

Temporary Help in Manufacturing

The temporary help services industry has bounced back from the recession and continues to grow. According to data from the Bureau of Labor Statistics' [Current Employment Statistics](#) (CES) program, the temporary help industry only accounts for 2 percent of all employment in the U.S. economy (as of July 2014), but accounts for 11 percent of all the jobs created since the end of the recession. Growth has continued steadily in 2014, with 107,100 temp jobs added during the first seven months of the year. Temp workers are a critical, growing component of the workforce in many industries and occupations, even for traditional factory jobs, as explored below.ⁱ

By
Jessica R. Nicholson

Thanks to
David Langdon, Ryan
Noonan, Office of the
Chief Economist, and
Jane Callen, Editor

ESA Issue Brief
03-14

August 13, 2014

There are many reasons why a firm might choose to hire temporary workers. Seasonal factors may affect the demand for goods or services, or firms might see an increased demand for their product, but do not know if it will be sustained. Temps provide a business with the flexibility to meet short-term staffing needs without the long-term commitment of employment contracts. Hiring and firing permanent staff can be costly, and although firms do adjust workers' hours to satisfy short-term needs, hiring temps provides another option. In addition, firms might turn to temps as a mechanism to screen and recruit permanent hires when the need arises to expand their permanent workforce—converting those whose skill sets and work ethic fit well with the company and position.

Firms also rely on temps to fill diverse jobs. With respect to manufacturing, firms hire temporary workers to perform tasks ranging from production work to transporting materials or performing administrative tasks, and more. Temp workers are a legitimate part of the manufacturing workforce, and the temp help industry serves as a potential path into a manufacturing career. It is important to get a count on the number of temps in manufacturing to get an accurate assessment of hiring in the industry. Furthermore, prior research into the use of temps has highlighted how our incomplete accounting of their use may bias measures of manufacturing productivity.ⁱⁱ

From the employee perspective, some workers like the short-term, flexible nature of temp jobs; others take the work because they are unable to find stable, permanent employment. Temp jobs also typically pay less than comparable permanent employment and may not provide benefits such as health insurance and paid leave.ⁱⁱⁱ Economics and Statistics Administration analysis using data from the OES program indicates that hourly wages for production occupations in the employment services industry were generally lower than for the same occupation in the manufacturing industry. Additionally, temp worker safety, especially in the manufacturing industry, is of increasing concern.^{iv} In 2013, the Department of

Labor’s Occupational Safety and Health Administration announced an initiative to help ensure that temps receive proper training to keep them safe on the job.^v

So, how many temps work in the manufacturing sector? The government’s official employment statistics, however, do not tell us precisely how or how much firms are using temps. It is possible, however, to get a reasonable approximation of temps filling production jobs.

Payroll employment statistics, like the CES program, measure the number of jobs at specific industry worksites. Manufacturing jobs are in manufacturing establishments (factories) and the workers in these jobs are on the establishments’ payrolls. Similarly, retail jobs are in stores, and so on. The temporary help industry is unique in that it places workers at sites across a wide variety of industries, but the workers are on the payroll of a temp help company. So, while those workers may be performing duties alongside, if not identical to, manufacturing workers, they do not show up in the manufacturing employment statistics.

Data from the Bureau of Labor Statistics’ [Occupational Employment Statistics](#) (OES) program help overcome this statistical challenge, by allowing us to focus on production occupations, which are predominately in manufacturing. Examples of production occupations include precision workers, machine setters and operators, assemblers, fabricators, and plant and system operators; they are the workers who actually make the goods. These jobs account for more than half of the manufacturing industry’s employment, and nearly three-quarters of all production workers are employed in manufacturing establishments.

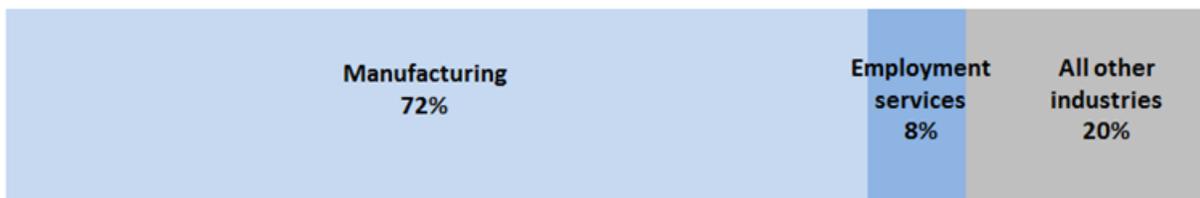
The OES program does not publish data on the temporary help industry, but instead on the broader employment services industry. About 80 percent of employment services jobs are in temp help and the rest are in executive search services and professional employer organizations (PEOs).^{vi} In 2013, there were 696,330 jobs in production occupations in the employment services industry. If all of those jobs were on temporary help industry payrolls, and all the temps were placed in manufacturing

Employment in Employment Services Industry, by Sub-Industry 2013



Source: Bureau of Labor Statistics, Current Employment Statistics

Share of Production Occupation Jobs by Industry 2013



Source: Bureau of Labor Statistics, Occupational Employment Statistics

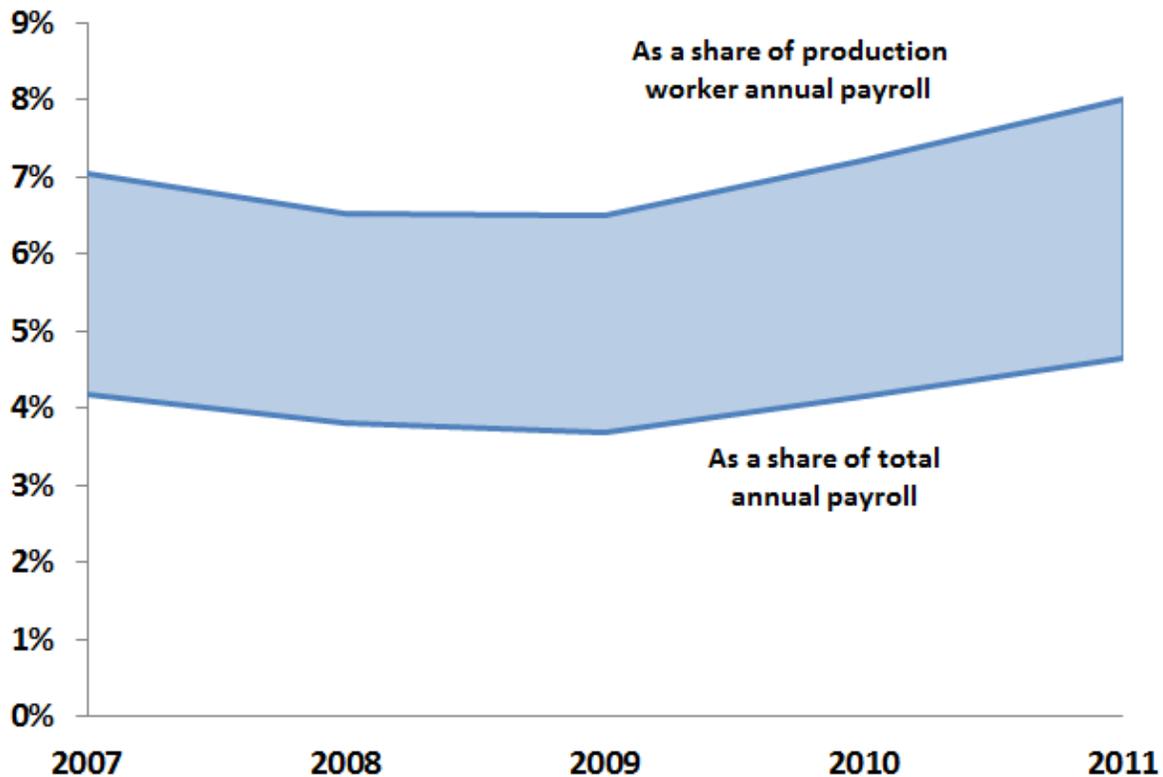
establishments, then we could say that the real number of production jobs in manufacturing would be about 10 percent higher than the 6.2 million counted in the industry that year.

This upper bound is somewhat unrealistic, because it assumes that ALL of the people performing production work in employment services are temps in the manufacturing industry. But it probably is not too outlandish to assume that the majority of them are, in fact, manufacturing temps. If we take into account the fact that not all employment services jobs are in temp help and that not all production jobs are in manufacturing, then we arrive at a

lower estimate of 398,321 temps doing production work in manufacturing. This number would still boost the ranks of manufacturing production workers by about 6 percent.

Data from the Census Bureau's [Annual Survey of Manufactures](#) and [Economic Census](#) also help to quantify manufacturers' use of temps; manufacturers are asked how much they spend on temporary and leased employees. This data is similar to the jobs data in that it includes spending on PEOs and is not limited to production occupations. In 2011, manufacturers spent \$27.2 billion on temporary and leased

Manufacturers' Spending on Temporary and Leased Employees as a Percentage of Payroll



Note: Spending on temporary and leased employees is included in the denominator as additional payroll spending.

Source: Economics and Statistics Administration analysis of data from the Census Bureau's Annual Survey of Manufactures and Economic Census.

employees. Comparing this to total payroll and payroll of just production workers (if we make similar assumptions as above) suggests that this amounted to somewhere between 4.7 percent and 8.0 percent of labor costs. Recall that this is slightly less, but broadly similar to, the employment ranges. This is particularly true if we consider that the average temp works fewer hours per week than the average manufacturing production worker—around 35 hours versus 42 hours over the past few years, as measured by the CES.^{vii}

As their name suggests, some of these “temp” jobs will expire based on an employer’s changing labor needs. Others may become permanent hires, at which point, they will be officially counted as manufacturing jobs.

The author is an economist in the Office of the Chief Economist of the U.S. Department of Commerce’s Economics and Statistics Administration.

Technical inquiries:
Office of the Chief Economist
(202) 482-3523

Media inquiries:
Office of Communications
(202) 482-3331

U.S. Department of Commerce
Economics and Statistics Administration
1401 Constitution Ave., NW
Washington, DC 20230
www.esa.doc.gov

ⁱ Matthew Dey, Susan N. Houseman, and Anne E. Polivka. “Manufacturers’ Outsourcing to Staffing Services.” Cornell University ILR School. June 2012. Available at:

<http://digitalcommons.ilr.cornell.edu/ilrreview/vol65/iss3/3/>.

ⁱⁱ *Dey, Houseman, and Polivka.*

ⁱⁱⁱ According to the 2005 Current Population Survey Contingent Worker Supplement, 8.3 percent of all temporary workers were covered by employer-provided health insurance and 3.8 percent were included in an employer-provided pension plan. The comparable figures for workers in traditional work arrangements were 56.0 percent and 47.7 percent. Available at:

<http://www.bls.gov/news.release/pdf/conemp.pdf>.

^{iv} “Safety 2014 Session on Temp Worker Safety Brings Up Many Issues.” Occupational Health & Safety Online. June 12, 2014. Available at: <http://ohsonline.com/articles/2014/06/12/managing-temporary-worker-safety.aspx>.

^v See OSHA news release 13-8000-NAT. April 29, 2013. Available at:

https://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=NEWS_RELEASES&p_id=23994

^{vi} PEOs provide human resource management services to client firms, including being responsible for payroll; client firms’ employees are counted on the payrolls of PEOs.

^{vii} In the Annual Survey of Manufactures, the Economic Census, and the Current Employment Statistics program, production workers refers to workers up through the line-supervisor level engaged in fabricating, processing, assembling, inspecting, receiving, packing, warehousing, shipping (but not delivering) maintenance, repair, janitorial, guard services, product development, auxiliary production for the plant’s own use (e.g., power plant workers), recordkeeping, and other closely associated services (including truck drivers delivering ready-mixed concrete). This definition is more inclusive than “production occupations” as defined in the Occupational Employment Statistics program.