An Update on Temporary Help in Manufacturing

The temporary help services industry has bounced back from the recession and continues to grow. Newly available data are enabling the Economics and Statistics Administration (ESA) to re-examine this important industry and update a report on the temp industry that we published last year.¹ 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 nonfarm employment in the U.S. economy (as of March 2015), but comprises 11 percent of all the jobs created since the end of the recession. Growth continued steadily in 2014, with 174,400 temp jobs added last year. And although the industry has seen some job loss in the first part of this year, temp workers remain a critical, growing component of the workforce in many industries and occupations, even for traditional factory jobs in the manufacturing sector, as explored below.²

Although we don’t know exactly how many temporary workers actually work in the manufacturing sector, we estimate that temps fill somewhere in the range of 8 to 10 percent of all jobs in production occupations in the manufacturing sector.³ Because temps are not counted as manufacturing workers in official statistics and those who fill these jobs are typically paid less for performing the same work, these statistics somewhat underestimate the number of people working in manufacturing, and overestimate the average wages of those working in manufacturing. This report will touch on these issues.

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

¹ This report updates previously published estimates on the number of temporary workers in manufacturing using data from the Bureau of Labor Statistics’ Occupational Employment Statistics (OES) survey. Previously, data on the employment services industry was used to estimate the number of temporary help workers in manufacturing, but newly available OES data on the temporary help industry allow for more precise estimates. The original estimates can be found in “Temporary Help in Manufacturing,” August 14, 2014, available online at: http://esa.doc.gov/reports/temporary-help-manufacturing.
expand their permanent workforce—converting those whose skill sets and work ethic fit well with the company and position.\textsuperscript{iv}

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.\textsuperscript{v}

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. However, temp jobs also typically pay less than comparable permanent employment and may not provide benefits such as health insurance and paid leave.\textsuperscript{vi} 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.\textsuperscript{vii} 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.\textsuperscript{viii}

So, how many temps work in the manufacturing sector? The government’s official employment statistics 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.

Using the OES data we find that in 2014 there were 672,500 jobs in production occupations in the temporary help industry. If all of those temps were placed in manufacturing establishments, then we could say that the real number of production jobs in manufacturing would be about 11 percent higher than the 6.2 million counted in the industry that year.

This estimate is somewhat unrealistic, because it assumes that ALL of the temps performing production work are 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 that not all production jobs are in manufacturing and, for simplicity’s sake, allocate manufacturing’s share of the economy’s non-temp production workers (75.6
percent) to temporary help jobs, then we arrive at a lower estimate of around 508,400 temps doing production work in manufacturing. This number would still boost the ranks of manufacturing production workers by about 8 percent.

Data from the Census Bureau’s Annual Survey of Manufactures and Economic Census also help to quantify manufacturers’ use of temps. In these surveys, manufacturers are asked how much they spend on temporary and leased employees. This data on temporary and leased employees is not directly comparable to the jobs data—it includes spending on Professional Employer Organizations (PEOs), which are a separate industry from temporary help, and is not limited to production occupations. In 2013, manufacturers spent $32.0 billion on temporary and leased employees. This is equal to 5.0 percent of total payroll for manufacturers and 8.6 percent of payroll for just production workers. This is slightly less than the 8 to 10 percent share of manufacturing production worker employment accounted for by temps based on the OES data discussed above. That the share is smaller is perhaps not surprising given that the average temp works fewer hours...
per week than the average manufacturing production worker—around 35 hours versus 42 hours over the past five years, as measured by the CES.\textsuperscript{a}

As noted in the earlier version of this article, 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. In the meantime, we will continue to use the latest OES statistics to estimate the manufacturing sector’s use of these workers.

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\textsuperscript{a} So far, in the first three months of 2015, the industry has lost 3,900 jobs.


\textsuperscript{c} Production occupations as classified by the Standard Occupational Classification (SOC 51-0000). See http://www.bls.gov/soc/2000/soc_u0a0.htm for more information.

\textsuperscript{d} Dey, Houseman, and Polivka.

\textsuperscript{e} Ibid.

\textsuperscript{f} 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.


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

\textsuperscript{j} 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.