

TESTIMONY FROM

POLICY MATTERS OHIO

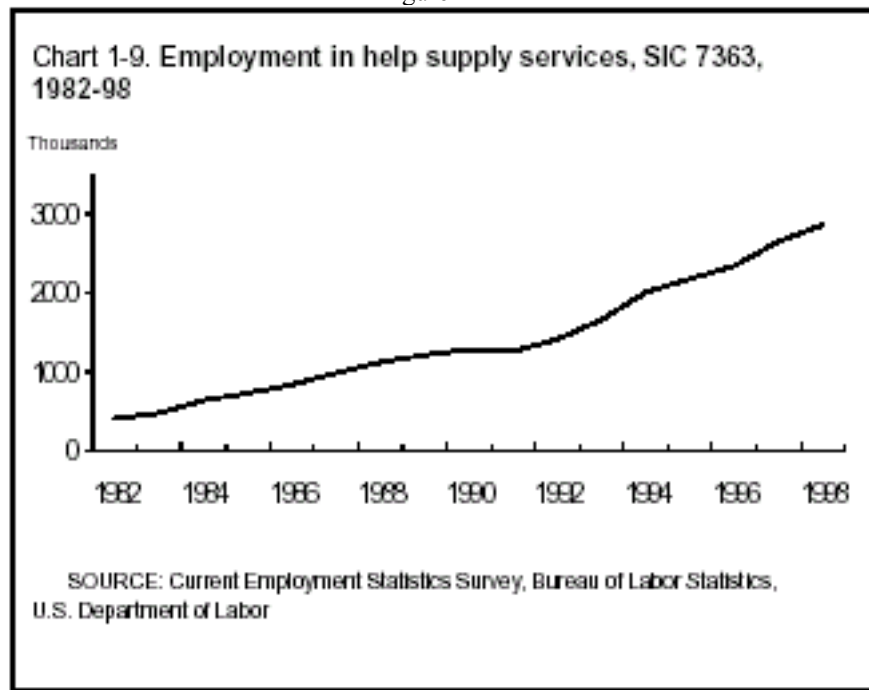
CLEVELAND CITY
COUNCIL HEARING
ON THE DAY
LABOR INDUSTRY,
SEPT. 4, 2001

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Businesses have sharply increased their use of outsourcing and flexible staff over the last twenty years. A study by the current Commissioner of the Bureau of Labor Statistics found that approximately 90% of firms now utilize some type of contingent work (Abraham, 1990). The increased use of flexible staff, such as day laborers and workers from temporary agencies, reflects a move to “just-in-time” production, which essentially means that employers are able to bring in extra staff quickly during periods of high production demand, and send that staff out just as quickly during periods of low demand. Employers are also able to pass along the increasing costs of providing benefits by turning to a temporary workforce. Responsibility for mandatory benefits such as Social Security, Medicare and unemployment insurance falls to the temporary agencies, and temporary workers are rarely offered pensions or health insurance.

Two trends associated with this shift towards flexible employment are relevant to this hearing. The first is the overall increase in temporary employment in the United States over the last 20 years.¹

Figure 1

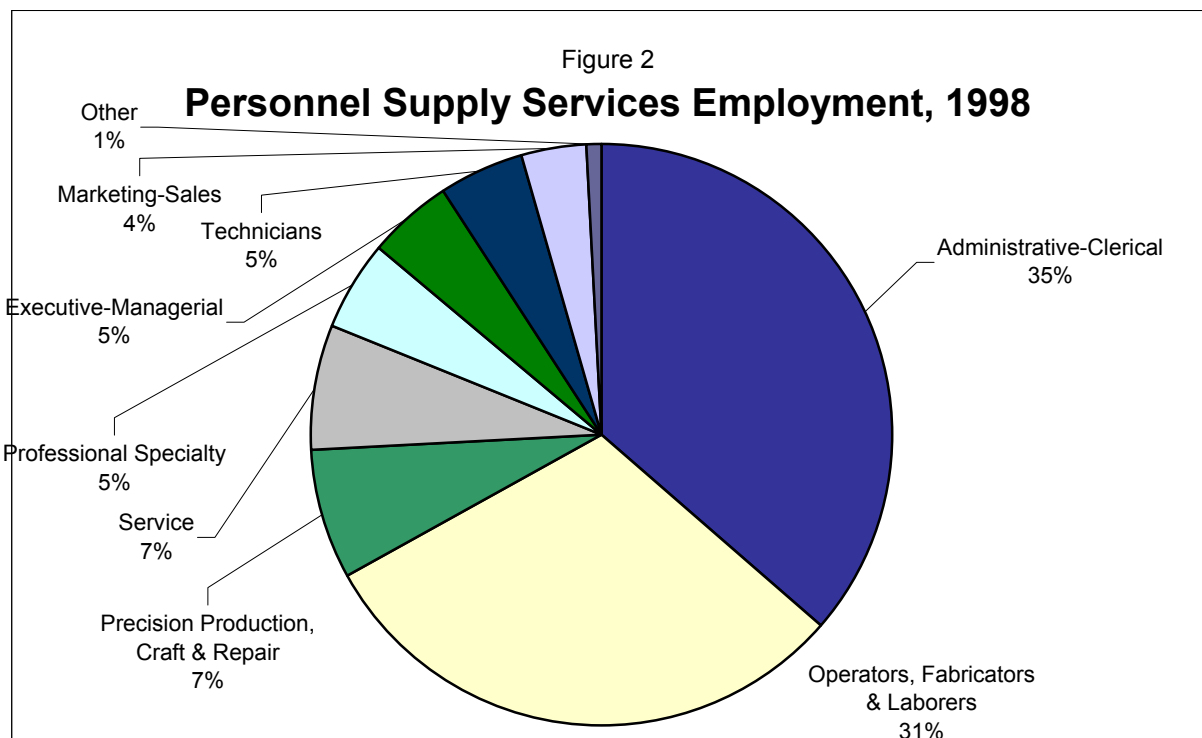


As Figure 1 illustrates, employment in the temporary industry has grown rapidly over the last twenty years, in fact much more rapidly than overall employment. Temporary employment has gone from under 500,000, or 0.6% of total private employment in 1982, to over 3 million, or 2.8% of total private employment today.

¹ Please see the appendix for a discussion of data sources

The second trend, which relates directly to the subject of today's hearing, is the transformation of the temporary workforce from primarily clerical and office jobs to more manufacturing and industrial jobs. In 1982, manufacturing jobs accounted for 9% of the temporary workforce, while they now account for over 30% (Segal, 1997).

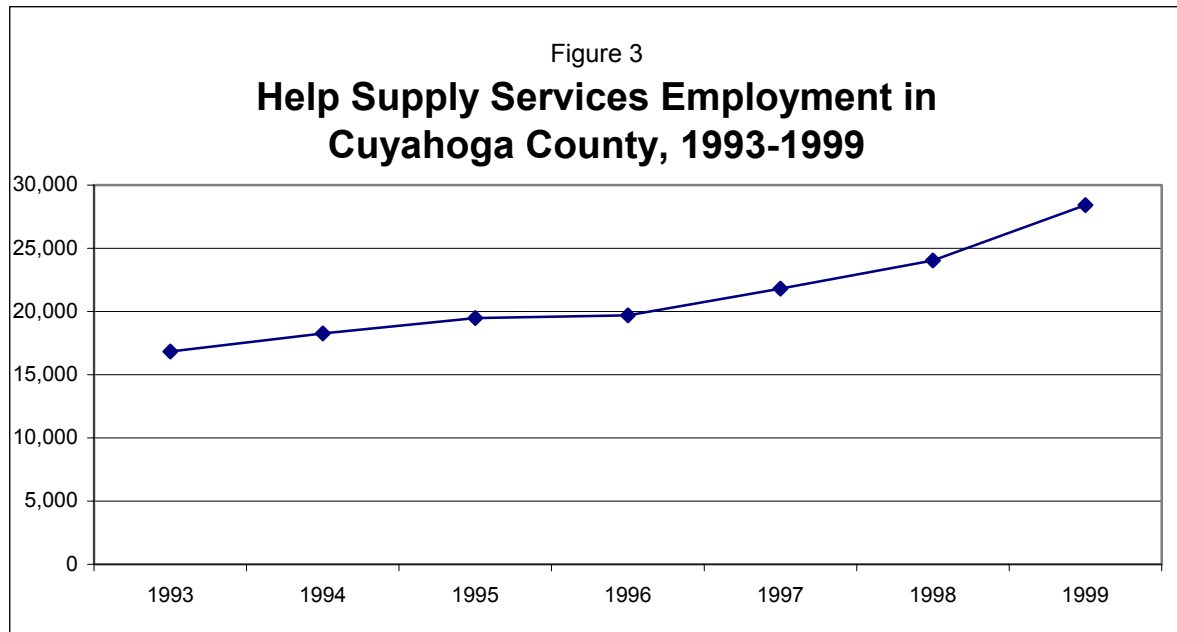
Figure 2 shows the current breakdown of the temporary workforce:



Source: Bureau of Labor Statistics

While reliable data on the growth of the day labor industry does not exist, the fact that manufacturing has grown so rapidly as a percentage of temporary work in the last 15 to 20 years is a good indication that day labor employment is on the rise, since most day labor work falls into this category

Narrowing the focus to Cuyahoga County shows that the temporary industry locally has also experienced rapid growth over the last decade.



Source: County Business Patterns, US Census Bureau

Between 1993 and 1999, help supply services employment grew 68.8%, as shown in Figure 3. In comparison, overall employment rose 10.9% over the same period. While this data is only available through 1999, it is important to point out that the growth of the temporary industry has stalled since then. Temporary employment is typically impacted greatly at the beginning of an economic slowdown, in part because temporary workers are often the first to be let go. Predictably, the current economic downturn has hit the temporary industry hard, with 419,000 temp jobs lost nationally since September 2000. Despite recent losses, however, the overall trend remains the same. The temporary industry has seen significant growth over the last two decades nationally, as well as locally.

While businesses may be able to cut costs by increasingly turning to a flexible workforce, for workers this trend has meant lower wages and fewer benefits. Much of the information available on the wages and benefits of temporary workers comes from the Current Population Survey (CPS), which began doing a semi-annual Supplement on the Contingent Workforce in 1995. This survey has consistently found that contingent workers, who are defined broadly and consist of more than just temporary workers, make about 80% of what workers in standard employment arrangements make. Additionally, the 2001 Supplement estimates that somewhere between 9 and 20% of contingent workers are covered by employer-provided health insurance. In general, contingent workers face lower wages and fewer benefits.

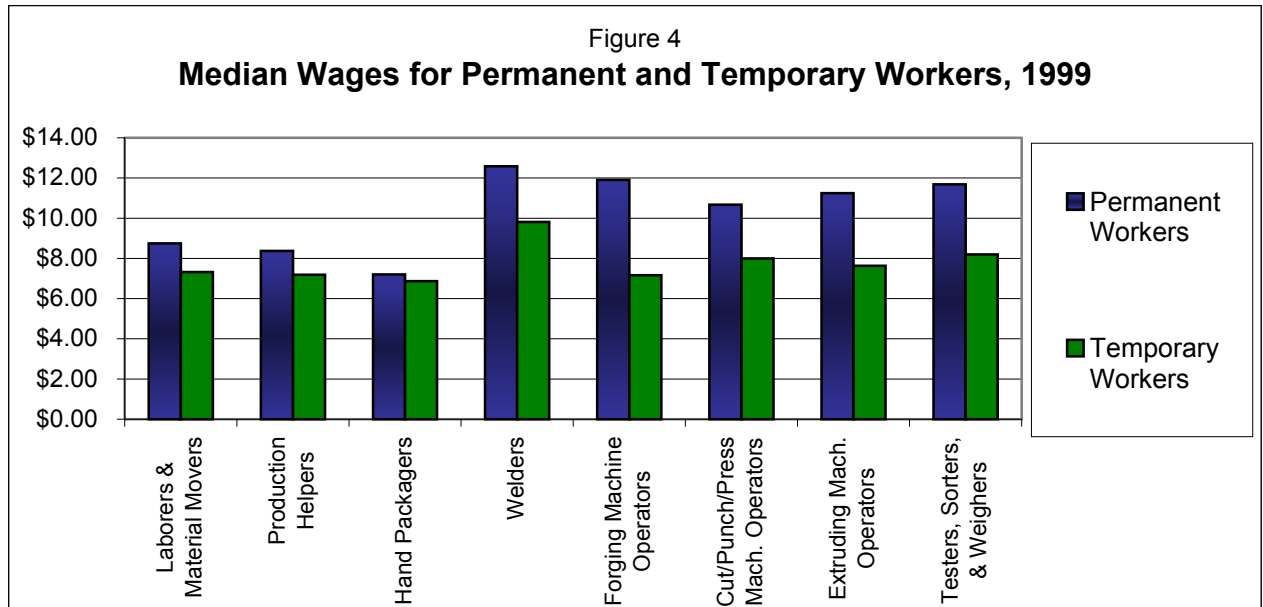
Occupational data gathered from the Ohio Bureau of Labor Market Information allows us to focus in a little better on the day labor industry by examining the industrial component of temporary work. Table 1 lists industrial occupations in the state of Ohio that have a significant amount of temporary workers.

Table 1
Occupational Breakdown of Temporary Workers in Ohio, 1996-98

Occupation	Temporary Agency Workers in State	Percent of All State Workers in Occupation
Helpers, Laborers & Material Movers	9,860	11.8%
Hand Packers & Packers	5,070	10.2%
Freight, Stock, Movers – Hand	3,540	7.7%
Welders & Cutters	2,380	13.6%
Machine Forming Operators	2,310	12.6%
Material Moving Equipment Operators	1,490	20.7%
Inspectors, Testers, Sorters & Samplers	1,190	13.4%

Source: Center for Urban Economic Development, University of Illinois at Chicago,
 Ohio Department of Job and Family Services

Figure 4 compares the national median wages of temp workers in these occupations with the wages of workers in standard job arrangements. Temporary workers earn lower wages at every occupation we examined, and in many cases the difference was substantial.



Source: Bureau of Labor Statistics

The data presented in Figure 4 represents national wage levels, because no reliable data is available on a local level. In addition, the wages listed here represent median wages for all temporary workers in these occupations, not just day laborers. It therefore likely represents a high-end estimate of what a day laborer typically makes.

In fact, a comprehensive wage survey administered in Chicago by the Center for Urban Economic Development at the University of Illinois at Chicago suggests that the wages of day laborers are significantly lower. Their survey of several hundred homeless day laborers showed that 82% made less than \$5.50 an hour on their most recent assignment (Theodore, 2000). A similar survey done here in Cleveland by Daniel Kerr and Chris Dole shows that most day laborers make between \$5.15 and \$7.00 an hour.

The temporary and day labor industries, both locally and nationally, have been characterized by rapid growth over the last twenty years. While the current economic slowdown has interrupted that growth temporarily, flexible staffing has become a fixed part of our economy. National statistics, as well as the day labor surveys done in Cleveland and Chicago, show that pay and benefit levels for these temporary workers lag behind those of workers in standard job arrangements.

Data Sources

The data in this report was gathered with the generous assistance of Chirag Mehta and the Center for Urban Economic Development at the University of Illinois at Chicago.

Data from the Bureau of Labor Statistics, collected through employer surveys, is broken down according to the Standard Industrial Classification (SIC) structure. The SIC structure does not separate day labor agencies from temporary employment agencies. SIC 736, Personnel Supply Services, includes temporary agencies, day labor agencies, employee leasing services, and employment agencies. Personnel Supply Services is often used to highlight trends in temporary employment, because temporary industry employment accounts for nearly 90% of the total. SIC 7363, Help Supply Services, is a subcategory of Personnel Supply Services and provides more exact data on temporary employment, but many employment estimates are not available at this level of detail. Throughout this report, data from the Help Supply Services category is used when available.

The Current Population Survey (CPS) is a monthly survey of 50,000 working households administered monthly by the Census Bureau. The CPS began doing a semi-annual Supplement on the Contingent Workforce in 1995. The CPS definition of the contingent workforce includes on-call workers, independent contractors, temporary agency employees as well as day laborers. The most recent Contingent Work supplement, published in February 2001, did not include data on day laborers because the sample size was statistically insignificant. However, unpublished estimates from the supplement show that day labor employment in February 2001 was 258,000. This estimate is almost certainly an undercount because the CPS is a household survey, and therefore is less likely to include the significant portion of day laborers who are homeless.

References

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