefits.

What Can Businesses Do?

Increased reliance on temporary workers may be an inefficient human resource policy. While appearing to meet short term needs for flexibility, using temporary help may prevent adoption of strategies that are more cost effective in the long run. In the long term, a more flexible worker is one who has job security and has training to take on a variety of tasks. In an anticipated climate of labor shortage, the source of temporary workers may also dry up, so that those businesses that have relied upon this strategy will find themselves without alternatives. Businesses should begin to think now of some other, more desirable forms of meeting their needs for extra help.

One alternative might be increased reliance on overtime for secretarial-clerical jobs. It is curious that temporary help is so overused in clerical occupations.

Patriarchal norms mandating lower pay and greater family responsibilities for women may be historically responsible for the lack of overtime offered to (or accepted by) women. Yet today many women must support themselves and dependents, and might
welcome increased overtime pay. Such a strategy might require more attention to public and private policies that can help families with dependent care.\textsuperscript{6}

In general it would be useful for employers to keep in mind that little about work arrangements is technologically determined. Much is determined by custom and tradition that may—in this period of economic transition for the United States—require careful scrutiny.

In our judgment, the phenomenon of temporary work is of enough concern to warrant policy attention. Improved data collection by federal agencies and new reporting requirements of both the temporary help services firms and the client firms are absolutely essential. Next in priority order on our list would be improved benefits, including health insurance—by requiring comparable coverage by the client employer—and improved coverage under unemployment insurance. Finally on our short list would be requiring the inclusion of temporary (and part-time) workers in bargaining units where workplaces are unionized.
Figure 1

TEMPORARY HELP INDUSTRY EMPLOYMENT
(NUMBER OF WORKERS)

- Total Employment
- Women Employed

Figure 2

PERCENT CHANGE IN THIS EMPLOY

SOURCE: County Business Patterns, various years. Calculated by Lapidus (1989)
Figure 3

Temporary Workers by Gender

- Male 36%
- Female 64%

Non-Temporary Workers by Gender

- Female 36%
- Male 64%

Source: Calculated by the authors from May 1985 CPS Microdata tapes.
Figure 4
TEMPORARY VS. NON-TEMPORARY WORKERS
By Race

SOURCE: Calculated by the authors from May 1985 CPS Microdata tapes.
<table>
<thead>
<tr>
<th>OCCUPATION</th>
<th>WOMEN</th>
<th>MEN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>THC %</td>
<td>OTHERS %</td>
</tr>
<tr>
<td>Executive, Admin., Management</td>
<td>3.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Professional Specialty</td>
<td>7.6</td>
<td>14.3</td>
</tr>
<tr>
<td>Technicians &amp; Related Support</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Sales</td>
<td>6.5</td>
<td>14.5</td>
</tr>
<tr>
<td>Admin. Support, Inc. Clerical</td>
<td>61.7</td>
<td>29.7</td>
</tr>
<tr>
<td>Private Household</td>
<td>1.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Protective Service</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Other Service</td>
<td>10.5</td>
<td>16.2</td>
</tr>
<tr>
<td>Precision Prod., Craft &amp; Repair</td>
<td>0.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Machine Oper., Assemblers, &amp; Inspectors</td>
<td>2.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Transportation &amp; Material Moving</td>
<td>0.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Handlers, Equipment Cleaners</td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>Farming, Forestry, &amp; Fishing</td>
<td>1.4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

(Sample Size) (160) (372) (84) (684)


Table 2. DEMOGRAPHIC CHARACTERISTICS OF THS EMPLOYEES AND OTHER MEMBERS OF THE LABOR FORCE

<table>
<thead>
<tr>
<th>THS EMPLOYEES</th>
<th>% MINORITY</th>
<th>AGE</th>
<th># OF CHILDREN</th>
<th>% MNS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MALE (36%)</td>
<td>29.0</td>
<td>32.0</td>
<td>1.17</td>
<td>30.0</td>
</tr>
<tr>
<td>FEMALE (64%)</td>
<td>21.0</td>
<td>34.0</td>
<td>1.59</td>
<td>44.0</td>
</tr>
<tr>
<td></td>
<td>(1.11)</td>
<td>(0.73)</td>
<td>(15.63)</td>
<td>(2.33)</td>
</tr>
</tbody>
</table>

MEN

<table>
<thead>
<tr>
<th>THS (n = 84)</th>
<th>29.0</th>
<th>32.0</th>
<th>1.17</th>
<th>30.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHERS (n = 684)</td>
<td>9.0</td>
<td>39.0</td>
<td>1.73</td>
<td>73.0</td>
</tr>
<tr>
<td></td>
<td>(6.00)</td>
<td>(3.37)</td>
<td>(28.00)</td>
<td>(8.60)</td>
</tr>
</tbody>
</table>

WOMEN

<table>
<thead>
<tr>
<th>THS (n = 160)</th>
<th>21.0</th>
<th>34.2</th>
<th>1.59</th>
<th>44.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHERS (n = 372)</td>
<td>17.0</td>
<td>37.3</td>
<td>1.52</td>
<td>49.0</td>
</tr>
<tr>
<td></td>
<td>(1.11)</td>
<td>(1.87)</td>
<td>(5.05)</td>
<td>(1.07)</td>
</tr>
</tbody>
</table>

BOTH SEXES

<table>
<thead>
<tr>
<th>THS</th>
<th>23.6</th>
<th>33.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHERS</td>
<td>12.1</td>
<td>38.4</td>
</tr>
<tr>
<td></td>
<td>(4.19)</td>
<td></td>
</tr>
</tbody>
</table>


NOTES: Numbers in parentheses are t-statistics.

MNS = Married, Not Separated

OTHERS is a random sample of men and women in the labor force.
1. The lower estimate from the Current Population Survey, which is a household survey, may be the result of its subjective nature. The structure of the questionnaire was such that the question on whether or not the respondent's salary was paid by a temporary help agency was only asked of those who responded yes to a prior question about whether their job was temporary. Thus, a person who viewed their arrangement with a THS firm as more or less permanent may not be included as a THS employee in the survey. In contrast, the monthly Current Employment Statistics are derived from the payroll records of a sample of establishments. NATS estimates are based on data reported by their membership.

2. Data for 1986 are not strictly comparable with previous years due to changes in reporting (Bureau of Labor Statistics, 1988).

3. The characteristics of non-temporary workers are calculated by Lapidus (1989) from the May 1985 Current Population Survey microdata tapes. A random sample of the labor force was drawn from that survey in order to provide a comparison sample.

4. One large western manufacturing firm reported: "Supervisors tend to misuse the temporary arrangements to screen temporary employees with the thought of permanent employees in mind. This practice subverts our affirmative action goals" (BNA, 1988).

5. These two scenarios are not mutually exclusive. Labor shortage combined with a basic core and ring staffing strategy could further exacerbate the bifurcation of the labor market.

6. Such assistance could include programs to teach men to cook dinner and take care of children.
APPENDIX

DATA SOURCES AND DATA NEEDS

DATA SOURCES

Government Data


The Current Population Survey is a monthly household survey carried out by the Bureau of the Census, and used by the Bureau of Labor Statistics (BLS) for monthly and annual employment data. It includes the civilian noninstitutional population 16 years and older and is based on data collected by personal interview of a sample of 59,500. In May of 1985 the following one-time supplemental question was asked: Is the respondent's salary paid by a temporary help supply firm? The survey design provides a national data set with extensive demographic and economic data on THS workers for a single point in time.

Current Employment Statistics, various years.

Current Employment Statistics (CES) is a program of monthly establishment surveys conducted by State employment agencies in cooperation with the BLS. It is a mail survey to a sample of 150,000 employer units. Data cited are reported in Employment and Earnings (a U.S. Department of Labor monthly), Table B2: Employees on non-agricultural payrolls by detailed industry. Data for employment levels in the temporary help industry (at the four-digit level) are available from 1982-1988. For the period 1978-83 (and other years), three-digit industry employment data are available for personnel supply services. To provide a time series of THS employment levels for
1978-1988, we applied the average proportion of THS employment to total employment in personnel supply services that obtained in the years 1982-1983 to personnel supply services employment in the years 1978-81.

**County Business Patterns:** Establishment data is collected by the Bureau of the Census in two ways. For multi-unit companies, report forms are sent to the companies and returned to the Census Bureau by mail. Full compliance is mandatory. For single unit companies, data are collected from the Internal Revenue Service. This data set provides the longest consistent time series available; it includes the number of employees and first quarter payroll for the industry (at the four-digit level) since 1968.

**Industry Wage Survey:** Temporary Help Supply, September 1987.

The Bureau of Labor Statistics sample establishments engaged primarily in supplying temporary help to other businesses (industry 7362 in Standard Industrial Classification Manual). The sample was selected from establishments employing 50 workers or more. It is a one-time survey and includes wage data by occupation in this industry for the nation as a whole and for 26 large metropolitan areas. Benefit data report the availability of benefits and eligibility requirements; they do not provide information on the numbers of workers actually receiving them.

**Private Surveys**

**Bureau of National Affairs:** Survey conducted in 1986 of personnel executives; 442 responded to questions about their current and projected use of four categories of flexible staffing methods: agency temporaries, short-term hires, contracting out, and on-call pools. The Bureau again surveyed 223 organizations in 1988.
**Dun and Bradstreet Corporation**: Survey of 5,000 firms to assess intensity of reliance on temporary and part-time workers. Data available for 1986 and 1987 by firm size and industry sector.

**American Management Society Foundation**: Surveyed 500 American Management Survey members; 289 companies reported their usage of temporaries, part-time and contract employees.

**Temporary Help Supply Service and the Temporary Labor Market**, Olympus Research Centers, prepared for Employment and Training Administration by Donald Mayall and Kristin Nelson, 1982. Survey was two-fold: in-depth interviews were conducted of employers in ten industrial sectors in two metropolitan areas; and mail and telephone survey of a national sample of 1200 randomly selected firms in six industries in 20 SMSAS.

**DATA NEEDS**

Existing data sources do not permit investigation into three important questions: what happens to temporary workers over time; what is the nature of temporary work assignments; and what is the extent of temporary employment in the form of on-call pools, short-term hires, and contracting out. The first question requires a longitudinal study of prior and subsequent work experience of temporary help supply services employees. Do workers use temporary help as an entre into permanent placement or as a source of casual employment? Do they receive useful training on the job? Is the phenomenon of career temporaries increasing? To our knowledge no longitudinal survey of workers now available identifies temporary workers as such.
The second area of inquiry, assessing the nature and magnitude of the various forms of short-term employment relations, could be addressed by the collection of establishment data. Firms could be asked, in a government survey, to report their degree of reliance and reasons for utilization of alternative staffing arrangements, the nature and length of assignments, and the disposition of the assignment. Ideally this information would enable the investigation of whether temporary jobs are displacing long-term employment relations, whether aspects of temporary jobs contribute to acquiring human capital or more permanent employment, or whether the conditions of employment are contributing to the further development of two-tier internal labor markets.
REFERENCES


