

Measuring Nonstandard Employment in the United States

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In this brief, I discuss special problems in conceptualizing nonstandard work in the United States, efforts to define and measure nonstandard work in official statistics, problems with those measures, and suggestions for improving our understanding of informal or nonstandard work in the United States.

The Concept of Nonstandard Work in the United States

Because the U.S. labor market is generally less regulated than in other developed countries, the distinction between nonstandard and standard employment arguably is less sharp. In particular, compared to other developed countries, the United States has relatively few legal restrictions on dismissals of workers in standard employer-employee relationships. U.S. employers are legally prohibited from firing a worker by virtue of that worker's gender, race, religion, or ethnic origin (so-called protected classes). Besides these cases, there is no requirement, as is common in other developed countries, that individual dismissals be "for just cause". Moreover, relative to other developed countries, restrictions on dismissals for economic reasons are quite weak. Provisions of the WARN (Worker Adjustment and Retraining Notification) Act apply only to mass dismissals, contain large loopholes, and are not well enforced, according to GAO findings. Severance pay is not legally mandated, as it is in many countries. The greater flexibility to hire and fire, which is an often-cited justification for using workers on fixed-term contracts or in temporary help agencies in other countries, is not a compelling reason on legal grounds in the United States.

In addition, U.S. employers face relatively few regulations on the terms of employment, besides those pertaining to unemployment insurance, workers' compensation (disability insurance), and health and safety. U.S. employers are not required to provide health insurance or pension benefits. Even with the recent increase in the federal minimum wage, minimum wages are low in real terms by historical standards and generally not regarded as a major constraint.

Given the relatively weak employment protections afforded any U.S. workers, the de facto differences in employment conditions of workers in traditional employer-employee relationships and in non-standard relationships may be small. For instance, temporary help and on-call jobs may be intrinsically unstable, but so too are the jobs of many, especially low-wage workers under the U.S. system of employment-at-will. Independent contractors, who are legally self-employed, cannot receive tax-favored health and pension benefits from the company for which they perform services, but many workers in

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standard employment relationships lack employer-sponsored health and pension benefits too. Nevertheless, one motivation for better documenting workers in nonstandard employment is the generally substantiated belief that workers in these arrangements, on average, enjoy fewer protections and benefits than do comparable workers in standard employer-employee arrangements.

Contingent Worker Supplement to the CPS: The Effort to Measure Nonstandard Work in Official Statistics

A number of researchers have conducted one-time employer surveys to assess their use of workers in various nonstandard work arrangements among a nationally representative cross-section of employers or among employers in a particular sector or geographic locality. In this brief, however, I restrict my discussion to the Contingent Worker Supplement (CWS) to the Current Population Survey, which represents the main effort in government statistics to estimate the number of workers in various nonstandard arrangements and trends over time in these arrangements.

The CWS were conducted five times from 1995 to 2005. The survey collected information on several basic types of nonstandard arrangements: 1) workers who are self-employed and primarily perform work for a client organization (independent contractors), 2) workers who are employees, but are employed by an intermediary, not directly by the organization for whom they are performing tasks (contract company workers, temporary agency workers), and 3) workers whose hours of work are unpredictable (day laborers, on-call workers). In addition, BLS constructed a category termed contingent workers, meant to capture those who regarded their job as temporary. This category includes workers who are in traditional direct-hire employment arrangements but who regard their work as temporary (e.g. seasonal workers) as well as workers in nonstandard arrangements who regard their job as temporary.²

Figure 1 depicts trends in the percent of men and women in various nonstandard employment arrangements and in a contingent arrangement, across the five waves of the CWS from 1995 to 2005.³ Except for independent contractors, who comprise 8.5 to 9.1 percent of employed men and 4.6 to 5.6 percent of employed women in the survey data, the percent of workers in nonstandard employment arrangements is small. Moreover, although there is some uptick in the share of workers in several nonstandard arrangements from 2001 to 2005, there is no evidence of a trend increase, except perhaps for independent contractors. Independent contractors, however, tend to be well paid relative to workers in other nonstandard arrangements and to workers in regular, direct-

² Two definitions of contract company workers may be constructed from the survey data. The broad definition of contract company workers includes those who reported working for a company that contracted out them or their services; the narrow definition includes those working for a contract company and reporting that they usually performed tasks for just one customer and worked at that customer's worksite. There is a small overlap of workers in various nonstandard work categories. Workers in nonstandard arrangements may or may not be classified as contingent. Anne Polivka, who helped design the CWS, provides additional details on the survey.

³ I report the BLS's broadest definition of contingent worker. All tabulations are weighted using the supplement weights.

hire employment arrangements. From these data there appears to be a downward trend in the percent of workers in contingent arrangements, particularly among women.

Caveats about CWS Data

One might conclude from these data that 1) relatively few U.S. workers are in contingent or nonstandard work arrangements, 2) there is little evidence that the share of the workforce in these arrangements is increasing, and 3) devoting further resources to collecting information on contingent or nonstandard employment arrangements is not a good use of BLS's scarce funds. Indeed, the CWS was terminated (again) following the 2005 wave.

However, some evidence suggests that the incidence of workers in nonstandard arrangements is significantly understated in the CWS and may even fail to capture trend growth, implying that the understatement increases over time. In particular, for temporary help workers—the one category for which CWS numbers can be compared to establishment survey data—the fraction of workers reporting themselves to be paid by temporary help agencies is roughly half that found in the CES. Moreover, the CWS fails to capture the rapid growth of temporary help employment evident in the CES.⁴

Why might survey respondents under-report the incidence of nonstandard arrangements in the CWS? The most plausible reason is confusion among respondents over what the various categories of nonstandard arrangements mean. These employment categories are not routinely used in the workplace and hence no standard definition or common understanding of categories like independent contractor, contract company worker, or on-call worker exists. Even respondents employed by temporary help agencies appeared confused about their legal employer, frequently reported the client company as their employer. In addition, it is possible that many respondents were confused by the term temporary help agency, which was used in the survey. Throughout the 1990s, temporary help agencies increasingly referred to their businesses as staffing companies to reflect the broader set of services delivered by these companies and, perhaps, to distance themselves from the poor public image of the temporary help agency. This change in business terminology could help explain why the trend increase in temporary help employment is not captured in the CWS.

Tabulations in Tables 1a and 1b suggest that misreporting by temporary help workers was widespread in both the CPS and the CWS. Employed individuals were asked for their employer in the basic CPS, and their responses were coded into industry of employment. Employees reporting a temporary help agency as their employer would have been coded in the somewhat broader industry category employment services in the basic CPS; according to CES figures, about three-fourths of employment services workers are in temporary help agencies. In the CWS, which was a supplement to the

⁴ A detailed comparison between the CWS and CES data on temporary agency workers is presented in Matthew Dey, Susan Houseman, and Anne Polivka, "What Do We Know About Contracting Out in the United States?: Evidence from Household and Establishment Surveys," paper prepared for the *CRIW Conference on Labor in the New Economy*, Bethesda, Maryland, November 16-17, 2007.

basic CPS survey, respondents were asked if they were paid by a temporary help agency. If respondents answered accurately in both components of the survey (basic and supplement), roughly three-fourths of the individuals classified in employment services in the basic CPS should also report being paid by a temporary help agency in the CWS. Yet, only half (50.5 percent) did. Conversely, all of those reporting being paid by a temporary help agency in the CWS should be classified in the employment services industry in the basic CPS. Instead, slightly under half (48.1 percent) of those reporting being paid by a temporary help agency in the CWS were appropriately classified in the basic CPS. Although such consistency tests for the other nonstandard work arrangements are not possible, it is plausible that similar reporting problems occurred.

About half of the CPS/CWS respondents are proxy—i.e. questions on a particular household member are answered by another household member. Reporting by proxy is likely to be especially biased, and Table 2 presents some evidence of this. For all nonstandard work arrangements, the percent reporting that the individual works in the arrangement is lower when reporting is done by proxy than when done by the individual him/herself. These differences are large and statistically significant for all categories of nonstandard work except on-call workers/day laborers.

Improving our understanding of nonstandard work in the United States: Some thoughts

Surveys of individual workers on contingent and nonstandard work arrangements provide information on the demographic characteristics of workers in these arrangements and are an important complement to information collected in establishment surveys. Future surveys should address respondent confusion about the definitions of these arrangements and the likely bias in the information collected, however. Better explanations of terms, questions that allow in-depth responses, and in-person interviews are ways this problem might be addressed.

In addition, and perhaps more important, government surveys undoubtedly miss much of employment in the underground economy, which besides being in violation of tax laws is often in violation of the most basic labor standards laws. With the large flow of immigrant and undocumented workers, employment that is “off the books” has probably grown in relative importance. Because workers in these arrangements may want to avoid discussing their employment situation with anyone from the government, private surveys with foundation funding likely will be needed to fill our gaps in understanding of the worst forms of informal or nonstandard work.

Figure 1: Percent Employed Men and Women in Nonstandard Work and Contingent Arrangements, 1995-2005, CWS

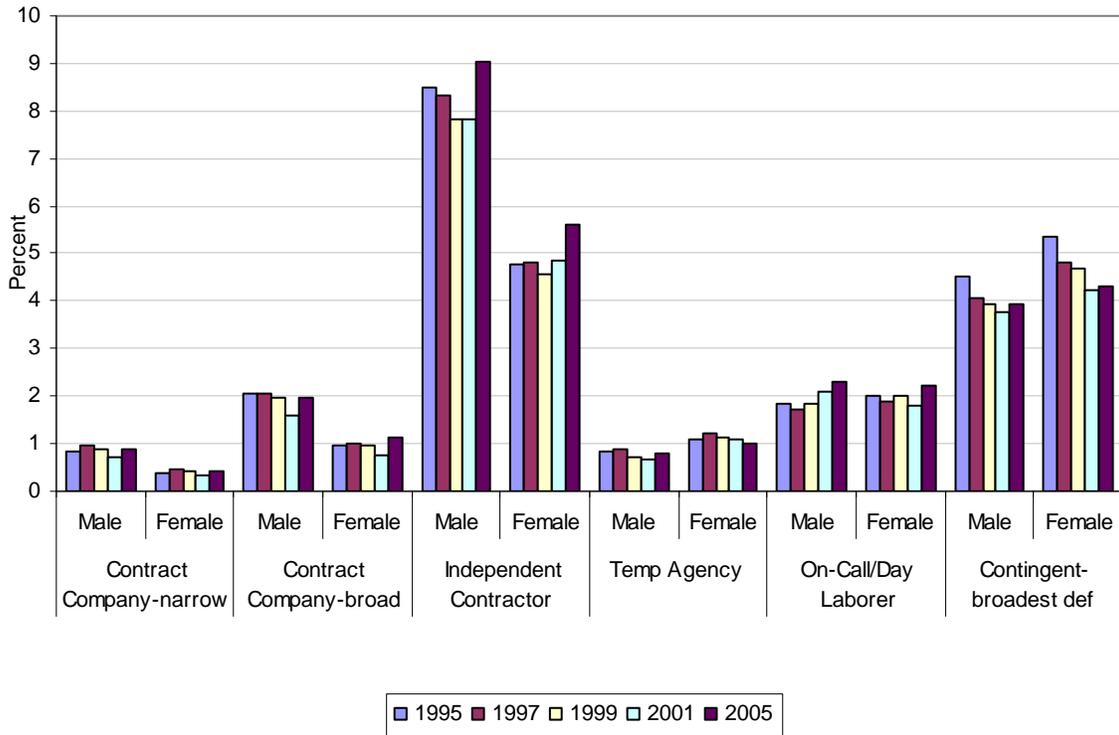


Table 1a: Among those who reported being employed in Employment Services in Basic CPS, percent who report paid by temp agency in CWS

	Paid by Temporary Help Agency, CWS	Not paid by Temporary Help Agency, CWS
Classified in Employment Services in Basic CWS	50.5%	49.5%

Table 1b: Among those who report being paid by temp agencies in CWS, percent who reported themselves as employed in Employment Services in basic CPS

	Classified in Employment Services in Basic CPS	Not Classified in Employment Services in Basic CPS
Paid by Temporary Help Agency, CWS	48.1%	51.9%

Note: Samples were pooled from the five waves of the CWS. No weights were used in computing percentages. Very similar patterns are evident in each of the waves and when sample weights are used.

Table 2: Percent of individuals classified in nonstandard arrangement by whether answers given by individual or by proxy

	Paid by temp agency	Contract Worker (narrow definition)	Contract worker (broad definition)	Independent Contractor	On-call/day laborer
Self-reported	0.92	0.67	1.57	7.81	2.07
Proxy	0.77	0.56	1.34	6.17	1.98
P-value*	0.00	0.00	0.00	0.00	0.06

*Shows the probability that these percentages are equivalent

Note: Sample is pooled from five waves of CWS. No weights were used in computing percentages.