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# THE FORMAL AND INFORMAL UTILIZATION OF TEMPORARY OFFICE WORKERS IN A LOCAL ECONOMY

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## ABSTRACT

The purpose of this study was to determine how and why temporary workers are used in Duluth, Minnesota. A survey was developed and distributed to a sample of 500 member companies listed in the *1989 Directory* of the Duluth Area Chamber of Commerce. Usable responses were received from 153 Chamber members. Data were analyzed using the frequency distribution and chi-square analysis subprograms of SPSS-X. Chamber members who responded to the survey indicated that they were more likely to direct-hire temporary employees than they were to obtain additional help through a temporary employment agency. Agency employees were most frequently used to cover vacancies created by a brief vacation or a resignation.

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## INTRODUCTION

Although temporary employment agencies existed in the early 1900s, the temporary employment service field did not receive industry status until the Post-World War II era. Since then, agencies have grown in number and strength. According to a recent *Modern Office Technology* article, there were nearly 10,000 temporary service offices in the United States in 1988 and $13.9 billion in receipts were generated. This article also reported that 1995 revenue projection for the industry is for $26.3 million (Fernberg, p. 29).

The temporary help supply industry has been one of the fastest-growing industries in the economy with employment projected to increase 62 percent during the period 1988-2000. Among the occupations for which temporary service workers are provided, the office/clerical sector is the one most often used. Thirty-four percent of the respondents to a 1988 TempForce survey said the clerical occupational group represented the greatest growth potential in their companies (TempForce, p. 29).

## BACKGROUND

Duluth, Minnesota, is located along the north shore of Lake Superior. It is a regional cultural, educational, banking, retail, medical, and entertainment center. The city was once industrial based and drew its economic strength from the water, agricultural, and mineral resources of the area. The decline of the mining industry in the mid-60's had a devastating effect on the region and the community. According to data published by the Duluth Chamber of Commerce, the city's population fell from a high of 106,884 in 1960 to 92,811 in 1980; the State Demographer's Office 1987 population estimate was 83,065. Despite the continued population decline, the economic climate for the area is improving. Recent industrial expansion complements developments in the tourism industry and growth in the medical and educational areas. This economic recovery is being paralleled by a noticeable growth in the number of temporary employment agencies operating within the city. Currently, there are nine such agencies.

## PURPOSE

Although there is substantial popular literature addressing reasons for growth of the temporary employment industry, research-based information related to the temporary employment industry is limited. This study was conducted, therefore, to determine the reasons for the local growth of the industry. Specifically, answers were sought to the following questions:

1. Is there a significant difference between a company's SIC category and the reason(s) for using, average time used, season of use, or predicted future use of the services of a temporary employment agency?

2. Is there a significant difference between the number of office/clerical employees within a company and the reason(s) for using, average time used, season of use, or predicted future use of the services of a temporary employment agency?

3. Are there observable differences between survey results and national data regarding reason(s) for using, average time used, season of use, or predicted future use of the services of a temporary employment agency?

## METHODOLOGY

The population for this study was the 1000 member companies listed in the *1989 Directory* of the Duluth Area Chamber of Commerce; a sample of 500 organizations was drawn. Each organization held corporate membership in the Chamber. Company size ranged from 1 employee to more than 1500 employees. All four Chamber membership categories were included in the sample--*non-profit, partnership, corporation, and proprietorship*; the number in each group was drawn in proportion to its total representation in the Chamber.

A questionnaire was developed to gather information about the respondents' organizations (SIC category and approximate number of office/clerical employees) and to determine how they filled *office/clerical* vacancies that arose in their organizations because of:

* peak workloads
* special projects
* brief (one- to two-week) vacations
* brief (one- to five-day) illnesses
* extended (two or more weeks) illnesses
* extended vacations or leaves of absence
* resignation of full-time employee(s)

In addition, the survey sought information from those who used temporary employment services concerning frequency and season of use, average assignment length, reason for choosing a temporary service, and predicted level of use.

Materials were mailed during spring 1989; no followup mailing was done. Data were analyzed using the frequency distribution and Chi-Square analysis subprograms of SPSS-X.

## FINDINGS/DISCUSSION

Responses were received from 153 Chamber members, 30.6 percent of the sample. The largest number of respondents (49; 32 percent) was from the service industry; the smallest number of respondents was from mining and manufacturing. The entire SIC distribution is presented in Table 1; also presented are national percentages and percentages for those among the respondents who indicated they used the services of a temporary employment agency. The heavy emphasis on service and wholesale/retail trade reflects the changing nature of the region. Over the past two decades, the region has switched from a blue-collar (industrial) to a white-collar (service and retail) economic base.

Table 1

SIC Classifications

| Classification | Respondents N=153 | Percent | Agency Users N=54 | National |
|---|---|---|---|---|
| Services (educational, medical, legal, etc.) | 49 | 32.0 | 33.3 | 31.20 |
| Wholesale & Retail Trade | 34 | 22.2 | 20.4 | 32.37 |
| Finance, Insurance, Real Estate | 26 | 17.0 | 13.0 | 8.68 |
| Transportation; Communication; Electric, Gas, Sanitary Services | 17 | 11.1 | 11.1 | 3.61 |
| Construction | 13 | 8.5 | 9.3 | 8.47 |
| Mining, Manufacturing | 4 | 2.6 | 1.9 | 6.72 |
| Agriculture, Forestry, Fishing | 2 | 1.3 | 1.9 | 1.17 |
| Don't Know | 8 | 5.3 | 7.5 | 7.75 |

One might expect the number of office/clerical workers employed by companies in the service sector of the economy to be large. This was not the case with the respondents to this survey. The majority (126; 82.4 percent) of the companies surveyed indicated that they employed from 0 to 10 office/clerical workers. Complete information is presented in Table 2.

Table 2
Number of Office/Clerical Employees
(N=153)

| No. of Employees | Frequency | Percent |
|---|---|---|
| 0-10 | 126 | 82.4 |
| 11-25 | 17 | 11.1 |
| 26-50 | 7 | 4.6 |
| 51-200 | 2 | 1.3 |
| 201-500 | 0 | .0 |
| Over 500 | 1 | .7 |

In response to questions about how their companies handled a variety of worker shortages, Chamber members indicated they were most likely to "Do the best we can." Temporary employment agency employees were most frequently used to cover vacancies created by a vacation (brief or extended), an extended illness, or a resignation. The group also indicated that they were least likely to use employees hired through a temporary employment agency to cover a vacancy created by a brief illness or for extra work generated by special projects or peak periods. See Table 3 for a complete description.

Table 3
Most-Used Strategies for Meeting Productivity Demands
Created by Vacancies, Special Projects, or Increased Volume of Work
(Expressed as Percent of Respondents)
(N=153)

| Technique | Peak Workload | Special Project | Vacation | Brief Illness | Extended Illness | Extended Vacation | Resignation |
|---|---|---|---|---|---|---|---|
| Do best we can | 61.4 | 62.7 | 63.4 | 82.4 | 51.6 | 45.1 | 50.3 |
| Overtime | 15.7 | 18.3 | 4.6 | 3.9 | 5.2 | 5.2 | 5.2 |
| Direct hire | 7.2 | 4.6 | 4.6 | .7 | 10.5 | 14.4 | 12.4 |
| Temporary Agency | 5.2 | 3.3 | 8.5 | 2.0 | 14.4 | 18.3 | 13.7 |
| In-House temporary | .7 | .7 | .7 | .0 | .7 | .7 | .7 |
| Reassign worker(s) | 3.9 | 3.9 | 9.8 | 5.2 | 5.9 | 5.2 | 3.9 |
| Service Bureau | | | | | | | |
| Internal | .0 | .0 | .0 | .0 | .7 | .0 | .0 |
| External | 2.0 | 1.3 | .0 | .0 | 1.3 | .7 | 1.3 |
| Other | 3.9 | 2.6 | 5.2 | 4.6 | 9.2 | 7.2 | 9.2 |

The results of this survey differ from those of the TempForce survey cited earlier in this paper. Over half (61.7 percent) of the TempForce respondents cited special projects as the predominant reason for using temporary workers. The overall percentages by reason for usage were special projects, 28 percent; peak periods, 21 percent; vacation, 19 percent; sickness, 17 percent; and other, 15 percent (TempForce, p. 25).

Slightly over one-third (54; 35.3 percent) of the respondents stated that they had used the services of a temporary employment agency. This group also indicated that a range of two to five days was the most frequent length of service. Nearly one-fourth (23 percent) of the TempForce survey respondents indicated the two- to five-day period of temporary usage (TempForce, p. 24). Table 4 presents the full range of responses.

Table 4
Average Length of Assignment for
Temporary Employee
(N=54)

| Length | Number | Percent |
|---|---|---|
| 1 day | 1 | 1.9 |
| 2 - 5 days | 23 | 42.6 |
| 2 - 3 weeks | 14 | 25.9 |
| 1 - 3 months | 12 | 22.2 |
| Over 3 months | 4 | 7.4 |

Those Chamber members who had used a temporary employment service were asked to indicate how many times they had contracted with a service to fill vacancies created by illness, vacation, or resignation during 1988. Brief vacation and resignation were the reasons most frequently given; the range of use was 0 to 10 for brief vacation and 0 to 5 for resignation. Table 5 provides complete comparisons.

**Table 5**
**Frequency with Which Temporary Agencies are Used and the Reasons for Their Use (N=54)**

| Number of Uses | Brief Illness | Extended Illness | Brief Vacation | Leave of Absence | Resignation |
|---|---|---|---|---|---|
| 0 | 87.0 | 85.2 | 68.5 | 85.2 | 66.7 |
| 1 | 7.4 | 13.3 | 16.7 | 13.0 | 20.4 |
| 2 | .0 | .0 | 7.4 | 1.9 | 5.6 |
| 3 | .0 | 1.9 | 1.9 | .0 | 5.6 |
| 4 | .0 | .0 | 3.7 | .0 | .0 |
| 5 | 1.9 | .0 | .0 | .0 | 1.9 |
| 10 | .0 | .0 | 1.9 | .0 | .0 |

When asked to indicate the season during which temporary service agencies were most frequently used, nearly half (25; 46.3 percent) of the respondents indicated that season made no difference. Among those who indicated a preference, summer was the most frequently chosen season. These results parallel the results of the TaskForce survey which showed that usage was relatively constant throughout the year with use during the summer at 28 percent (TempForce, p. 26). The selection of summer as a seasonal preference meshes with the use of temporary service employees to replace workers on vacation. The "No Difference" meshes with the concept of hiring temporary employees to replace workers who have resigned; resignations are not seasonal. See Table 6.

Table 6
Seasons During Which Temporary Employment Agencies are Most Frequently Used
(N=54)

| Season | Frequency | Percent |
|---|---|---|
| No Difference | 25 | 46.3 |
| Summer | 17 | 31.5 |
| Winter | 9 | 16.7 |
| Fall | 2 | 3.7 |
| Spring | 1 | 1.9 |

According to the majority of survey respondents (39; 72.2 percent), no change in frequency or pattern of temporary employment service use is predicted. See Table 7 for complete details.

Table 7
Respondents' Predictions for Future Use of Temporary Employment Services
(N=54)

| Prediction | Frequency | Percent |
|---|---|---|
| No Change | 39 | 72.2 |
| Decrease | 10 | 18.5 |
| Increase | 5 | 9.3 |

To understand the use of temporary employment agencies, firm characteristics such as industry and size were related to the frequency of use, average length of assignment for temporary employees, reasons for their use, season of use, and predictions for future use of temporary employment services. The statistical technique used in analyzing the data was that of Chi-square tests of association; for example, future expectations by size of clerical/office staff.

Among those respondents who have used temporary employment agencies, there was no significant relationship between Standard Industrial

Classifications and the frequency of use for reasons of brief illness, extended illness, brief vacation, leave of absence, or resignations. Likewise, there was no significant relationship between SIC and season, predictions for future use, or primary reason for use. There was, however, a significant relationship between SIC and the average length of time a temporary employee worked in the organization (p-value = .0000). Respondents in construction, wholesale and retail trade, and transportation were more likely to use temporary employees for longer periods of time (two or more weeks) than firms in the other SIC classifications.

Size of the firm's clerical/office staff does not appear to be significantly related to the various measures of use of temporary employment agencies. Specifically, there was no significant relationship between clerical/office staff size and average time of use, season, expectations, or primary reason for using a temporary employment service. Additionally, there was no significant relationship between the number of clerical/office employees and the number of times a temporary agency was used to fill a vacancy which occurred because of brief illness, extended illness, or brief vacation.

There was a significant relationship between the clerical/office staff size and the number of times an employer used the services of a temporary employment agency to fill a vacancy which occurred because an employee was away for three or more weeks because of an extended vacation or leave of absence (p-value= .0000). The relationship between clerical/office staff size and frequency of use for reasons of resignation was significant at the 10 percent level of significance (p-value = .0558). The nature of these relationships is that smaller firms do not use temporary employment agencies for these reasons while larger firms do.

Discussing problems associated with estimating temporary work assignments, Polivka and Nardone suggest that a major source of undercounting is the lack of data about workers hired directly by employers for temporary jobs (Polivka and Nardone, pp. 9-16). Chamber members indicated that they were more likely to direct-hire temporary employees than they were to obtain additional help through a temporary employment agency. Fifty-two percent of the respondents stated that they direct-hire temporary employees compared with the 35.3 percent who indicated that they had used the services of a temporary employment agency. The SIC and staff size distributions of this subsample follow the pattern of the entire sample.

Although these companies have experience using temporary employees, direct-hire arrangements appear to be preferable to contracting with an agency. Among those companies who direct-hire temporary employees, direct-hire was used more as a strategy for handling the variety of worker shortages than was using a temporary employment agency. The reasons for using direct-hires are similar to those for using temporary employment agencies; namely, to cover vacancies created by extended illness, extended vacation, and resignation. Table 8 presents summary data.

Table 8
Comparison of Direct-Hire and Temporary Agency as the Most-Used Strategy for Meeting Productivity Demands Among Those Companies Using the Direct-Hire Option (Expressed as Percent of Respondents)
N=80

| | Peak Workload | Special Project | Vacation | Brief Illness | Extended Illness | Extended Vacation | Resignation |
|---|---|---|---|---|---|---|---|
| Direct-Hire | 13.8 | 8.8 | 8.8 | 1.3 | 2.0 | 27.5 | 23.8 |
| Temporary Agency | 2.5 | 2.5 | 5.0 | .0 | 8.8 | 12.5 | 7.5 |

The patterns of usage of temporary employment services in Duluth differ substantially from national norms. Nationally, for example, the predominant reason for using the services of a temporary employment agency is special projects; whereas, in Duluth special projects was cited as the least likely reason for contracting workers from a temporary employment agency. The overall usage of temporary employment agencies in Duluth lags behind the national average.

Several factors may account for these observed differences. The industrial mix of Duluth may influence the level of usage. Based on interviews of employers in San Francisco, Oakland, and San Jose, Mangum, Mayall, and Nelson (Mangum, Mayall, and Nelson, pp. 599-611) reported extensive use of temporary workers in the retail trade and manufacturing sectors. However, relative to the United States, Duluth has fewer wholesale and retail trade and manufacturing establishments. Mangum, et al. also noted also noted heavy usage in health care, business services, and finance and insurance. Although the proportional size of the service sector in Duluth is similar to that of the United States, the sample data do not allow for a finer breakdown within that sector.

Size of firms and size of the market also provide possible explanations for the different patterns of usage of temporary employment services. Mangum, et al. noted that large firms appeared to have a greater volume of temporary worker usage and suggest that large firms "had more rationalized hiring systems and were better able to identify when temporary workers could be used efficiently" (Mangum, Mayall, and Nelson, p. 606). In the Chamber sample, 82.4 percent of the respondents reported having 0-10 office/clerical employees, suggesting a predominance of smaller firms in Duluth.

According to Commerce Department data, temporary help services are concentrated in the largest cities. This study concentrates on the usage (or demand) for temporary employment agencies with no indication of the supply of those services. The low usage in Duluth may reflect the relative lack of available services resulting either from the size of the market or the "immature" nature of the industry in the Duluth market.

It is interesting to note that the relatively low usage of temporary employment agencies in Duluth does not necessarily imply a lack of available temporary workers. As indicated above, Chamber members were more likely to direct-hire temporary employees than they were to obtain additional help through a temporary employment agency. Again, this may reflect a relatively small temporary help services industry in Duluth. On the other hand, the pattern may be influenced by the motivations for using temporary workers. Direct-hire temporary employees may be considered to be more like trainees. This view is consistent with using temporary workers to cover vacancies created by an extended illness or a resignation rather than using temporary workers for extra work generated by special projects or peak periods.

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