“America’s labor force looks far different from that of Labor Days past. Part of the reason is the rise in temporary employees. People are choosing multiple, temporary jobs, or contract jobs, sometimes out of necessity and sometimes out of convenience.

Do fewer full-time core workers mean a more adaptable workforce? Does temporary work pose challenges for families?

The answer is, ‘Yes.’”

– Bob Funk, Chairman and CEO, Express Employment Professionals

An Express Employment Professionals White Paper
Labor Day 2014
THE RISE OF THE CONTINGENT EMPLOYEE

America’s labor force is changing. Workers are increasingly turning to temporary, independent contingent or freelance work to pay the bills—instead of long-term, full-time jobs with a single employer.

The number of temporary employees alone has increased by about 50 percent since the end of the Great Recession. According to the Bureau of Labor Statistics, the temporary help services industry now employs around 2.7 million Americans per week, an all-time high.

A study from MBO partners, a support system for independent professionals, found that all U.S. independent workers—freelancers and contractors, in addition to temporary workers—totaled 17.7 million in 2013, a 10 percent increase from MBO’s first study in 2011. More than 24 million are forecasted to be independent by 2018.

Americans aren’t relying on traditional full-time “permanent” day jobs. They’re taking temporary or independent contingent jobs. Or they’re turning to the Internet and other connections to find work that can be done anytime, anywhere.

For some it’s out of necessity. The slow, recovering economy isn’t offering enough full-time jobs that match their skill sets, and temporary work is a great alternative. For others, it’s out of convenience. Freelancers, for example, can work from home or choose how much work they take on, giving them more time to focus on other things like taking care of a family member or traveling.

A PERSONAL STORY

Megan Plopper
Springfield, Illinois

Megan Plopper needed a job that would work with her college schedule. Her friends suggested she try a staffing company, so she immediately scheduled an appointment. The job assignments Megan was offered worked great with her schedule and gave her the flexibility she needed to finish school. And because she worked a variety of different jobs, she was also able to learn a lot of different skills along the way. Megan went on to earn a degree in psychology but after two months of trying to find a job on her own after graduation, she turned to the staffing company again. “They quickly found me a job as a case worker helping low income families find assistance,” Megan said. “I learned different skills at each job to make me well-rounded. So now when I go to apply for a job, I feel I am more likely to be picked because I have experience in so many areas.”
Employing temporary workers has benefits for businesses too, like added flexibility. Companies pay only for the services they need, when they need them, to expand their business or to meet production demands. The main reasons U.S. businesses turn to staffing firms are to fill work force gaps, augment their own staff, and find new employees.5

As businesses around the world expand, more and more companies are now incorporating staffing services into their hiring strategies. Here is the big question: Is the temporary work trend permanent… or temporary?

The evidence suggests it’s permanent. It’s the new normal. According to the American Staffing Association (ASA), U.S. staffing firms have created more new jobs than any other industry since coming out of the Great Recession. ASA also reported that in the next 10 years, the U.S. staffing industry is expected to grow faster and add more new jobs than nearly any other industry.6

In the United States, more than two percent of the entire workforce is on the payroll of a staffing company. Other countries in Europe see between three and four percent of their workforce on the payroll of staffing firms. In South Africa, roughly seven percent of the country’s workforce is on the payroll of a staffing company. If the United States follows these global trends, then a three to five percent temp penetration rate in the U.S. is not unrealistic.

In Canada, it’s worth noting, the change has not been as dramatic. The number of temporary, independent contingent, and “casual” workers is increasing, but their share of the workforce increased only 1.1 percentage points from 2008 to 2013, suggesting that the “rise of the contingent employee” is not as great a phenomenon in Canada as it is in the U.S.

Learn More: Types of Contingent Workers

TEMPORARY WORKERS:
A temporary worker is usually someone who works through a staffing company. They are an employee of the staffing company in a co-employer relationship with a client company. Temporary workers may work in retail, manufacturing, office management, or a vast range of other sectors. Businesses often rely on staffing companies to find and place workers in these positions. For tax purposes, a temporary worker is treated like a full-time employee, though he or she may be less likely to receive the same level of benefits as a company’s core employees. Some staffing companies, like Express Employment Professionals, provide health insurance, supplemental insurance, paid time off and even 401(k) options. Temporary doesn’t necessarily mean part time. In fact, 76 percent of employees placed through staffing firms work full time.7

In the United States, more than two percent of the entire workforce is on the payroll of a staffing company. Other countries in Europe see between three and four percent of their workforce on the payroll of staffing firms. In South Africa, roughly seven percent of the country’s workforce is on the payroll of a staffing company. If the United States follows these global trends, then a three to five percent temp penetration rate in the U.S. is not unrealistic.

In Canada, it’s worth noting, the change has not been as dramatic. The number of temporary, independent contingent, and “casual” workers is increasing, but their share of the workforce increased only 1.1 percentage points from 2008 to 2013, suggesting that the “rise of the contingent employee” is not as great a phenomenon in Canada as it is in the U.S.

“IT’s given me a great amount of flexibility. Being a working mother, that has been really beneficial to me. There’s less pressure.”
– Lynn Monaghan, 33, a temporary worker in Boston, told NBC News about her temporary job.11

INDEPENDENT CONTINGENT WORKER:
An independent contingent worker is hired to complete a specified project, often working full time for a designated timeframe. In many cases, the contractor works on-site. By some estimates, up to half of the American workforce could be classified as contingent workers in 10 to 15 years.8 An independent contingent worker is contracted by the employer, not a staffing company.

INDEPENDENT FREELANCE WORKER:
In general, a freelancer is more likely to work from home or from his or her own office space and take on multiple projects or clients at a time.9 Those projects might include writing, web design, graphic art, or sales for example. Some freelancers earn all of their income from taking on such projects. Others use freelance work to supplement another source of income.

CONSULTANT:
A consultant who is self-employed functions like a freelance worker, except he or she is employed mostly in an advisory role. Consultants are expected to have significant experience in their field and advise companies who hire them on a consultant basis.10
We’re seeing a different trend in the post-Great Recession economy. During typical recessions, employment drops as people lose their jobs. Then, as the recession ends and the economy recovers, it’s common for employers to turn to temporary workers as their companies begin to grow again. In time, they rely less on temp workers and turn to increasing core staff rather than hiring additional temporary employees.12

But, the Great Recession changed things. In its aftermath, employers did indeed turn to temporary or independent contingent workers. But as this economy has rebounded much slower than previous post-recession economies, employers have continued to rely on temporary workers.13 Companies have not made the expected transition to hiring more core workers.

“‘There’s been a ‘generational shift’ toward a less committed relationship between the firm and the worker,” says Ethan Harris, global economist at the Bank of America Merrill Lynch.14

Susan Houseman, a senior economist at Upjohn Institute for Employment Research has called it a “structural shift.”15

Either way, this is the new economy—the economy of the temporary worker and independent contingent employee.

According to CareerBuilder, “42 percent of employers plan to hire temporary or contract workers” this year—an increase from 40 percent in 2013.16 And, the staffing industry is expected to grow by six percent in 2014 and seven percent in 2015.17

New technology also helps make a flexible schedule possible and has made it easier than ever for individuals to become their own bosses by taking on freelance assignments. Companies like Uber and Lyft allow almost anyone to become a professional driver, earning money when their schedules permit.19

Websites like TaskRabbit help people find odd jobs—from cleaning to getting groceries—when it’s convenient for them.20 oDesk and Elance allow people to take freelance jobs, like writing or online research, from home. A person in New York City could accept a job from someone in Seattle and complete it from the comfort of their home—or bed for that matter.21

These are all examples of what Jeremiah Owyang, founder of Crowd Companies, calls the collaborative economy. “The collaborative economy is dynamic and powerful. The crowd is proving that they can get what they need and share what they have.”22

For millions of Americans, the full-time 40 hour workweek with a fixed schedule, steady income and employee benefits is becoming a thing of the past. For some, this new reality is actually a blessing; for others, it’s a challenge.

Either way, it’s important to recognize the benefits and obstacles of this new labor force so that companies and workers alike can adapt appropriately.
WHY PURSUE TEMPORARY OR INDEPENDENT CONTINGENT WORK?

It’s clear that more Americans are turning to temporary and independent contingent work. But why? Is it out of necessity, flexibility or a combination of both?

For many Americans who lost jobs in the Great Recession, temporary work was a matter of necessity and has become a great opportunity for them. Workers take on multiple temporary jobs at a time or multiple temp jobs in succession in order to earn enough money to support their families. For them, temporary work, often found through staffing agencies, has been a lifeline. It’s also given them an opportunity to prove themselves valuable to an employer.

For others, temporary work is a matter of flexibility—maybe to care for children or parents. These individuals can’t commit to a full workday or workweek and need to be able to fit work in when other responsibilities aren’t demanding their time and attention.

For young workers of the Millennial generation, it can just be a matter of personal preference. From a workforce standpoint, younger Millennial workers enjoy the fun, freedom and flexibility offered by working temporary assignments. They tend to look for career security, not just job security. Multiple assignments create a more stable career in their mind, while giving them more experience in different fields.

Jonathan Thom, vice president of professional staffing for Express Employment Professionals, observes, “A unique intersection of circumstance and choice is occurring. Companies were reluctant to hire core staff after the recession and are instead continuing to hire workers on a temporary basis. At the same time, Millennials want a flexible work schedule so that they can pursue all of their interests.”

Fastest-Growing Temp Jobs in 2014

<table>
<thead>
<tr>
<th>POSITION</th>
<th>MEDIAN EARNINGS PER HOUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Human Resources Specialists</td>
<td>$26.83</td>
</tr>
<tr>
<td>2. Customer Service Representatives</td>
<td>$14.70</td>
</tr>
<tr>
<td>3. Construction Laborers</td>
<td>$14.42</td>
</tr>
<tr>
<td>4. Administrative Assistants</td>
<td>$15.58</td>
</tr>
<tr>
<td>5. Registered Nurses</td>
<td>$31.48</td>
</tr>
<tr>
<td>6. Bookkeeping, Accounting &amp; Auditing Clerks</td>
<td>$16.91</td>
</tr>
<tr>
<td>7. Maintenance &amp; Repair Workers, General</td>
<td>$16.93</td>
</tr>
<tr>
<td>8. Inspectors, Testers, Sorters Samplers &amp; Weighers</td>
<td>$16.57</td>
</tr>
<tr>
<td>9. Heavy &amp; Tractor-Trailer Truck Drivers</td>
<td>$18.37</td>
</tr>
<tr>
<td>10. Machinists</td>
<td>$18.99</td>
</tr>
<tr>
<td>11. Sales Representatives, Services, All Other</td>
<td>$24.45</td>
</tr>
<tr>
<td>12. Computer User Support Specialists</td>
<td>$22.32</td>
</tr>
</tbody>
</table>

SOURCE: Forbes

Reasons Workers Pursue Temporary Work

1. Full-time jobs in their fields aren’t available.
2. They can work when they want.
3. There is flexibility in scheduling.
4. They can earn additional money for bills, leisure or retirement.

Ask the Express Employment Professionals Experts

“More and more people are interested in working to live rather than living to work and the flexibility offered by connecting with a well-run staffing company can be very appealing and rewarding.”

– Jim Britton, Express Employment Professionals franchisee owner, Springfield, Illinois
There’s also been a surge in older workers taking on contingent work to supplement their incomes. According to Thom, individuals postponed retirement due to the recession. Succession planning was interrupted, so many mid- to senior-level managers have been held back to the point they are retiring without reaching the ‘pinnacle’ of their careers. This leaves those newly retired individuals the opportunity to consult for other firms.

Businesses are also relying on contingent workers for the same reasons: necessity and flexibility. They have surveyed the new economic landscape, altered by the recession and new government policies, and determined that it’s in their best interest to rely more on short-term hiring.

Additionally, nearly one in five small business owners say they’re now more likely to hire an independent contractor than a full-time employee, according to results of a monthly Small Business Scorecard by SurePayroll, an online payroll service.

Brian Burton, vice president of the Indiana Manufacturers Association, says that manufacturers are especially cautious about expanding their permanent workforce, and so they are taking a “conservative approach” and relying on temporary workers.

He also notes that the Affordable Care Act (ACA), “certainly had a stifling effect on permanent job creation” because it mandates that companies provide health insurance to their employees if they have more than 50 full-time workers. If companies rely on temporary or contract workers, however, they may not be subject to that provision and its costs. In fact, according to a survey from CareerBuilder, 12 percent of all employers will hire more part-time workers due to ObamaCare.

According to SurePayroll, of those more likely to hire independent contractors, 23 percent said they’re doing it to stay below 50 full-time employees, in response to requirements from the new health care law.

Bob Funk, Express Chairman and CEO, notes, “Temporary work is good to help supplement a company’s workforce during peak times, and is an excellent way for people to get their foot in the door at a company where they want to work and to gain the skills they need. However, it’s still important for businesses to maintain a core staff to build a strong company culture.”

---

**FIVE GREAT SHORT-TERM JOBS FOR LATER IN LIFE**

1. Bookkeeping & Accounting
2. Human Resource Manager
3. Office Manager
4. Sales Representative
5. Web Strategist

---

**REASONS BUSINESSES PURSUE TEMPORARY WORKERS**

1. Manage costs more effectively.
2. Hire workers when they know they will need them.
3. Deal with new regulations.
4. Adapt more quickly in an uncertain economic environment.
5. Bring an outsider’s perspective and innovative thinking.

---

**Ask the Express Employment Professionals Experts**

“Many businesses use temporary workers as their feeder system of great talent. The more you impress them the more opportunities they will create for you.”

–Michael Kreiling, Express Employment Professionals general manager, Winona, Minnesota and Eau Claire, Medford and Menomonie, Wisconsin

“Have seen older, younger and everything in between come in looking for temporary work.”

–Ronnie Morris, Express Employment Professional franchise owner, Jackson, Tennessee
SPOTLIGHT: Portraits of Hope

Long-term temporary work or “full-time temporary” is a lifeline for many Americans—especially for those who lost their jobs in the Great Recession. New jobs were nowhere to be found, but temporary or independent contingent work allowed them to get back on their feet, in some cases overcoming extreme hardship. Additionally, when businesses started growing, owners relied on temporary workers to help expand their companies.30

Tina Padilla
Pueblo, Colorado

Tina Padilla was working in a bank as a mail room manager when ownership changed and the bank was moved out of town. Tina found another job, worked her way up to office manager, only to lose that job, too, in the bad economy. She thought she was too old to try to go out and find a job. So, she decided to try temporary work, which allowed her to stay employed and pay her bills. Now she says she is officially retired, but when she wants or needs to work, she knows she can find a temporary job.

Helen Simmons
Anacortes, Washington

Helen Simmons’ custom painting business fell victim to the Great Recession. After losing her business, she lost her home, and had no way to cover her basic living expenses. That’s when she decided to turn to temporary work. Within a few days, she had a job. Since then, she’s taken on a range of temporary positions from working as a receptionist at a local firehouse to organizing a dinner and auction for a local nonprofit.

Josh Baughman
Odessa, Texas

At age 22, Josh decided to open his own business. “I own a sandblasting company in Odessa. We sandblast drilling rigs and gas pipes and do all kinds of industrial sandblasting,” Josh said. “If I need five or six employees as temporaries or full-time employees, I go to a staffing company” he said. “Right now, I have 35 people working for me, so business is doing really well.”
Uncertainty. That's the biggest challenge for the full-time temporary worker. Where will I find my next job? How long will it last? What will it pay? How do I budget for the long-term?

Challenges for Temporary Workers

According to AOL Jobs, the top highest paying temporary jobs range from $26.44 to $46.69 an hour. These are great hourly rates, but managing finances can be a challenge when working with a flexible schedule.

Temporary employees, working through a staffing company in today’s economy, are equivalent to full-time employees and are often offered overtime pay. In many cases, temporary positions could pay more per hour for full-time, short-term assignments than core staff, as they are hired to work for a company only when demand is high.

Ask the Express Employment Professionals Experts

What are the challenges of being a full-time temporary worker?

“Not being able to have peace of mind relative to financial stability. Financing major purchases can also be a real challenge.”

– Ted Maksimowski, Express Employment Professionals franchise owner and developer, Ontario, Canada

“A person needs to be well managed with their finances and have a realistic view of the availability of work and hours and ultimately cash flow.”

– Jim Britton, Express Employment Professionals franchise owner, Springfield, Illinois

<table>
<thead>
<tr>
<th>POSITION</th>
<th>MEDIAN EARNINGS PER HOUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Software Developer, Systems Software</td>
<td>$46.69</td>
</tr>
<tr>
<td>2. General and Operations Manager</td>
<td>$46.39</td>
</tr>
<tr>
<td>3. Software Developer, Applications</td>
<td>$42.92</td>
</tr>
<tr>
<td>4. Computer Systems Analyst</td>
<td>$37.62</td>
</tr>
<tr>
<td>5. Management Analyst</td>
<td>$35.81</td>
</tr>
<tr>
<td>6. Computer Programmer</td>
<td>$34.48</td>
</tr>
<tr>
<td>7. Registered Nurse</td>
<td>$32.10</td>
</tr>
<tr>
<td>8. Accountant &amp; Auditor</td>
<td>$30.04</td>
</tr>
<tr>
<td>9. Business Operations Specialist</td>
<td>$30.82</td>
</tr>
</tbody>
</table>

SOURCE: AOL Jobs 31
Challenges for Independent Contingent and Freelance Workers

Independent contingent and freelance workers face different challenges. Thom explains, “In a traditional employer-employee relationship, like employers of a temporary staffing firm, the employer matches the employee's Social Security and Medicare tax contribution, otherwise known as payroll taxes. Someone who is self-employed has to pay both 'halves' on their own. There is a two percentage point credit which helps offset the other half of this ‘missing contribution’ but it is still a real cost of being self-employed.”

In other words, an independent contingent worker has to keep track of income and every dollar earned to ensure they pay the appropriate tax, whereas, a staffing company takes care of payroll taxes for its employees.

No doubt, this makes life a little harder for those choosing contract or freelance work. With the number of these workers increasing, policymakers should consider ways to offer tax relief for independent workers and put them on a more level playing field with those in a traditional employee-employer relationship.

Is the ACA a Boon or a Bane?

No matter the reason a worker chooses to pursue temporary work through a staffing company or work as an independent contingent worker or freelancer, the nation’s laws related to employment often work to their disadvantage.

While the ACA is partly responsible for the spike in demand for temporary workers, its advocates say that the law’s provisions make it easier for independent workers to gain healthcare coverage thanks to online exchanges and subsidies. Overall, however, we believe the ACA has thus far hurt the labor force.

A survey conducted on behalf of the staffing industry revealed that 56 percent of businesses believe there will be a higher demand for temporary workers and 71 percent of job seekers think it will increase that demand. “That's great for my business but not good for the hope of America,” Funk said. “Companies need to feel confident about hiring full-time core staff for their business. You can't build a strong company and culture with all temporary labor. Temporary labor is intended to help businesses with labor needs during peak times in their business, not as a response to legislation.”
THE WAY FORWARD

As contingent employment continues to rise, legislators, businesses and employees alike need to work together to adjust and improve this new way of doing business. For legislators, that may mean reforming laws and changing some tax structures. For businesses, it means understanding the value of having temporary workers and core employees, and how both groups can help a company effectively build its business. It also means balancing your staffing needs for a productive and healthy work environment, as well as managing the different challenges that come with both types of employees.

For employees, that means familiarizing yourself with the ins and outs of staffing so that as you work for different temporary jobs, you can show you are a valued employee who learns quickly. The more you adjust in this new way of working the more advantages you’ll find.

Most economic indicators suggest that the number of full-time temporary workers will continue to increase in the coming years. This is a new economy and a new kind of labor force. “Full-time temporary” is here to stay.

That presents serious challenges but more importantly, great opportunities. Our companies, our public policies and our society can and should adapt.

Broadly speaking, America must show a commitment to public policy that encourages growth—especially for small businesses. That is what will create more job opportunities—temporary and core staff—and will build an economy that gives more Americans the dignity of a job.

RECOMMENDATIONS FOR THE FUTURE

1. Reform tax structure for freelance and independent contingent workers.
2. Businesses should consider the impact of hiring more temporary workers.
3. Job seekers need to recognize the opportunity that temporary jobs can lead to permanent work.
4. Public policy should encourage small business growth.
Sources

20. See http://www.taskrabbit.com