

Executive Summary

The United States is experiencing unprecedented economic prosperity. Unemployment rates are at historic lows, inflation appears to be curbed, and new millionaires are being created almost daily. However, this prosperity has not guaranteed job security for all workers. In fact, we are seeing a dramatic rise in what can be seen as “non-secure” employment, or nonstandard work arrangements that do not provide the stability and benefits of regular, full-time work.

These nonstandard arrangements, including independent contractors, on-call workers, contract company workers and part-time workers, have all been increasing at high rates. The most astounding rate of growth has been in the number of workers hired through a Temporary Help Agency (THA). This report analyzes state and county data for THA workers in California. Throughout this report, we refer to THA workers as “temporary workers” or “temps.” The work done by THA workers will be referred to as “temporary work” and employment obtained through THAs will be referred to as “temporary employment.”

Researchers at the Economic Policy Institute found that in 1997, 28.7% of the United States workforce was employed in nonstandard work arrangements. Researchers at the Bureau of Labor Statistics found that between 1995 and 1997, total employment in the U.S. grew by 2.8%, while temporary employment grew by 10%. The American Staffing Association, the trade association that represents the temporary help industry, estimates that its members placed over 3 million workers a day in 1999, increasing from 1.2 million a day in 1990, a 150% rate of growth.

The growth in temporary work raises serious issues for workers, including that of income security, health and pension benefits and career advancement. Research has shown that temporary workers earned lower wages than other workers with similar characteristics and were less likely to have medical and pension benefits. Only 7% of temporary workers in the United States had health insurance through their employer while 3.7% had pension coverage through their employer. Additionally, temporary workers typically get little, or any, on the job training, restricting the opportunity for career and wage advancement.

Temporary employment is often justified by the staffing industry on the grounds that it provides flexibility for today’s workers. However, a 1997 survey of temporary workers showed that 59% of temps would prefer to be in a “tradi-

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tional” work arrangement. It is more likely that the corporations utilizing temporary workers are the ones seeking more flexible arrangements. The use of temporary workers gives firms an essentially expendable workforce, one that does not need to be provided with medical and pension benefits. Although a recent National Labor Relations Board ruling has made it easier for temporary workers to join the unionized bargaining unit at their worksites, it is difficult for temporary workers to form new bargaining units because they do not stay at one location or with one employer for long.

To begin addressing these issues, this paper focuses on temporary employment in California and its 15 most populous counties. Of California’s 58 counties, these counties together account for 83% of the population. We examine current trends in temporary employment, as well as projections for the future direction of growth. The analysis of the demographics of temporary workers employed data from the U.S. Census Bureau for the years 1997-1999. Our analysis of individual California counties used data from the California Employment Development Department for the years 1991-1998.

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What we found to be particularly remarkable is that the shares of temporary jobs in all counties stayed fairly steady through the recession years of the early 1990s, but they increased tremendously during the booming mid and late 1990s. This runs counter to our expectations that the uncertain economic climate during the recession would have spurred the creation of temporary jobs and that the low unemployment rates of the late 1990s would have reduced the supply of workers willing to take on jobs with uncertain duration and few benefits. This is, perhaps, an indication that the share of temporary jobs is not dependent on the business cycle but is, in fact, part of an ongoing structural change in the way we work.

Findings

1. The number of temporary jobs has grown in all regions of California. In the majority of counties there has been an increase of over 100%.
 - The number of jobs in the temporary help industry in California more than doubled between 1991 and 1998, from 156,000 jobs to 334,000 jobs. During the same period, the number of jobs in all industries grew by just 10%, from 12.7 million jobs to 14 million jobs.
 - Between 1991 and 1998, 11 of the 15 counties studied doubled or more than doubled the percentage of total jobs that were temporary.
 - Riverside County more than tripled the share of temporary jobs, the largest proportional increase of all the counties in this analysis. San Francisco County experienced the smallest percentage increase, about 27%.

2. Temporary workers' hourly wages were less than that of traditional, full-time workers with similar personal and job characteristics.
 - Controlling for personal characteristics such as race, age, urban status and education, male temporary workers earned 13.5% less than their permanent, full-time counterparts, and female temporary workers earned 5.4% less than their permanent, full-time counterparts.
 - Controlling for the above characteristics, as well as job characteristics such as industry and occupation, male temporary workers still earned 8.8% less than their permanent, full-time counterparts, and female temporary workers earned 6.7% less than their permanent, full-time counterparts.
3. In California, the temporary workforce had higher proportions of women and Blacks than the regular, full-time workforce. Additionally, workers were more likely to be younger and less-educated.
 - 57.7% of temporary workers were women, compared to 41.1% of workers in the permanent, full-time workforce.
 - 12.4% of temporary workers were Black, compared to 6.6% of workers in the permanent, full-time workforce.
 - 20.4% of temporary workers were between 18 and 24 years old, compared to 10.8% of workers in the permanent, full-time workforce.
 - 38% of temporary workers had either completed a few years of College or had an Associate degree, compared to 30% of permanent, full-time workers. A slightly smaller percentage (18%) of temporary workers had their BA degree - compared to 21% of permanent, full-time workers.
 - 42.2% of female temporary workers worked in Administrative Support occupations, compared to 24.8% of women in the traditional workforce.
 - Among male temporary workers as well, Administrative Support occupations employed the largest fraction of workers (24%) compared to 7.8% among male permanent, full-time workers. A close second was Laborer occupations which employed 22.9% of male temps, compared to 5.8% of males in the regular, full-time workforce.
4. Temporary jobs in both high-skilled and low-skilled occupations in the 15 counties studied are projected to increase between 1995 and 2002.
 - Overall, the 15 largest counties in California are projected to experience a 43% growth in the number of temporary jobs between 1995 and 2002.
 - The largest percentage growth, nearly 60%, is projected to be in Production, Construction and Material Handling Occupation.
 - The second fastest growth is expected in the high-skilled Managerial and

Administrative Occupation.

- In 2002, the largest number of temporary jobs is still expected to be in Clerical and Administrative Support occupations.
- Central Valley Counties are expected to see the lowest rate of growth in temporary jobs, while the Bay Area and Inland Empire Counties are expected to experience the fastest growth.
- San Francisco County is expected to have the fastest rate of growth in temporary jobs at a rate of growth of 124.8%. Alameda County is expected to have the slowest rate of growth in temporary jobs, growing by 15.4% between 1995 and 2002.

Conclusions

As companies in today's New Economy increasingly come to rely upon the use of temporary workers, it is clear that these workers need protection to weather the uncertainties that come from temporary work. Solutions should focus on providing greater economic security to temporary and other non-standard workers, rather than completely eliminating their use. The dramatic growth of non-standard work – from temp agencies to independent contracting and sub-contracting – requires a broad rethinking of employment law at all levels of government and employment practices in American business and government. The following are some of the policy and institutional reforms that advocates across the country are pursuing to meet the challenges of the new American workplace. We list some policy and legal solutions that would level the playing field for all workers.

1. *Review impact of existing laws on non-standard workers and recommend changes in the law.*

Several states have passed or are considering passage of laws requiring studies to evaluate wages, benefits and other workplace protections available to contingent workers relative to the wages, benefits and protections for regular, full-time workers.

2. *Extend all workplace rights to non-standard workers.*

Different categories of contingent workers (i.e. temporary and leased workers, part-time, independent contractors) are treated differently under state and federal employment laws such as the Fair Labor Standards Act (FLSA), Family Medical Leave Act (FMLA), and unemployment and workers compensation laws. Extending equal workplace rights to all workers would prevent discrimination against temporary workers.

3. *Ensure equal treatment of temporary and contingent workers.*

Equal treatment policies require that temporary and contingent workers be paid the same wages, offered the same benefits and have the same workplace protections as traditional, full-time workers doing the same job at that worksite.

4. *“Right to Know” for Temp Workers.*

Right to Know policies would require temp agencies to disclose wage rates, client rates and conversion fees to temporary workers so they can choose temporary agencies that provide the greatest opportunities for wages, benefits and career advancement.

5. *Use public dollars to create secure jobs with benefits.*

Taxpayer dollars, through direct hiring of public employees, contracting for services or economic development incentives create large numbers of jobs at the local, state and national level. The jobs created with taxpayer dollars should be full-time, permanent jobs with full benefits.

6. *Establish Codes of Conduct for temporary agencies.*

Having temporary help agencies abide by a set of rules in conducting their business will ensure that common abuses do not occur. The National Alliance for Fair Employment (NAFFE), an alliance of organizations that focus attention on contingent work, lists a code of conduct for temp agencies (www.fairjobs.org).

7. *Create non-profit and worker-centered agencies.*

Union hiring halls in seasonal or ‘project-based’ industries such as construction or hotels have developed mechanisms to provide worker security, training and decent wages and benefits in inherently insecure jobs. In addition, a new generation of non-profit temporary agencies, such as Working Partnerships Staffing Services in Silicon Valley, is setting new standards for paying living wages, providing portable benefits and occupational training to expand opportunities for workers.

California Policy Recommendations

We make four policy recommendations for California policy makers specifically aimed at the rapid growth of temporary work in the state.

1. *Study the impact of and review all employment, benefit and workplace law*

California should charge the appropriate state agencies with the task of studying the changing structure of work in California and reviewing all California employment, workplace and benefit laws and regulations to deter-

mine which should be updated to address economic security and career development issues for contingent workers.

2. *Establish standards for public dollars to create permanent jobs*

We urge the State of California and public bodies across the state to establish standards for all public spending in the use of temporary and contingent workers. These standards would apply to public agencies and contractors doing business with local or state agencies and include:

- Limits on the number and tenure of temporary workers
- Wage and benefit parity for all temporary and non-standard workers
- Minimum wage and benefit standards for temporary and non-standard workers
- Protections against the displacement of permanent jobs with temporary jobs
- Codes of conduct for temporary help agencies

3. *Establish equal pay and benefits for non-standard workers*

California should require equal pay and benefits for temporary and non-standard workers doing the same work as permanent employees.

4. *Disclosure and accountability*

California should require labor intermediaries such as temporary and leasing agencies to disclose payment rates, client rates, conversion fees, training programs and tenure statistics for agency employees.

These policies represent some efforts to deal with the insecurities arising from temporary work. In addition, we support the development of similar policies that will address worker insecurity in other forms of contingent labor such as independent contractors, subcontracted work and employee leasing.

This report has demonstrated that the structure of work is changing rapidly and that it limits opportunity for many working people. An equally rapid and vigorous response will ensure that vibrant economic growth will be accompanied by greater security and prosperity for California's working families.