

Nonstandard Jobs, Substandard Benefits

A 2005 Update

September 2006

The Iowa Policy Project

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Over the past two decades, the traditional employer-employee relationship has given way to a variety of “nonstandard” work arrangements. These nonstandard jobs — sometimes referred to as “alternative” or “flexible” employment — include temporary help agency work, on-call labor, day labor, independent contracting, contract company work, self-employment, direct-hire temporary work, employee leasing, payrolling, and part-time work.

The Iowa Policy Project (IPP) examined trends in the number of nonstandard workers and their access to health insurance and retirement plans in a December 2005 report, *Nonstandard Jobs, Substandard Benefits*. Based on our analysis of the 2001 Contingent Work Supplement (CWS), we reported that 25 percent of U.S. workers were in one of these “nonstandard” jobs in 2001. The 2001 CWS and a new national survey — the IPP Survey of Fringe Benefits and Nonstandard Work — also revealed that most nonstandard workers were not eligible for health insurance from their employer. In fact, nonstandard workers were more likely to be uninsured than to be covered by their employer’s plan. As a result, families of nonstandard workers relied heavily on health insurance provided by a spouse’s job. We concluded that the low wages and insecurity of nonstandard jobs are compounded by a lack of access to job-based health insurance and retirement plans.

The U.S. Census Bureau and the Bureau of Labor Statistics have recently released data from the 2005 Contingent Work Supplement, which is the reason for this report update.

The Prevalence and Types of Nonstandard Employment

The 2005 Contingent Work Supplement (CWS) allows us to identify the following types of nonstandard jobs: Temporary help agency work, on-call labor, day labor, independent contracting, contract company work, direct-hire temporary work, and part-time work. Complete definitions of these terms are provided in the Appendix. In this report, we use the term “standard” interchangeably with “regular full-time” to refer to workers who are not paid by a staffing firm and who have full-time, permanent, wage and salaried employment.

It is important to note that although nonstandard work arrangements are usually inferior to standard jobs in terms of wages, job security, and benefits, not all nonstandard jobs are created equal. Contract company work, for example, pays better than a standard job on average, but provides fewer benefits and less job security.ⁱ On the other hand, temp agency workers, direct-hire temporaries and on-call workers earn less, receive fewer benefits and have less job security compared to standard workers, even after controlling for other factors.ⁱⁱ These differences in earnings among nonstandard workers in part reflect the types of occupations that are found

within each type of arrangement. For example, contract company workers are more likely to hold professional specialty jobs while temporary help agency workers are more likely to be in administrative and laborer occupations.

Between 1995 and 2005, the share of the U.S. workforce in a nonstandard job held steady at about 26 percent (Table 1). Furthermore, the relative share of workers in each type of nonstandard job did not change much. The largest change appeared in an increase in self-employed independent contractors and a decrease in direct hire temporary workers, although both changed by less than one percentage point. However, as we noted in *Nonstandard Jobs, Substandard Benefits*, the CWS is almost certainly undercounting nonstandard workers, especially temp agency and contract employees.

Table 1. Nonstandard Workers in the U.S. Workforce, 1995, 2001, 2005

	1995	2001	2005
Regular part time	13.6%	13.3%	13.2%
Temp agency	1.0	0.9	0.9
On-call / day laborers	1.7	1.7	2.0
Independent contractor- wage & salary	1.0	0.9	1.0
Independent contractor- self-employed	5.7	5.5	6.5
Contract company employees	0.5	0.4	0.5
Direct hire temporaries	2.8	2.2	2.1
All nonstandard workers	26%	25%	26%
Regular self-employed	5.9%	4.3%	4.4%
Standard workers	67.8%	70.7%	69.4%

Source: Author's analysis of the 1995, 2001 and 2005 Contingent Work Supplement (February Current Population Survey).

Note: Regular self-employed are considered to be neither nonstandard nor standard workers and are excluded from most analyses.

While the number of nonstandard jobs has stayed fairly consistent since 1995, there has been a noticeable increase in the share of nonstandard workers employed one year or more in the same job (Table 2). Traditionally, nonstandard workers have been used for short-term assignments. However, growing numbers of workers report longer employment tenure, a practice often referred to as “perma-temping.” In particular, the share of temp agency workers employed one year or more in their current assignment increased from 24.4 percent to 33.7 percent.

Table 2. Share of Workers Employed One Year or More in Their Current Job/ Assignment

	1995	2001	2005
Regular part time	62.0%	63.0%	65.0%
Temp agency	24.4	27.0	33.7
On-call workers	54.7	57.0	57.4
Independent contractors - wage & salary	63.9	61.0	67.1
Contract company	50.9	55.0	65.2
Direct hire temporaries	49.0	50.0	47.1
Standard workers	81.0%	79.0%	79.9%

Source: Author's analysis of the 1995, 2001 and 2005 Contingent Work Supplement (February Current Population Survey).

Notes: For temp agency workers, on-call workers, and contract company workers, length of employment is based on the time the individual has worked for the customer or firm to whom they are assigned. For direct-hire temporaries, wage & salary independent contractors, regular part-time and regular-full time (standard) workers, length of employment is based on the time the individual has worked for the current employer. Day laborers and self-employed independent contractors are excluded from this analysis.

When broken down by gender, women are disproportionately represented in nonstandard jobs (Table 3). This is partially a reflection of the needs of women, and in particular single mothers, to have workplace flexibility and shorter working days. Women are predominantly overrepresented in part-time jobs where they make up about 70 percent of the workforce. Nonstandard jobs that are more similar to self-employment, and which are far less common, are predominantly the domain of male workers.

Table 3. Share of Workers Who Are Female by Work Arrangement

	1995	2001	2005
Regular part time	69.9%	68.8%	68.5%
All temporary workers	51.8	49.7	49.9
Independent contractors - wage & salary	49.6	45.7	46.4
Independent contractor- self-employed	29.7	33.9	33.5
Contract company	29.1	31.3	30.8
All Nonstandard Workers	55.9%	56.0%	54.7%
Standard Workers	43.1%	44.5%	44.4%

Source: Author's analysis of the 1995, 2001 and 2005 Contingent Work Supplement (February Current Population Survey).

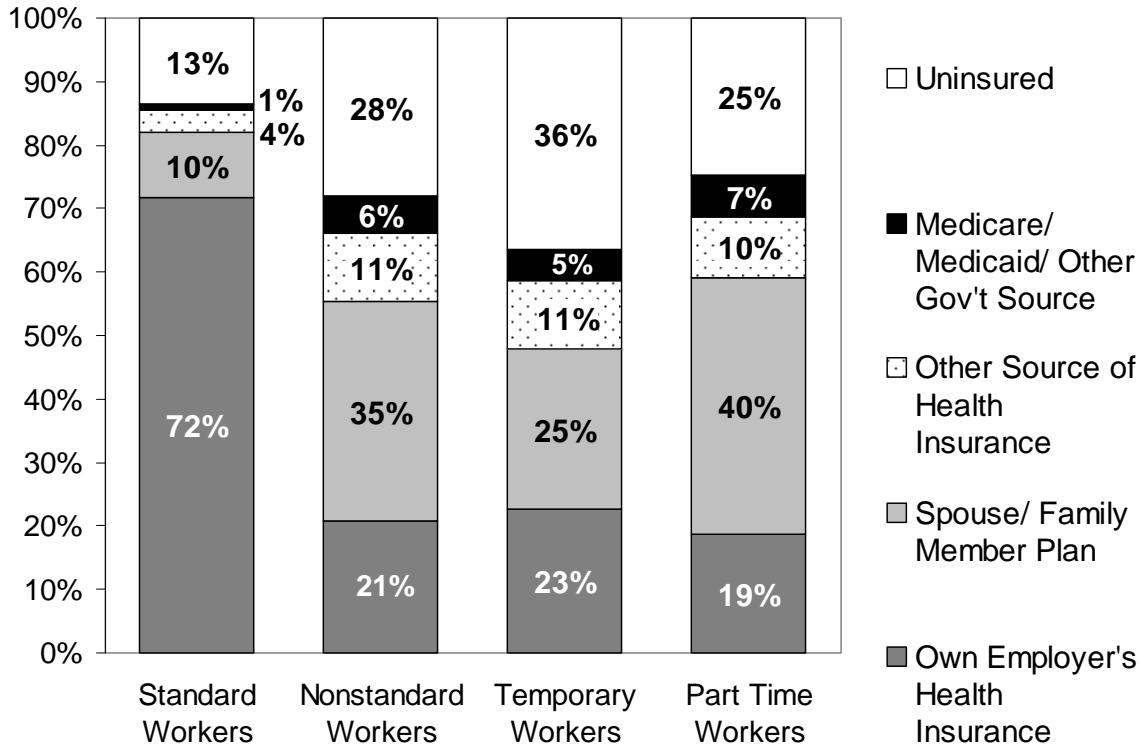
Health Insurance Coverage among Nonstandard Workers

According to the U.S. Census Bureau, a decline in access to job-based health insurance is driving the increase in the number of uninsured Americans, up from 39.8 million in 2000 to 46.6 million in 2005. While lack of access to employer-sponsored health insurance is an emerging problem for all workers, it is an especially acute problem for nonstandard workers.

In 2005, only 21 percent of nonstandard workers had own-employer based health insurance, which was unchanged from 2001 (Figure 1). On the other hand, 72 percent of standard workers had own-employer based coverage. Since 2001, the percentage of nonstandard workers without

health insurance increased by 4 percentage points, to 28 percent. This increase is due to a corresponding 4 percentage point decline in the share of nonstandard workers covered by a spouses' plan.ⁱⁱⁱ Nonetheless, in 2005, nonstandard workers still relied more frequently on a family member for coverage than on their own employer (35 percent versus 21 percent).

Figure 1. Source of Health Insurance, 2005



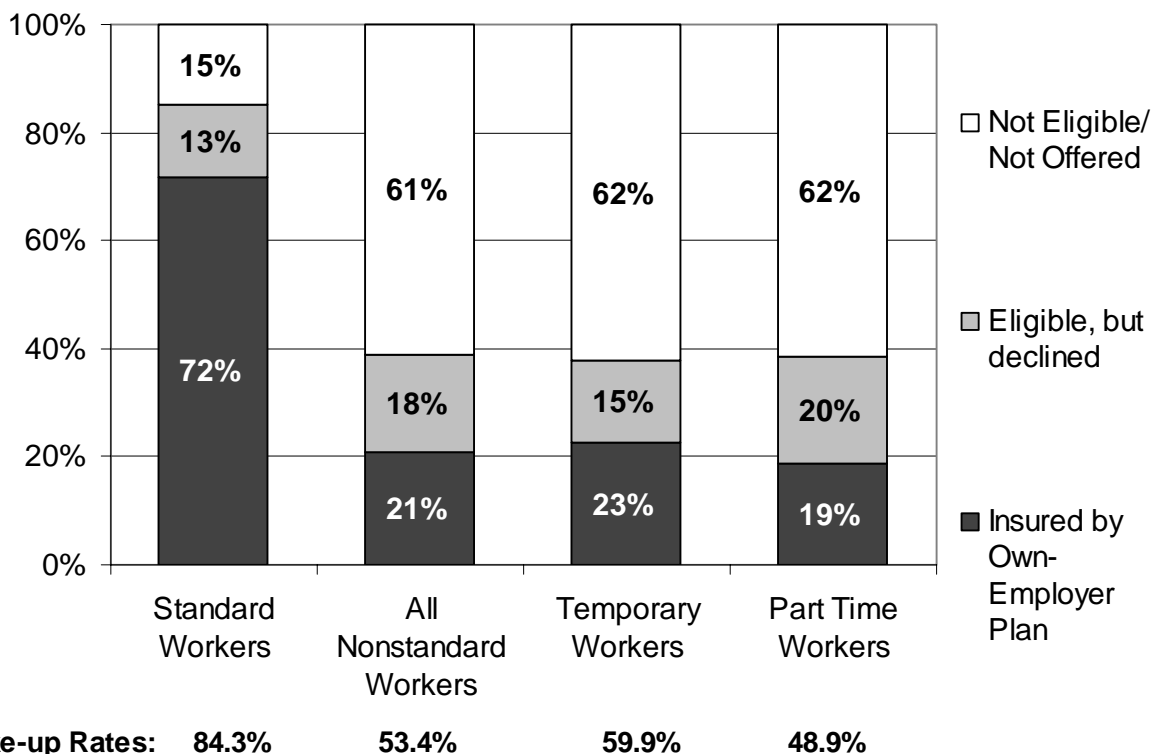
Source: Author's analysis of the 2005 Contingent Work Supplement (February Current Population Survey).

Notes: "Other Source of Health Insurance" includes insurance from the individual market, from a second job, from a previous job, or from an association, school, or other unidentified source. Temporary workers include temp agency workers, direct hire temps, on call and day laborers. Self-employed independent contractors are excluded from this analysis.

Access to Employment-Based Insurance

The reliance on family members for health insurance and the high uninsured rate of nonstandard workers remains largely a problem of access to own employer health insurance for nonstandard workers. Since 2001, there has been very little change in the percentage of workers who were eligible for their employer’s health insurance plan. In 2005, regular, full-time workers were twice as likely as nonstandard workers to be insured or eligible for their company plan (Figure 2). Even among workers who were eligible for their company plan, there are significantly different take-up rates between standard and nonstandard workers. While 84 percent of standard workers chose to enroll in their employer’s plan, only 53 percent of nonstandard workers did. These figures were also virtually unchanged since 2001. Nonstandard workers reported turning down insurance because they had it from another source (most often the spouse’s coverage, which is presumably better or cheaper) or because the employer’s insurance plan was too expensive.^{iv}

Figure 2. Access to Employer-Provided Health Insurance, 2005



Source: Author’s analysis of the 2005 Contingent Work Supplement (February Current Population Survey).

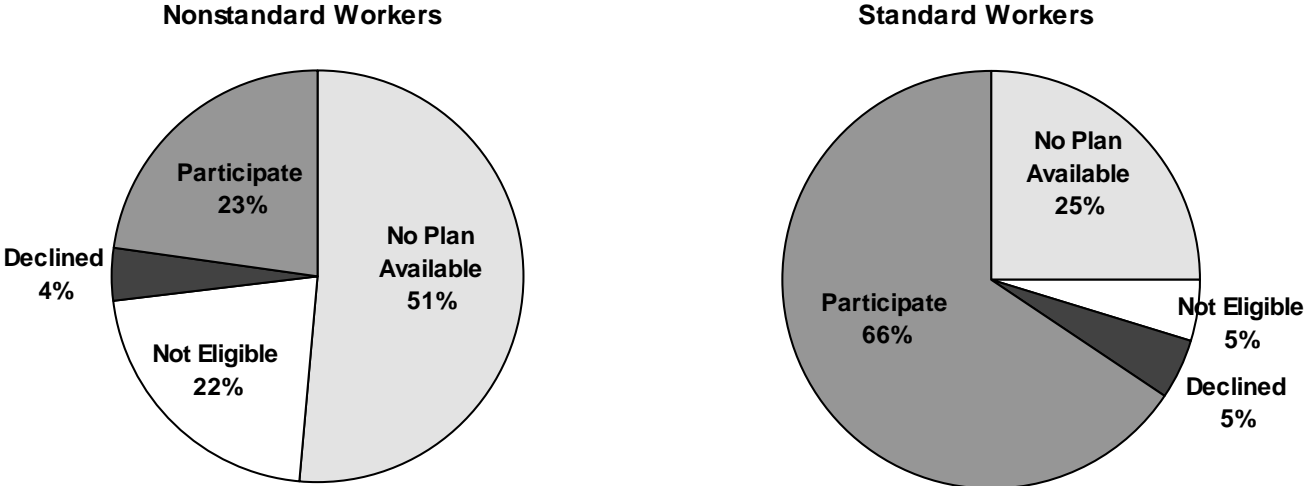
Notes: "Not Eligible/ Not Offered" includes workers who are not eligible for the company plan as well as workers who are not offered coverage because their company does not sponsor a health insurance plan. Temporary workers include temp agency workers, direct hire temps, on call and day laborers. Self-employed independent contractors are excluded from this analysis.

Nonstandard Workers and Retirement Plans

Retirement plans were also more difficult for nonstandard workers to secure through employment (Figure 3). About 73 percent of nonstandard workers lacked access to a retirement plan because no company plan existed or because they were ineligible for the company plan. The

situation for standard workers was the mirror opposite: About 71 percent had access to a retirement plan and only 30 percent did not.

Figure 3. Access to Job-Based Retirement Plans, 2005



Source: Author's analysis of the 2005 Contingent Work Supplement (February Current Population Survey).

Appendix

Methodology

The authors analyzed data from the 1995, 1997, 1999 and 2001 Contingent Work Supplement (CWS). The CWS data are collected through a February supplement to the Census Bureau's Current Population Survey, a monthly survey of approximately 50,000 households. All employed persons, except unpaid family workers, are included in the Supplement. Only data from the 2001 Contingent Work Supplement are included in this report. Health insurance status is determined based on the worker's coverage during the reference week (the week before the survey).

All persons who worked during the reference week (the week before the survey) and who were at least 16 years old were classified into one of nine mutually exclusive worker categories. Regular full-time workers are the only group of "standard" workers. All other workers, except the regular self-employed, are considered to be in "nonstandard work arrangements." The definitions constructed in this report follow those developed by Houseman and Polivka (2000), except that independent contractors were separated into two distinct categories. Independent contractors (ICs) who identified themselves as employed by the government, a private company or a non-profit organization in the basic CPS were classified as wage and salary ICs. Independent contractors who identified themselves as self-employed in the basic CPS were classified as self-employed ICs.

Nonstandard work differs from regular full-time work in at least one of the following ways:

- The temporary nature of the job;
- The employer is distinct from the company for whom the person actually works;
- Lack of an employer (independent contracting- self-employed); or
- Hours worked per week are usually less than 35 hours.

Persons with two or more jobs are classified in the job at which they worked the most hours during the reference week.

Definitions

Contract Company Worker: Workers who are on the payroll of a contract company, a type of staffing firm that provides workers or their services under contract. Workers are usually assigned to only one customer and usually work at the customer's worksite. Contract company firms tend to provide staffing in a specific industry (automotive, aerospace, public administration, etc.).

Day Laborer: Workers who wait at a place where employers pick up people to work for the day. A type of on-call worker.

Direct-hire Temporary: Workers who are hired directly by the company where they work (as opposed to temp agency workers), and who are in a temporary work arrangement (e.g. job is seasonal, lasts only until a project is completed, etc.).

Independent Contractor (IC): Someone who obtains customers on their own to provide a product or service. Independent contractors can have other employees working for them and should have opportunities for profit. In the Contingent Work Supplement, two types of independent contractors are identified.

Wage and Salary IC: These ICs identified themselves as employees of a government, private company or non-profit organization in the basic Current Population Survey. And in the supplement answered affirmatively to the question “Were you working as an independent contractor, an independent consultant, or a freelance worker?” These ICs are likely to be standard employees that were misclassified by their employer as independent contractors.

Self-employed IC: These ICs identified themselves as self-employed in the Current Population Survey and answered affirmatively to the question in the supplement, “Are you self-employed as an independent contractor, independent consultant, or freelance worker?”

Leased Employee: Workers who are on the payroll of an employee leasing company or Professional Employer Organization (PEO). In some cases, a small company uses a leasing firm in order to benefit from the PEO's ability to provide cheaper human resource services. In other cases, the leasing firm is used merely as a “payrolling” service for employees that a company does not want on its own payroll.

Nonstandard Work Arrangement: Any job that differs from a standard job in at least one of the following ways:

- (1) The job is temporary;
- (2) The employer is distinct from the company for whom the person actually works (worker is placed by a staffing firm);
- (3) There is no employer (self-employed independent contractors); or
- (4) Hours worked per week are usually fewer than 35.

On-call Worker: Workers who are called to work only as needed, although they can be scheduled to work for several days or weeks in a row (persons who work a regular schedule, but are also on-call — such as doctors, electricians, and plumbers — are not included in this category).

Part-time Worker: Workers who usually work fewer than 35 hours per week in an otherwise standard job.

Payrolled Employee: Workers who are recruited by the worksite employer and are instructed to sign up as employees of a staffing firm and are therefore on the payroll of the staffing firm. Contract company workers, leased employees, and temp help agency workers who are recruited by their worksite employer are also “payrolled” employees.

Staffing Firms: Companies that provide staffing services to client firms. Workers are on the payroll of the staffing firm but work at the client firm’s worksite. Staffing firms may recruit

workers and assign them to a client firm or, as in the case of payrolled employees, the client firm may recruit workers directly and instruct them to sign up with the staffing firm. This report identifies four types of staffing firm employees: temporary help agency workers, contract company workers, payrolled employees, and leased employees.

Standard Worker: Full-time workers (usually working more than 35 hours per week) in a permanent, wage or salaried position who are not paid by a staffing firm.

Temporary Help Agency Worker: Workers who are on the payroll of a temporary help agency. A temporary help agency is a business that supplies workers to other companies on an as-needed basis or supplies workers to other companies primarily for short-term assignments. “Day laborers” who are on the payroll of a staffing agency (i.e. Labor Ready) are included here.

ⁱ For information on wages, see Ken Hudson, “No Shortage of ‘Nonstandard’ Jobs,” Washington, D.C.: Economic Policy Institute, 1999; Jeffrey Wenger, “Share of Workers in ‘Nonstandard’ Jobs Declines,” Washington D.C.: Economic Policy Institute, 2003.

ⁱⁱ Houseman, Susan N. 1997. “Temporary, Part-Time, and Contract Employment in the United States: A Report on the W.E. Upjohn Institute’s Employer Survey on Flexible Staffing Policies.” Report to the U.S. Department of Labor, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research; Hudson, Ken. “Bad Jobs in America: Standard and Nonstandard Employment Relations and Job Quality in the United States,” *American Sociological Review*, Vol.65, 2000; A. Polivka, "Nonstandard Work: The Nature and Challenges of Changing Employment Arrangements" Eds. Francoise Carre et al., *Industrial Relations Research Association Series 2000*, Chp.2: 41-94.

ⁱⁱⁱ The decline in access to a family member’s plan corroborates findings from recent surveys in which employers noted that they are restricting coverage or raising rates for family plans. *Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2005*; Available at <http://www.kff.org/insurance/7315/sections/upload/7316.pdf>. Last accessed September 18, 2006.

^{iv} According to the 2001 CWS, 65.5 percent of nonstandard workers were covered by another plan and 16 percent said the employer’s plan was too expensive.