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### **Help Wanted – Temporary Employment**

Between the third quarter of 2008 and the second quarter of 2009, staff in Oregon’s workforce system helped 363,200 individuals get a job – an impressive statistic considering we’ve been in one of the two deepest recessions since the Great Depression. Most of these jobs were permanent. However, 27,136 of the full- or part-time jobs were placements through temporary service agencies. Employment through temporary service agencies is becoming commonplace across the economy. Hiring through these agencies may allow businesses to cut costs and more easily match their workforce to their immediate business needs. These agencies also may allow those job seekers who can’t find permanent work to stay in the labor market, using and building skills and experience, while also meeting the needs of other job seekers who might, for various reasons, prefer the option of temporary work assignments. In this article we’ll examine outcomes for those individuals who received services through Oregon’s workforce system and went to work through a temporary service agency.

(Throughout this article, “temporary services industry” is defined as North American Industry Classification System code 561320.)

#### **Temporary Services Industry – Historical Perspective**

Fifty years ago, temporary employment was such a marginal practice that the U. S. Bureau of Labor Statistics (BLS) did not collect data about employers’ use of temporary workers. Today, temporary employment is widespread and normalized. Nationally, the number of temporary help offices surged from about 800 in the early 1960s to 5,000 by 1981 and to nearly 40,000 in 2008. According to the BLS, the temporary services industry provided 2.3 million wage and salary jobs in 2008. The American Staffing Association estimates in the U.S. during 2009, temporary and contract staffing agencies generated over 53 billion dollars in sales.

**During 2009, 641 temporary service agencies employed more than 24,000 Oregonians**

Growth in the temporary services industry in Oregon follows the same pattern as the national trend. During 1976, 36 temporary help establishments employed over 2,200 working temporary jobs in Oregon. By 1990 the number of temporary help establishments increased to 210, employing over 14,500 individuals. During 2009, 641 temporary help establishments employed over 24,000 Oregonians with a total payroll of almost \$592 million.

## Short- and Long-Term Trends

Businesses often downsize during a recession, sometimes starting by cutting back on their temporary help. The number of temporary help establishments in Oregon decreased from 686 during 2008 to 641 in 2009 – a 6.6 percent decrease over the one-year period. During 2008, 32,000 people in Oregon worked in temporary jobs. In 2009, the number of Oregonians working temporary jobs dropped to 24,000, a decline of 8,000 jobs.

Long-term growth is expected in the temporary services industry in both Oregon and the U.S. The Oregon Employment Department's industry forecast through 2018 shows Oregon is expected to add 2,900 jobs in employment services, an increase of 8 percent. Nationally, long-term growth in the industry is estimated to continue also, but at a much higher rate. By 2018, BLS estimates employment in the temporary services industry will grow 19 percent nationally, compared to the 11 percent growth projected for all industries combined. The industry is expected to gain over 444,000 new jobs in the U.S. over the period. This growth will be spurred by businesses in need of seasonal workers, demand for specialized workers, and businesses seeking to expand without incurring the additional costs associated with permanent employees.

During third quarter 2009, more than 7,600 individuals found temporary work after receiving services from Oregon's workforce system

## Oregon's Workforce System and Temporary Employment

Each quarter, over the past nine years, PRISM has reported the number of individuals going to work after receiving services from Oregon's workforce system. Most of the workforce participants find permanent jobs. However, some individuals served by Oregon's workforce system find temporary jobs. Most recently, during third quarter 2009, 86,493 people served by Oregon's workforce system found a job and 7,636 (8.8%) went to work in temporary jobs.

Temporary jobs sometimes provide an entry into the workforce, supplemental income, and a bridge to full-time employment. At other times, especially during a recession, when there are fewer permanent jobs and more competition for those jobs, temporary employment may be the best or only option for some individuals, even those who would prefer permanent employment.

Temporary employment for individuals served by Oregon's workforce system is sometimes driven by choice based on individual life circumstances, rather than by the need to get a job – any job. Temporary work is attractive to some job seekers and can even be a condition of employment by job seekers. For example, temporary and flexible work schedules might be necessary for an individual with a disability who needs to limit the number of days or hours worked. Young, single mothers might be limited to temporary employment while juggling school with family responsibilities. Some individuals may decide to work a temporary job while looking for work in a chosen career. Businesses often try to accommodate workers' preferences for particular days or hours of work and the duration of assignments. When the business and the temporary worker's needs are met, it's a win-win for both.

## Recent Temporary Employment Data May Signal the Beginning of Economic Recovery

Prior to this recession, between 10 percent and 12 percent of individuals served by Oregon's workforce system found and went to work in a temporary job (Graph 1). Since fourth quarter 2007, the beginning of the current recession, the percentage of individuals finding temporary jobs dropped sharply to an historical low. During first quarter 2009, fewer than 7 percent of individuals found and worked a temporary job.

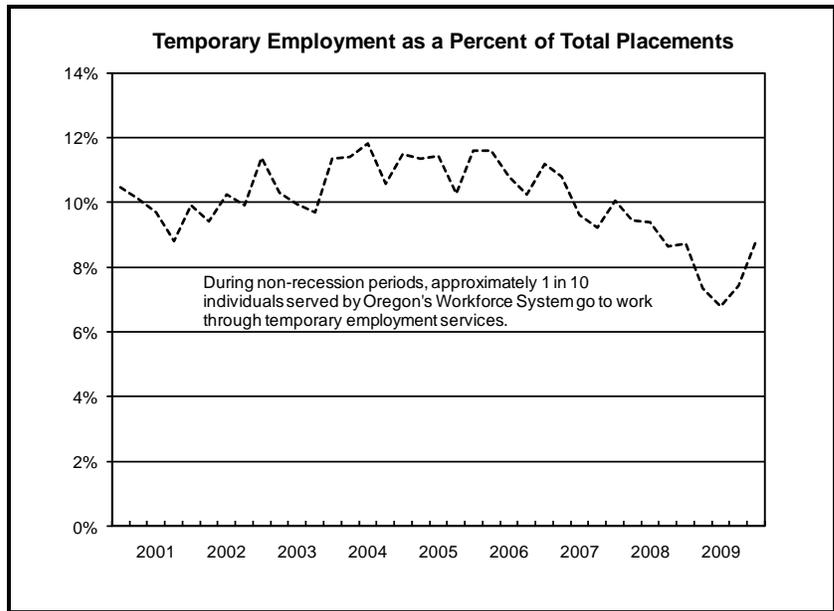
Over the most recent two quarters of reporting, the share finding temporary jobs increased, reaching 7.4 percent during second quarter 2009 and 8.8 percent during third quarter 2009. This upswing in temporary employment could be one sign of the beginning of an

economic recovery. According to Employment Department economist Pat O'Connor, over the last few months, owners and managers of a few temporary agencies in the mid-Willamette Valley have reported an increase in the number of businesses requesting temporary workers. "This is good news if the trend continues," he says. "Temporary services are often one of the first sectors to hire workers when the economy is recovering from a recession. Historically, manufacturing companies in the Willamette Valley have often utilized temporary workers to supplement their own workforce. Towards the beginning of the recession, to save costs, manufacturers started cutting their workforce by first eliminating temporary jobs. The increase in business by the temporary help agencies could be a sign of increased business for some of the valley's manufacturing firms."

O'Connor's anecdotal news that temporary agencies in the mid-Willamette Valley have recently reported increased business is supported by a July 2010 Oregon Labor Trends article by Jessica Nelson, another economist with the Oregon Employment Department. In her article, [Temporary Help Indicates Recovery Underway](#), she indicates that the Employment Services industry in Oregon reached a cyclical low in late 2009 before beginning to recover, and the industry's upward trend appears to holding.

### Continued Employment

Through PRISM, the success of the workforce system is measured not only by how many individuals find jobs (placement), but how many individuals remain employed (retention). PRISM tracks individuals' job retention for four continuous quarters of work. Of the 80,563 individuals who completed workforce services during fourth quarter 2008, and then found a job, 38,244 (47.5%) remained employed for one year. This retention rate is well below the year-ago rate of 56.7 percent – a decline of more than 9 percentage points since the start of the recession.

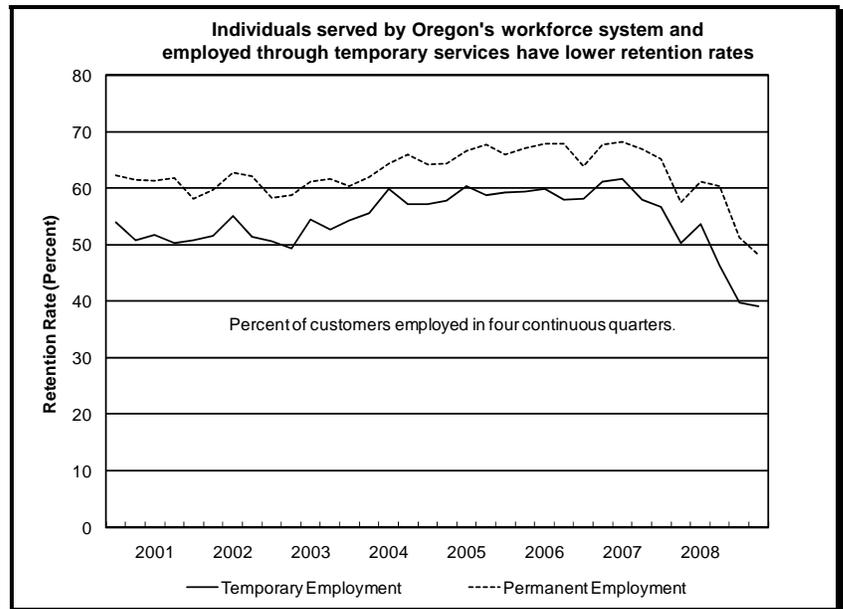


Graph 1

Many temporary jobs are as the name implies, temporary. However, some businesses routinely hire temporary workers for the long term as a business staffing strategy instead of hiring permanent staff. These positions may last several years and have come to be known as permatemps – a term first used to characterize a class of high-technology contractors who worked at Microsoft in the 1990s for extremely long periods of time. The use of permatemps by business is on the rise. A recent article in the Academy of Management, authors Vicki Smith and Esther B. Neuwirth, reported that during 1995, 24 percent of temporary workers in the U.S. held a single temp job for more than one year, compared with 35 percent in 2005.

The most recent retention data from PRISM shows that in fourth quarter 2008, 48.1 percent of those who found a “permanent” job worked one full year, compared to 39.1 percent of individuals who found temporary employment (Graph 2). This 9-percentage point difference is partially attributed to Oregon’s large number of seasonal jobs, particularly in agriculture and manufacturing food processing.

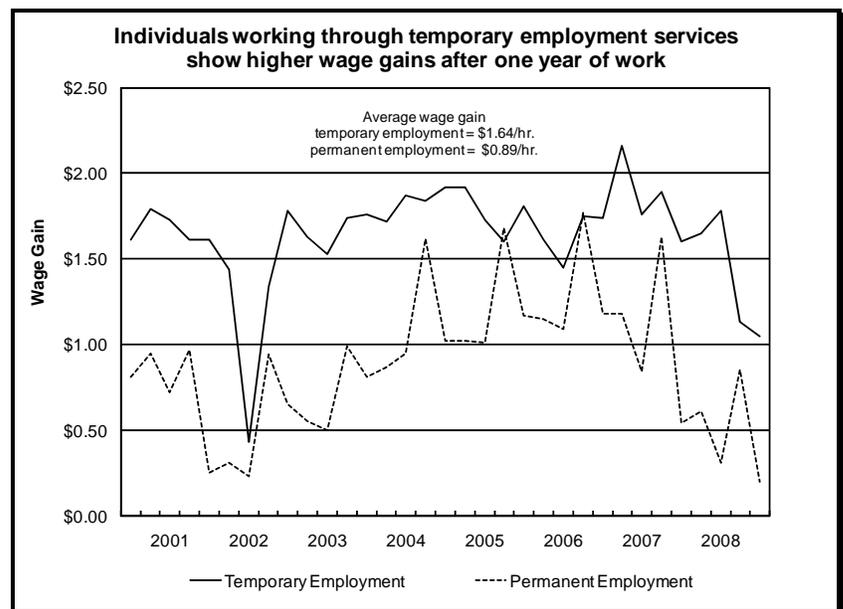
Historically, retention rates between temporary and permanent workers have ranged from six percentage points apart (during third quarter 2006) to as many as 14 percentage points apart (during second quarter 2008). Smaller gaps between the temporary and permanent retention rates tend to occur during non-recessionary periods.



Graph 2

### Temporary Employees Show Greater Wage Gains

Individuals who received workforce services and found temporary work showed greater wage gains compared with individuals who found permanent employment. Individuals working temporary jobs averaged wage increases of \$1.64 per hour after working one year compared to an average wage gain of \$0.89 per hour for those in permanent positions (Graph 3). After receiving workforce services, individuals finding temporary jobs earned an average starting wage of \$11.17 per hour – \$2.69 less per hour compared with individuals in permanent



Graph 3

employment. After one year of work temporary workers earned \$12.81 per hour, a 14.6 percent increase compared with the 6.4 percent increase for permanent workers who earned an average of \$14.75 per hour after one year. Businesses hiring temporary workers are less likely to provide certain types of benefits and provide others indirectly, through the temporary services company. Along with the fact that the temporary jobs tend to start a lower wage, this may help explain why temp workers' one-year wage gain is higher than that of permanent workers.

Not only did the average wage per hour sharply increase for the temporary workers after one year, these workers also had a greater increase in number of hours worked per quarter compared with permanent workers. After receiving workforce services, temporary workers worked on average almost two weeks less (73 hours) in their first quarter of work compared to those individuals who found permanent employment. Temporary workers averaged 248 hours of work in their first quarter of work while permanent workers averaged 321 hours. After one year, these same temporary employees worked an average of 379 hours in a quarter, an increase of 131 (+52.6%) additional average hours worked. After one year of work, permanent employees averaged 398 hours of work during the quarter. This is a one-year average increase of 77 (+23.9%) additional hours for those permanent employees.

### Characteristics of Temporary Employees Served by Oregon's Workforce System

PRISM routinely collects demographic data from participating agencies. This demographic data includes race and ethnicity, gender, education, disability, and age of individuals served by the Oregon's workforce system. The demographic data shows that individuals served by Oregon's workforce system and going to work in a temporary job are more likely to be black or Hispanic, more likely to be male, and more likely to have only a high school education (and no post-secondary education).

Those who find temporary employment are more likely to be minorities. Between July 1, 2008 and June 30, 2009, over 31 percent of those finding and working temporary jobs were of minority race and ethnicity, compared with 21 percent of those who found permanent jobs. A disproportionately large percentage of those who found temporary employment after receiving

**Table 1**

PRISM Placements by Employment Type by Race / Ethnicity July 1, 2008 through June 30, 2009				
Race / Ethnicity	Temporary		Permanent	
	Employment	Percent	Employment	Percent
American Indian Alone (Not Hispanic)	432	2.1%	4,845	1.8%
Asian Alone (Not Hispanic)	550	2.7%	5,969	2.3%
Black Alone (Not Hispanic)	897	4.4%	5,477	2.1%
Hawaiian Alone (Not Hispanic)	189	0.9%	1,547	0.6%
Hispanic	3,698	18.3%	31,780	12.1%
Multiple Race/Other Race (Not Hispanic)	524	2.6%	6,301	2.4%
White Alone (Not Hispanic)	13,897	68.8%	205,980	78.6%
Total	20,187		261,899	

services from Oregon's workforce system were black or Hispanic. Table 1 shows 2.1 percent of those who found permanent work were black compared to 4.4 percent of those who found temporary jobs. Hispanics accounted for 12.1 percent of those working permanent jobs, compared with 18.3 percent of those in temporary jobs.

Those who found work in temporary positions were more likely to be male (Graph 4). Among individuals finding temporary jobs, 64.4 percent were male and 35.6 percent were female. This is not a surprising statistic since more people went to work in manufacturing between July 2008 and June 2009 than any other industry. During the year, 48,282 individuals went to work in manufacturing, a traditionally male-dominated industry which also relies heavily upon temporary agency workers.

Graph 5 shows that individuals with a high school education made up a greater share of those employed in temporary jobs. Seventy percent of those who found temporary jobs had a high school diploma or less compared with 67 percent of individuals working in permanent jobs.

**Summary**

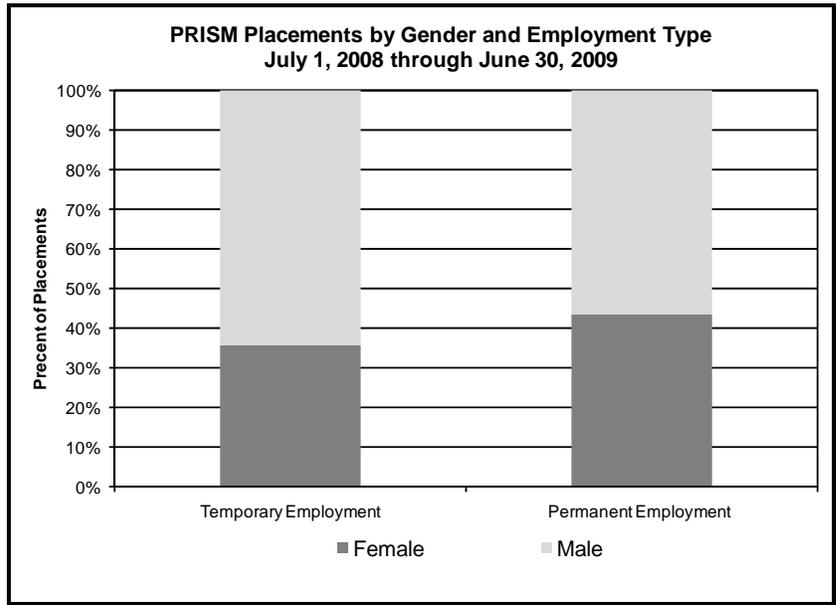
Fifty years ago few business hired temporary employees, but over the last two decades temporary employment has become widespread. As businesses look for ways to lower costs, and individuals served by Oregon’s workforce system look for opportunities to enter or remain in the workforce, temporary employment can be beneficial to both.

**Additional information**

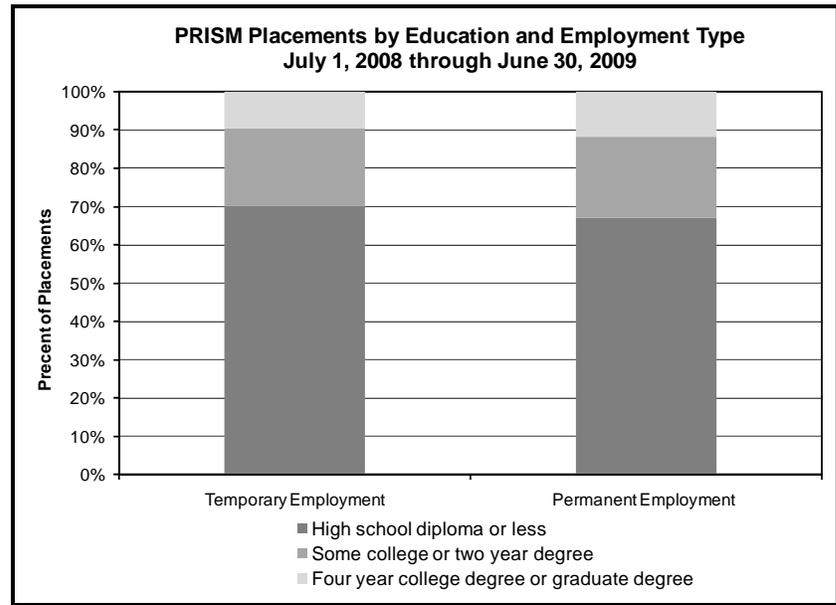
For more information about PRISM, visit the website at [www.oregon.gov/PRISM/](http://www.oregon.gov/PRISM/).

Academy of Management, Vicki Smith and Esther B. Neuwirth, February 2009, *Temporary Help Agencies and the Making of a New Employment Practice*, 56-72

The Economist, March 13, 2010, *Temporary Work May Dim Future Employment Prospects*, 78



**Graph 4**



**Graph 5**