# Contingent and alternative work arrangements, defined 

Contingent workers have no explicit or implicit contract for a long-term employment arrangement; depending on how measured, there were as many as 6 million contingent workers in February 1995

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Has the era of lifetime jobs in the United States vanished and, in its stead, a "just-in-time" age of "disposable" workers appeared? Even though the majority of studies have found no change in workers' overall job tenure, reports of corporate downsizing, production streamlining, and increasing use of temporary workers have caused many to question employers' commitment to long term, stable employment relationships. ${ }^{1}$ There also is a growing sense that employers, in their attempts to reduce costs, have increased their use of employment intermediaries such as temporary help services and contract companies and are relying more on alternative staffing arrangements such as on-call workers and independent contractors.

This article discusses the definitions of contingent workers and alternative work arrangements used by the Bureau of Labor Statistics to analyze data from a special supplement to the Current Population Survey (CPS), and presents aggregate estimates of the number of workers in each group thus identified. This analysis is supplemented with data on workers in alternative employment arrangements from the 1994 National Longitudinal Survey of Youth (NLSY). The article concludes with a discussion of the overlap between contingent workers and workers in alternative arrangements.

Subsequent articles in this issue use the CPS data to develop profiles of contingent workers and workers in alternative arrangements, examine the wages and nonwage benefits these workers receive, and explore contingent and alternative workers' preferences for and transitions into
their current arrangements. ${ }^{2}$ An article using NLSY data to examine changes in wages and hours for those who switched jobs, and the influence of life events, such as the birth of a child, on the likelihood of later working in a full-time, parttime, or alternative employment arrangement is also included in this issue.

## Defining contingent work

The term "contingent work" was first coined by Audrey Freedman at a 1985 conference on employment security to describe a management technique of employing workers only when there was an immediate and direct demand for their services. ${ }^{3}$ Within a few years of its initial usage, however, the term came to be applied to a wide range of employment practices including parttime work, temporary help service employment, employee leasing, self-employment, contracting out, employment in the business services sector, and home-based work. In fact, to some, virtually any work arrangement that might differ from the commonly perceived norm of a full-time wage and salary job would fall under the rubric of contingent work. Although these employment practices are interesting to study in their own right, referring to them as contingent work causes many workers to be misclassified and many analysts to be confused about what exactly is being described or studied.

For instance, while working part time certainly is different from working 40 hours a week from nine to five, being part time does not in of itself denote a contingent employment relation-
ship. In fact, in January 1991, half of all part-time workers aged 25 and older had been with their employer at least 3.3 years and, in February 1995, the mean years of job tenure for part-time workers 25 and older was 6.8 years. Also, according to the February 1995 supplement, 65.8 percent of workers in the business services industry were full-time wage and salary employees. On the other hand, some workers who are clearly temporary, such as those who are directly hired to meet an increase in demand during holidays, would be missed by an analysis confined to employment in the temporary help supply industry.

To return the focus to the transitory nature of the employment relationship and to identify a common underlying characteristic with which to classify workers, BLS in 1989 developed the following conceptual definition of contingent work: "Contingent work is any job in which an individual does not have an explicit or implicit contract for long-term employment. ${ }^{4}$ In essence, a contingent worker was defined as anyone who was in a job currently structured to be of limited duration.

## Counting contingent workers

In operationalizing the BLS definition of contingent work, several pieces of information were collected in the February 1995 supplement to the CPS from which such a transitory arrangement could be discerned. These included whether the worker's reported job was temporary or not expected to continue, how long the worker expected to be able to hold the job, and how long the worker had held the job. For workers who had a job with an intermediary, such as a temporary help firm or a contract company, information was collected about their employment at the place they were assigned to work by the intermediary and about their employment with the intermediary itself.

The key factor used to determine if a job fit the conceptual definition of contingent work was whether the job was temporary or not expected to continue. The first questions of the supplement were:

1. Some people are in temporary jobs that last only for a limited time or until the completion of a project. Is your job temporary?
2. Provided the economy does not change and your job performance is adequate, can you continue to work for your current employer as long as you wish? ${ }^{5}$

Respondents who answered "yes" to the first question, or "no" to the second, were then asked a series of questions to distinguish people who were in temporary jobs from those who, for personal reasons, were temporarily holding jobs that offered the opportunity of ongoing employment. For example,
college students working part time in fast-food restaurants during their summer vacations might view these jobs as temporary, because they intend to leave them at the conclusion of their vacations. The jobs themselves, however, would continue to be filled by other workers once they left, and thus the jobs would not be contingent.

Jobs were defined as being short term or temporary if the worker was working only until the completion of a specific project, was temporarily replacing another worker, was hired for a fixed time period, was filling a seasonal job that was available only during certain times of the year, or if other business conditions dictated that the job was short term. Individuals who expected to work at their current job for a year or less for personal reasons, such as returning to school, retiring, or obtaining another job, were asked if they could continue working at their jobs were it not for these personal reasons. If the job could not have continued, these workers also were classified as having a temporary job.

In addition to being asked whether they perceived of their jobs as temporary or not lasting as long as they might have wished, respondents also were asked how long they expected to stay in their current jobs and how long they had been with their current employer. The rationale for asking how long an individual expected to remain in his or her current job was that being able to hold a job for a year or more could be taken as evidence of at least an implicit contract for ongoing employment. In other words, the employer's need for the worker's services is not likely to evaporate tomorrow. By the same token, the information on how long a worker had been with an employer indicates whether a job has been ongoing. Having remained with an employer for more than a year may be taken as evidence that, at least in the past, there was an explicit or implicit contract for continuing employment. Exhibit 1 contains the questions respondents were actually asked and indicates the path wage and salary employees could have taken through the first part of the February 1995 supplement.

T$T_{0}$ assess the impact of altering some of the defining factors on the estimated size of the contingent work force, three measures of contingent employment were developed. Under estimate 1, which is the narrowest, contingent workers were defined as wage and salary workers who indicated that they expected to work in their current jobs for 1 year or less and who had worked for their current employer for 1 year or less. Self-employed workers, both incorporated and unincorporated, and independent contractors were excluded from the count of contingent workers under estimate 1 . The rationale for their exclusion was that people who work for themselves by definition have an ongoing employment arrangement, albeit with themselves. Individuals who worked for temporary help firms or contract companies were consid-

## Exhibit 1. Questions that determine whether workers expect their employment to continue


ered contingent under estimate 1 only if they expected their employment arrangement with the temporary help or contract company to last for 1 year or less and they had worked for that company for 1 year or less. In other words, for these individuals, employment under estimate 1 was defined with respect to their temporary help or contract company. Consequently, workers employed by a temporary help company were not considered contingent if they expected to be able to stay with their temporary help company for more than a year or had been with that company for that amount of time, even if the places they were assigned to work by the company changed frequently. Under this definition, 2.7 million workers- 2.2 percent of the work force-were in contingent arrangements.

Estimate 2 expands the measure of the contingent work force by including the self-employed, both incorporated and unincorporated, and independent contractors who expected to be and had been in such employment arrangements for 1 year or less. (The questions asked of the self-employed were different from those asked of wage and salary workers featured in exhibit 1.) In addition, temporary help and contract company workers were classified as contingent under estimate 2 if they had worked and expected to work for the customers to whom they were assigned for 1 year or less. In other words, actual and expected job tenure was measured from the perspective of where individuals were working. For example, consider a "temp" secretary who is sent to a different customer each week but has worked for the same temporary help firm for more than a year and expects to be able to continue with the temporary help firm indefinitely. Under estimate 1 this individual would not be counted as contingent, but under estimate 2 , this individual would be counted as contingent. In contrast, a "temp" who was assigned to a single client for more than a year and expects to be able to stay with that client for more than a year is not counted as contingent under either estimate. Using this definition, 3.4 million workers- 2.8 percent of the work force-were in contingent arrangements.

Estimate 3, the broadest measure of contingency, removes the 1-year requirement on both expected duration of the job and current job tenure for wage and salary workers. Consequently, this estimate effectively includes all wage and salary workers who do not expect their jobs to last. For instance, a wage and salary employee who had held a job for 5 years could be considered contingent if he or she now viewed the job as temporary for reasons related to the structure of the job. These conditions on expected and current tenure were not relaxed for the self-employed and independent contractors because they were asked a different set of questions from wage and salary workers. As in estimate 2, only the self-employed and independent contractors who had been self-employed or independent contractors for a year or less and expected to remain in such an arrangement for a year or less were counted as contingent in the third definition. Using these
criteria, there were 6.0 million contingent workers in February 1995, 4.9 percent of the work force.

## Comparing CPS and previous measures

The February 1995 supplement to the CPS offered the first comprehensive and unified measure of the number of contingent workers in the U.S. work force. Prior to the supplement, analysts tried with only limited success to obtain a measure of the number of contingent workers by combining data from various sources. For example, one analyst tried to obtain an estimate of the size of the contingent work force by adding the number of workers in business services and a fraction of employment in the temporary help supply industry from the Current Employment Statistics survey to the number of selfemployed workers and workers on part-time schedules as measured in the CPS. Using data from these various sources, this analyst projected that between 25 percent and 30 percent of the work force were contingent. ${ }^{6}$ However, as was argued above, being a worker in one of these categories does not necessarily make one contingent. Classifying workers on the basis of characteristics that are not directly related to contingency may misclassify many individuals who are actually in long-term, stable work arrangements. For example, using the BLS estimates of contingency presented above, the proportion of part-time workers who were contingent in February 1995 only ranged from 5 percent to 11 percent, and of all workers who were in business services-which would include individuals working in advertising, credit reporting and collection, computer and data processing services, research and development, and management consulting-only 12.8 percent were contingent under the broadest definition in the February 1995 survey.

In addition, combining workers in various categories and using data from different sources resulted in double and even triple counting of some workers. For instance, according to the February 1995 CPS, one-fifth of those who worked for temporary help firms were part-time workers and 15.1 percent of the self-employed worked part time. In addition, 11.8 percent of the self-employed were in the services industry, a subset of the self-employed that partially overlaps those who were working part time. Combining all these groups together as if they were mutually exclusive artificially inflates the estimates of the number of contingent workers in the U.S. labor force. Still, far more than the double and triple counting, the definition of contingency as relating specifically to the permanence of the employment arrangement separates the BLS estimates from previous ones.

## Alternative work arrangements

Researchers studying the nature of employment relationships in the United States also are interested in employees in alter-
native work arrangements. These are defined either as individuals whose employment is arranged through an employment intermediary such as a temporary help firm, or individuals whose place, time, and quantity of work are potentially unpredictable. The February 1995 CPS supplement measures workers in four such arrangements: independent contractors, on-call workers, workers paid by temporary help firms, and workers whose services are provided through contract firms. ${ }^{7}$ The 1994 National Longitudinal Survey of Youth (NLSY) identifies workers age 29 to 37 who were independent contractors and temporary help agency employees at the time they were interviewed or in their most recent previous job.

In the February 1995 CPS supplement, all individuals who identified themselves as independent contractors, consultants, and freelance workers were classified as independent contractors regardless of whether they were identified as wage and salary workers or self-employed in response to the monthly CPS labor force status questions. In asking the self-employed if they were independent contractors, an attempt was being made to distinguish the self-employed-both the incorporated and unincorporated-who considered themselves to be independent contractors, consultants, or freelance workers from those self-employed who were business operators such as shop owners or restaurateurs. Among those identified as independent contractors, 85 percent were identified as self-employed in the main questionnaire, while 15 percent were identified as wage and salary workers. ${ }^{8}$ Conversely, about half of the self-employed-incorporated and unincorporated combinedidentified themselves as independent contractors. Overall, approximately 8.3 million workers were identified as independent contractors in the February 1995 CPS supplement, which is equivalent to 6.7 percent of total employment.

In the NLSY, 2.0 percent of those who were interviewed were identified as independent contractors or consultants. The CPS estimate for those 29 to 37 years old, the equivalent age group to the NLSY, was 6.2 percent in February 1995. The difference between these estimates is probably due to differences in the questions, differences in relative sample sizes, the extended time frame over which the NLSY data were collected as opposed to the single month in which the CPS data were collected, and other survey differences. For example, in the NLSY all individuals in alternative work arrangements were identified through the question: "Are you a regular employee at this job, do you consider yourself a temp worker, a consultant, or contractor, or are you an employee of a contractor? By 'THIS JOB,' we mean the one you are actually doing the work for NOT a temporary agency or a consulting or contracting firm that may have sent you there at first." In the CPS, wage and salary workers were identified as independent contractors through the question: "Last week, were you working as an independent contractor, an independent consultant, or a freelance worker? That is, someone who obtains customers
on their own to provide a product or service?," while those identified as self-employed in the main CPS were asked: "Are you self-employed as an independent contractor, independent consultant, freelance worker, or something else such as a shop or restaurant owner?"

Another difference is that CPS data were collected for the job held during the week of February 12th to 18th, 1995. The majority of NLSY data were collected for jobs held during the time period from June to October 1994, although some of the information collected referred to jobs that had ended sometime in 1993. Finally, the CPS collects data for approximately 120,000 individuals per month. In February 1995, information was collected for 20,324 individuals between the ages of 29 to $37 .{ }^{9}$ The NLSY sample consists of 8,891 respondents including an oversample of blacks and Hispanics. NLSY respondents were first interviewed in 1979 and, by and large, have been interviewed once a year since.

After independent contractors, the next largest group of workers in alternative work arrangements as measured by the CPS was on-call workers. On-call workers are individuals who are called into work only when needed. Examples of on-call workers are substitute teachers, nurses, and construction workers hired through union hiring halls. Individuals with regularly scheduled work, which might include periods of being "on call" to perform work at unusual hours, such as medical residents, should not be classified as on-call workers. In the CPS, on-call workers were identified through the following question: "Some people are in a pool of workers who are ONLY called to work as needed, although they can be scheduled to work for several days or weeks in a row, for example substitute teachers, and construction workers supplied by a union hiring hall. These people are sometimes referred to as ONCALL workers. Were you an on-CALL worker last week?" Through this question, 1.6 percent of the employed in February 1995, or 2.0 million workers, were identified as on-call workers.

Perhaps the group of workers in alternative arrangements that has received the most attention is temporary help service workers. ${ }^{10}$ In the February CPS, temporary help agency workers were identified through two questions. Individuals who said their jobs were temporary were asked: "Are you paid by a temporary help agency?" Those who did not say that their jobs were temporary were asked: "Even though you told me your job is not temporary, were you paid by a temporary help agency?" The latter question was added to capture individuals who did not consider their jobs to be temporary even though their employment was arranged through a temporary help firm. Approximately 20 percent of those who said that they were paid by temporary help agencies did not identify their jobs as being temporary or jobs at which they could not stay as long as they wished. The phrase "paid by a temporary help agency" was used to avoid confusion caused by the
phrases "work for"and "employed by" among individuals who considered their employers to be the client to whom they were assigned rather than the temporary help agency. It is interesting to note that in response to the main CPS questions: "Were you employed by government, by a private company, a non-profit organization, or were you self-employed?" and subsequent industry questions, approximately 56 percent of the temporary help workers identified in the supplement provided information related to their customers rather than the temporary help firm. ${ }^{11}$ Using these questions, 1.2 million workers were identified as temporary help agency workers in February 1995, or approximately 1.0 percent of all those employed. ${ }^{12}$

In the NLSY, after the initial question, unstructured followup probing was conducted by the interviewers to determine whether individuals who identified themselves as "temp workers" were employed by a temporary help agency. NLSY estimates indicate that approximately 0.9 percent of the employed in the relevant age groups were temporary help agency workers, whereas for the same age group, the CPS estimates indicate that, in February 1995, 1.1 percent of the employed were temporary help agency workers. Again, differences between CPS estimates and NLSY estimates are probably due to differences in the time frame over which questions were asked, ${ }^{13}$ and wording differences, along with other sample and methodological differences.

The final group of workers identified as being in an alternative arrangement were contract company workers. In the February CPS supplement, to be identified as a contract company worker an individual had to usually have only one customer and usually work at the customer's worksite. The last two requirements were imposed to avoid classifying as contract workers individuals who worked for companies that obtained contracts to carry out work assignments such as advertising agencies, military equipment manufacturers, lawyers, or employees of economic "think tanks." Rather, the intent was to identify individuals whose employment could be said to be intermediated through a contract company. Using these criteria, there were 652,000 workers identified as contract company employees in February 1995, or 0.5 percent of the employed.

It is important to note that, although interest in workers in alternative arrangements is relatively recent and there has been a dearth of data to quantify the number of workers in these arrangements, some of these alternative arrangements

| Alternative arrangements | Total (thousands) | Contingent workers |  |  | Noncontingent workers' |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Estimate 1 | Estimate 2 | Estimate 3 |  |
| Independent contractor ............ | 8,309 | ${ }^{(2)}$ | 3.8 | 3.8 | 96.2 |
| On-call workers ..................... | 1,968 | 17.6 | 18.0 | 35.2 | 64.8 |
| Temporary help agency workers $\qquad$ | 1,181 | 39.4 | 48.0 | 66.5 | 33.5 |
| Workers provided by contract firms | 652 | 7.7 | 11.7 | 19.8 | 80.2 |
| Workers with non-alternative arrangements ${ }^{3}$ $\qquad$ | 111,052 | 1.6 | 1.8 | 3.6 | 96.4 |

${ }^{1}$ Noncontingent workers are those who do not fall into any estimate of "contingent" workers.
${ }^{2}$ Independent contractors, as well as the self-employed, are excluded from estimate 1.
${ }^{3}$ Workers with non-alternative arrangements are those who do not fall into any of the "alternative arrangements" categories.

Note: Detail by type of arrangement may not sum to totals because a small number of workers may be both "on call" and provided by contract firms. Also, detail may not sum to totals due to rounding.
timate. It does not necessarily follow that a firm's use of workers in alternative arrangements matches one for one the number of workers in contingent arrangements or automatically shifts the job tenure distribution toward the lower end. Individuals in alternative arrangements such as contract company workers, independent contractors, and on-call workers, instead of developing a stable relationship with the firms for which they are providing services, could instead be developing stable relationships with the contract company or the occupation inherent in their employment arrangement.

## Footnotes

${ }^{1}$ For analysis of changes in job tenure, see Henry S. Farber, "Are Lifetime Jobs Disappearing? Job Duration in the United States: 1973-1993," National Bureau of Economic Research Working Paper No. 5014, February 1995; Francis Diebold, David Neumark, and Daniel Polsky, "Job Stability in the United States," National Bureau of Economic Research Working Paper No. 4859, September 1994; and Kenneth Swinnerton and Howard Wial, "Is Job Stability Declining in the U.S. Economy? Reply to Diebold, Neumark and Polsky," Industrial and Labor Relations Review, January 1996. For discussions of the perception of job security, see the series of articles: "The Downsizing of America," in The New York Times, Mar. 3, 1996 to Mar. 9, 1996; Lance Morrow, "The Temping of America," Time, Mar. 29,1993; and Janice Castro, "Disposable Workers," Time, March 29,1993. Other assessments of economic security include "Whatever happened to economic anxiety? Business Week, Sept. 23, 1996:" and "Is America's economy really failing?" The American Enterprise, July/August 1996.
${ }^{2}$ The authors of the CPS articles thank Thomas Nardone of the Bureau of Labor Statistics for guidance in developing and writing these articles.
${ }^{3}$ Testimony of Audrey Freedman before the Employment and Housing Subcommittee of the Committee on Government Operations, House of Representatives, Congress of the United States, May 19, 1988.
${ }^{4}$ See Anne E. Polivka and Thomas Nardone, "On the definition of 'contingent work'," Monthly Labor Review, December 1989, pp. 9-16.
${ }^{5}$ The second question was asked because not all people who are in jobs that are of uncertain, but limited, duration necessarily would identify their jobs as temporary. The phrase "provided the economy does not change" was placed in the question in order to explicitly try to measure individuals who were in jobs that were structured to be short term as opposed to just obtaining a measure of how people felt about the overall economy and the prospects of a recession affecting their employment. For individuals holding more than one job, the questions throughout the supplement refer to their main job.
${ }^{6}$ Richard Belous, The Contingent Economy: The Growth of the Temporary, Part-time and Subcontracted Workforce (Washington, DC, National Planning Association, 1989).
${ }^{7}$ Neither temporary nor part-time workers hired directly by an employer are considered to be in alternative work arrangements. These workers are not classified as being in alternative work arrangements because their employment is not arranged through an employment intermediary and, while employed, the place, time, and quantity of their work are not unpredictable. For a discussion about the measurement and an estimate of "direct hire temps" that can be derived from the CPS supplement, see Anne Polivka, "Are Temporary Help Workers Substitutes for Direct Hire Temps? Searching for an Alternative Explanation of Growth in the Temporary Help Industry," paper presented at the Society of Labor Economists Conference, May 3-4, 1996.
${ }^{8}$ Analysts may be tempted to classify independent contractors who were identified as wage and salary workers in the main questionnaire as those workers who otherwise would have been employees of the company where they are working or as individuals who were "converted" to independent
contractors to avoid legal requirements. However, the question wording in the main CPS does not permit this distinction. It was not possible with the CPS supplement to collect information on the legal aspects of employment arrangements.
${ }^{9}$ The February 1995 CPS used a multistage stratified cluster design to obtain a sample of 56,000 households that are interviewed monthly. The NLSY began in 1979 with a sample designed to be representative of individuals aged 14 to 21 as of January 1, 1979, plus an oversample of blacks and Hispanics. By and large, nlsy respondents have been interviewed once a year since 1979. Given the sample designs of both the CPS and the NLSY, it is necessary to use sample weights to obtain estimates that are representative of the entire U.S. population or a specific age cohort.
${ }^{10}$ Lewis Segal and Daniel Sullivan, "The temporary labor force," Economic Perspectives, March/April 1995, pp. 2-19; Lonnie Golden and Eileen Appelbaum, "What Was Driving the 1982-88 Boom in Temporary Employment," American Journal of Economics and Sociology, October 1992, pp. 473-93; and Karylee Laird and Nicolas Williams, "Employment Growth in the Temporary Help Supply Industry," Journal of Labor Research, Fall, 1996, pp. 663-81.
${ }^{11}$ Temporary help workers in the CPS were identified solely through the questions in the supplement, rather than relying on individuals' industry classifications in the basic CPS. The empirical results for the response to the main CPS question phrasing "employed by" verify the results observed during cognitive testing of the CPS supplement. Using the word "paid" will overestimate the number of temporary help workers who are obtaining assignments through the temporary help firm, because at least some of those who said that they are paid by a temporary help service will be part of the "permanent" staff of the agency. However, industry estimates of overhead indicate that the number of "permanent" workers of temporary help services is actually quite low.
${ }^{12}$ This estimate of temporary help service workers is below the establishment survey estimate of 2.0 million jobs in the temporary supply industry for several reasons. First, the supplement refers only to individuals' main jobs, while the establishment estimate refers to all jobs within the industry regardless of whether they were individuals' main jobs. Thus, the cPs estimate does not include temporary help workers whose main job was in another industry. Also, those working for two (or more) agencies are counted only once in the CPS estimate. The supplement did gather information on whether temporary help workers were registered with more than one agency in the preceding week. Approximately 22 percent of those who said that they were paid by a temporary help agency in the February supplement were registered with more than one agency. In the establishment estimate, these individuals would be counted twice if they received pay from two temporary help firms. Anecdotal evidence also suggests that many temporary help firms are structured to provide both temporary help service workers and contract company workers. Combining temporary help agency workers with contract company workers and adjusting for individuals being registered with more than one temporary help firm yields an estimate of 2.1 million workers, which accords well with the establishment estimate of 2.0 million jobs.
${ }^{13}$ While the NLSY data were collected over a period of time, the question asking whether individuals were working as a regular employee, temp worker, consultant, contractor, or an employee of a contractor referred to the jobs individuals held the week they were interviewed. The seasonal pattern of employment for temporary help workers aged 29 to 37 years old is unknown. However, generally, for all workers, temporary help employment is lowest in the first quarter and steadily increases from first to fourth quarter.
${ }^{14}$ See Mack A. Moore, "The Temporary Help Service Industry: Historical Development, Operation, and Scope," Industrial and Labor Relations Review, 1965 pp. 554-69.
${ }^{15}$ For example see Katharine G. Abraham, "Restructuring the Employment Relationship: The Growth of Market-Mediated Work Arrangements," in Katharine G. Abraham and Robert McKersie eds., New Developments in the Labor Market: Toward a New Institutional Paradigm (mit Press, 1990), pp. 85-119; and Paul Osterman, "Internal Labor Markets: A New Exploration," in Clark Kerr and Paul Staudohar eds., Labor Economics and Industrial Relations: Market and Institutions (Harvard University Press, 1994), pp. 303-49.

