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Contingent Workers and Alternative Employment Arrangements:

Evidence from the State of California

By

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EXECUTIVE SUMMARY

A growing number of California's workers are employed in contingent and alternative employment arrangements. Contingent workers are those employed in jobs that they believe are temporary or not expected to continue. Independent contractors, temporary help agencies workers, and employees of contract and lease firms are examples of alternative employment arrangements. The increasing number of California workers engaged in both contingent and alternative employment arrangements raises a number of public policy issues about job security, wage and benefit levels, and labor standards.

This paper provides an overview of contingent and alternative work arrangements in California. A summary of its major findings follows:

- Contingency rates in California are significantly higher than in the US. In 1999, 6.2% of California workers held jobs that they did not expect to continue, compared with only 4.3% of workers at the national level.
- Trends concerning the proportion of the labor force employed on a contingent basis have been different for the state as compared to the nation. From 1995 to 1999, California's contingency rate rose from 5.4% to 6.2%. During that same period, the nation's contingency rate fell from 4.9% to 4.3%.
- Trends concerning contingent employment have also been sharply divergent among the major metropolitan areas of the state. Since 1995, the contingency rate has fallen in the greater Los Angeles area. By contrast, contingency rates are up sharply in the rest of the state, particularly in the San Francisco and Sacramento areas.
- California also has a higher proportion of workers in alternative employment arrangements than the nation as a whole. In 1999, 12.1 percent of the state's workforce was employed in alternative work arrangements, as compared to 9.5 percent of the nation's workforce.
- The main reason for this difference is that the state has a very high percentage of independent contractors (7.8 % versus 6.3 % for the nation). The state also has a higher percentage of on-call workers (2.2 % versus 1.7 % for the nation), temporary help agency workers (1.3 % versus 0.9 % for the nation), and contract workers (0.8 % versus 0.6 % for the nation).
- Within California, independent contractors are more likely to be located in the Los Angeles and Sacramento metropolitan areas, while contract workers are heavily concentrated in the San Francisco area.
- In terms of wages, younger contingent workers are generally worse off than their non-contingent counterparts. However, the results are mixed for older workers, particularly

with higher levels of educational attainment. In many cases, contingent workers in these categories are found to earn more than their non-contingent counterparts.

- Independent contractors and workers provided by contract firms tend to earn more than workers in traditional arrangements, while on-call and temporary help agency workers tend to earn less.
- Independent contractors and contract workers are covered by health insurance at about the same rate as California workers overall (about 75%). Health care coverage for contingent and on-call workers falls to less than 60 percent, and that of workers for temp agencies to less than 50 percent. Workers in contingent and alternative arrangements are much less likely than the public to receive health benefits from their employer; however, many of these workers either purchase coverage, or receive benefits through family members.
- A significant fraction of workers in contingent and alternative employment arrangements prefer their current work arrangement to a permanent or traditional job. Independent contractors tend to be most satisfied with their current work arrangement. Roughly, half of contingent and temporary help agency workers indicate a preference for a traditional job. Least satisfied are the on-call workers, 60 percent of whom would prefer a traditional job.
- From 1995 to 1999, the proportion of contingent and alternative workers who would prefer a different type of work arrangement has fallen significantly. This may be due to the strengthening economy over this period, which increased job opportunities for all types of workers making it possible for more workers to find their preferred type of job.
- Over this same period we observe increasing numbers of contingent and alternative workers citing participation in schooling or training programs as the major reason for choosing forms of non-traditional employment.
- There is great heterogeneity in California's contingent and alternative workforce in terms of characteristics, earnings, access to health insurance, and preferences regarding ideal work structure. If the objective of policy is to improve the welfare of all California workers, this heterogeneity must be taken into account when designing policies that will affect the contingent and alternative workforce.

1. Introduction

This paper focuses on the extent and characteristics of contingent and alternative forms of work in the state of California. Contingent workers are employees who do not have an explicit or implicit contract for long-term employment. A better understanding of the labor market trends that have led to the use of more contingent workers in California will help the state's policymakers make more informed decisions concerning workers' well being on such things as income stability, wage levels and labor standards. As background to an understanding of the rise in contingent work arrangements in California, we first describe the rising importance of service sector employment in the United States.

1.1 Technological Advances and the Rising Importance of Services

In 1940, the service sector share of total employment in the United States was 11%. It was not until 1960 that this share of U.S. employment reached 60%. The trend in U.S. service sector employment showed significant acceleration throughout the 1980s. By 1990, the service sector share of U.S. employment had reached 26%, and in 2000, it stood at 31%.¹ An important component of this acceleration was firms redefining the structure of their plants by moving toward flexible staffing. In these firms, employment service contracts replaced persons once hired on full time.

In fact, of the nearly 14 million jobs added to the US economy from 1988 to 1996, close to one quarter were in the business services, and engineering and management industry groups. In a recent article, Clinton (1997) examines the link between the expansion of services and the change in occupational composition of employment in all

sectors. This article points out that if the employment growth by sector between 1983 and 1995 had been predicted by applying the overall rate of growth in employment (a constant rate) and correcting it by the change in the overall occupational mix – that is, adding (subtracting) employment to those sectors that use more intensively the expanding (shrinking) occupations – employment growth in manufacturing would have been over predicted by 5 million, and employment growth in business services and engineering under predicted by 3.7 million (see Clinton (1997) Table 5, p. 9).

Consistent with Clinton's (1997) research, Luker and Lyons (1997) report their findings after examining employment shifts in high-technology industries.² Using data from 1988 to 1996, they uncovered evidence for very slow growth in overall employment and a shift in the industrial composition of high-tech industries towards services and away from manufacturing. Driven by large employment gains in computer and data processing and in management and public relations, they also suggest that the demand for high-tech workers is shifting toward occupations that have more to do with the production of services than the production of goods.

1.2 The Case of California

The state of California, which represents about 12 percent of national employment, has seen a significant transformation in its economy over the last decade. Over a brief period, the state has evolved from a heavily defense-oriented, manufacturing-based economy to a service-oriented economy. During the period 1990-1999, the state lost over 150,000 jobs in the durable goods manufacturing sector.

¹ These percentages are based on establishment data (share of non-farm payrolls).

² The definition of high-tech industries is based on occupational criteria. More precisely, it is a function of the number of research and development workers as a proportion of employment (see Hadlock, Hecker and Gannon (1991)).

However, over the same period the state gained over a million jobs in the service sector. Almost half of these jobs were gained in the “business services” sector, which includes many different industries that provide services to businesses, including: software development, advertising agencies, equipment rental and leasing, security services, quick-copy centers and temporary help agencies. By 1999, the services sector represented 31% of state’s employment³, about 1 point above the national share in that year. In addition, developments in information technology have been significant in California, as it is home to the nation’s most important cluster of information technology industries, Silicon Valley.

In light of all this, it is not surprising that we have also seen some significant changes in the organization of work and the types of work arrangements within the state’s economy. In the second half of the 1990s, the period for which we have the appropriate data to examine these trends, workers have been hired on a “contingent” basis at increasing rates. In addition, a number of forms of alternative employment arrangements are prevalent, although the fraction of alternative jobs has not increased in the late 90s.

1.3 The Quality of New Jobs

A number of observers view this employment shift with concern because they assume that service sector jobs are “bad” jobs compared to the increasingly scarce “good” manufacturing sector jobs. Ideally, we could compute an overall “score” to assess the average quality of jobs in each industry, but there are several difficulties with this approach. One problem is that many important job characteristics lack clear, unambiguous data. For example, little or no data exist on opportunities for advancement, travel requirements, level of autonomy, and the flexibility of schedule. However, we

³ Using establishment data, to allow a comparison with the national figures cited earlier.

know that there is a significant range of options in terms of work schedules even among full-time employees. National data from 1997⁴ shows that 65% of full-time workers start work between 6:30 and 9:30 am, and the remaining 35% are scattered throughout the rest of the day. Something similar occurs with end times. This picture reflects a labor market that demands and provides work services around the clock. The law mandates a wage premium for overtime, but there is no law that regulates work premiums for night hours or early morning hours. As a result, we observe market equilibrium where the demand for work hours at certain times of the day must be matched with the supply of hours at that same time. The distribution of preferences among workers dictates that less desirable schedules command higher wages.

Even when there are acceptable measures of job characteristics, their interpretation often may depend on the preferences of individual workers. Union representation, for example, has been regarded as a desirable job characteristic in some of the research literature on job quality. Data on union representation in each industry are available from the CPS, but the presence of a union does not necessarily make a job better than one without a union.

Another problem in computing a job-quality score is how to weigh specific job characteristics in the calculation. Even if a method for assigning weights was developed, these values may change over time. When the economy is growing strongly, workers may value compensation or opportunities for advancement most highly. During recessions, job security might become the predominant concern. Because of the problems in

⁴ <http://stats.bls.gov/news.release/flex.t05.htm>

constructing an overall job-quality score for each industry, job characteristics are typically examined separately.

Meinsenheimer (1998) examined pay, benefits, job security, occupational structure, and job safety to assess the quality of jobs in services and other industries. For example, he reports that in 1996, the average wage for services, \$11.79, was about the same as the overall average and was 92 percent below the average for manufacturing. The wage gap between services and manufacturing has narrowed considerably since 1964, the earliest year for which earnings data are available for the services industry. On the other hand, the services sector has lower incidence of on-the-job injuries than manufacturing. Moreover, the services industry is very diverse in terms of job quality. Many industries within services equal or exceed manufacturing and other industries on measures of job quality, and some services industries could be viewed as less desirable by these measures. Thus, employment shifts away from manufacturing and toward services do not necessarily signal deterioration in overall job quality in the United States. The evidence presented highlights the importance of examining more than just average pay when assessing the quality of jobs in each industry. It also has become clear that, within each industry, there are jobs at a variety of different quality levels.

The services sector is not significantly different from manufacturing in wages, however, it is characterized by a larger fraction of contingent or short-term employment relative to manufacturing. In addition, about 15% of services sector employment takes “alternative forms” which include independent contractors, workers on call, workers employed by temporary help agencies and workers on contract. The fraction of alternative forms of employment in manufacturing is around 5%.

In an effort to establish the extent of short term and other non-traditional forms of employment, the “Contingent Worker and Alternative Employment” supplement was added to the basic Current Population Survey (CPS) survey starting in February of 1995. The same questionnaire was added in February of 1997 and 1999, and the data has been analyzed in a number of papers (see Polivka, 1996a 1996b, Hipple and Stewart, 1996, Cohany 1996 and 1998, Hipple, 1998).

1.4 This Paper

We organize this paper as follows. Section 2 describes our data source. Section 3 concerns contingent workers. This section begins with an overview of definitions of contingent work and a look at the literature on contingent work in the national economy. We then present data on contingent employment in California. In addition to overall trends, we present data on the characteristics of California’s contingent workforce, including variables such as age, sex, race/ethnicity, full-time or part-time status, and level of educational attainment. We analyze the relationship between contingent work and industry and occupation, and we compare California trends to national trends. Finally, we use decomposition analysis to provide insight as to why trends in California concerning contingent employment have been different from trends at the national level.

Section 4 concerns alternative work arrangements, and is organized the much same way as Section 3. We begin with an overview of definitions and a literature review. We then present data on alternative work arrangements in California in the same type of format used in the previous section. Section 5 deals with the topic of earnings and fringe benefits. We compare the typical earnings of contingent and alternative workers to their counterparts in permanent and traditional jobs. The tables presented provide comparisons

broken down by age, sex, educational attainment, and full/part-time status. We then provide data on the percent of contingent and alternative workers covered by health insurance (by their employer, family member, or through another source) and by pensions.

Section 6 deals with the preferences of workers in contingent and alternative work arrangements. The CPS survey provides a number of questions regarding the preferences of contingent and alternative workers to determine the reasons why workers are employed in these particular arrangements, and to determine the proportion of these workers who would prefer a permanent or traditional job. Trends concerning the number of contingent and alternative workers who prefer a permanent or traditional job are presented and analyzed. Finally, in Section 7, we present a concluding segment that highlights the most interesting results of this research.

2. DATA SOURCE

We use the Census Bureau's Current Population Survey (CPS) and the CPS Supplement on Contingent and Alternative Employment to examine various forms of non-traditional work arrangements. The CPS is a monthly survey of about 50,000 US households, which is administered by the Bureau of Labor Statistics. In constructing the sample for the CPS survey, government statisticians use scientific methods to ensure that the sample accurately represents the civilian non-institutional population. This survey provides the information that the US government uses to measure the unemployment rate, and other official labor force statistics for the US economy.⁵

The CPS collects data from all household members 16 and older regarding their employment status, earnings, hours of work, and other variables. For each individual in the sample, personal characteristics such as age, sex, race, marital status, and educational attainment are documented. Employed individuals are also classified according to their occupation and industry of employment. *However, because of differences in sampling methods and data sources, there is no direct correspondence between estimates from establishment data and estimates from the CPS.* For example, according to establishment data, the service sector share of total employment was 30% in 1999, while the household survey leads to a 36% estimate. The numerous conceptual and methodological differences between the household and establishment surveys result in important distinctions in the employment estimates derived from the surveys. Among these are:

⁵ Government statistics on state and regional economies, (for example, the Los Angeles unemployment rate) are also produced from this source of information.

- The household survey includes agricultural workers, the self-employed, unpaid family workers, and private household workers among the employed. These groups are excluded from the establishment survey.
- The household survey includes people on unpaid leave among the employed. The establishment survey does not.
- The household survey is limited to workers 16 years of age and older. The establishment survey is not limited by age.
- The household survey has no duplication of individuals, because individuals are counted only once, even if they hold more than one job. In the establishment survey, employees working at more than one job and thus appearing on more than one payroll would be counted separately for each appearance.

Estimates of contingent employment and alternative work arrangements are obtained from the “Contingent Worker and Alternative Employment” supplement. This is one of a number of Supplements that are periodically added to the basic CPS survey. The Contingent Worker and Alternative Employment Supplement has been conducted in the month of February every two years since 1995, the first year in which the survey was run.

3. CONTINGENT WORKERS

3.1 Definitions

The definition of contingent employment is a non-trivial matter in the United States, where “employment at will” has been a tradition, where there are no clear restrictions on the use of short-term contracts, and where employers are not required by law to pay severance in case of dismissal. In Europe and in most developing countries, job protection legislation leads to explicit distinctions between short term and long-term contracts. In fact, unless explicitly established, employment contracts are presumed to be long-term and are subject to severance payments in case of dismissal. Short-term contracts, which are not subject to dismissal costs, cannot be easily renewed. As a result, short-term contracts in Europe and in most countries are explicitly set up as short term. In the United States, on the other hand, the notion of contingent employment is linked to the worker’s perception of the likelihood that the contract will or not be continued, and a special set of survey questions have been recently designed to measure its extent.

Several pieces of information are collected in the CPS supplement from which the existence of a contingent employment arrangement may be discerned: (1) whether the job is temporary or not expected to continue, (2) how long the worker expects to be able to hold the job, and (3) how long the worker has held the job. For workers who have a job with an intermediary, such as a temporary help agency or a contract company, information is collected about their employment at the place they are assigned to work by the intermediary as well as their employment with the intermediary itself. The key factor used to determine if a job fits the conceptual definition of contingent work is whether the job was *temporary or not expected to continue*.

Exhibit 1 (shown in the Appendix), which is borrowed from a published article in the Monthly Labor Review (see Polivka, 1996a pg 5) describes how the survey questions are used to classify workers in the contingent category. As indicated, if an interviewed person accepts the temporary job category, there will be follow-up questions to determine if the job is expected to continue or not. There are further questions to separate jobs that are expected to continue for less than a year or more. Based on these answers there are three alternative estimates of contingent employment.

The key factor used to determine if a worker's job fit the conceptual definition of "contingent" was whether the worker believed that the job was temporary or would not continue. The first questions asked in the supplement were as follows:

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?

Respondents who answered "yes" to the first question or "no" to the second were then asked a series of questions to distinguish persons who were in temporary jobs from those who, for personal reasons, were temporarily holding jobs that offered the opportunity of ongoing employment. For example, students holding part-time jobs while in school might view those jobs as temporary, because they may intend to leave them at the end of the school year. These are not considered contingent jobs. Jobs were defined as being short term or temporary if the employee was working only until the completion of a specific project, temporarily replacing another worker, being hired for a fixed period, or

filling a seasonal job 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 1 year or less for personal reasons, such as returning to school, retiring, or obtaining another job, were asked if they could continue working at that job were it not for that personal reason. If they could not do so, they would be classified as contingent, if the other conditions of the definition were met.

To further ascertain whether a job was temporary, workers also were asked how long they expected to stay in their current job 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 1 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 was not likely to evaporate anytime soon. For the same reason, the information on how long a worker had been with the employer could show whether a job was ongoing. If a worker had remained with an employer for more than 1 year, there was some evidence that, at least in the past, the individual had an explicit or implicit contract for continuing employment.

Estimate 1. The narrowest definition, estimate 1 defines contingent workers as wage and salary workers who indicate that they expect to work in their current job for 1 year or less and who have worked for their current employer for 1 year or less. Self-employed workers, both incorporated and unincorporated, and independent contractors are excluded from the count of contingent workers under estimate 1; the rationale is that people who work for themselves, by definition, have ongoing employment arrangements, although they may face financial risks. Individuals who work for temporary help agencies

or contract companies are considered contingent under estimate 1 only if they expect their employment arrangement with the temporary help or contract company to last for 1 year or less, and they have worked for that company for 1 year or less.

Estimate 2. This measure expands the definitions of contingent workers by including the self-employed (incorporated and unincorporated) and independent contractors who expect to be, and have been, in such employment arrangements for 1 year or less. (The questions asked of the self-employed are different from those asked of wage and salary workers.) In addition, temporary help and contract company workers are classified as contingent under estimate 2 if they have worked and expect to work for the customers to whom they are assigned for 1 year or less. For example, a “temp” secretary who is sent to a different customer each week but has worked for the same temporary help firm for more than 1 year and expects to be able to continue with that firm indefinitely is contingent under estimate 2, but not under estimate 1. In contrast, a “temp” who is 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.

Estimate 3. The third definition expands the concept of contingency by removing the 1-year requirement on expected duration of the job and on tenure in the current job (for wage and salary workers). Thus, the estimate effectively includes all the wage and salary workers who do not expect their employment to last, except for those who, for personal reasons, expect to leave jobs that they would otherwise be able to keep. Thus, a worker who had held a job for 5 years could be considered contingent if he or she now viewed the job as temporary. These conditions on expected and current tenure are not relaxed for the self-employed and independent contractors, because they were asked a

different set of questions from wage and salary workers.

In our analysis, we use the broadest definition of contingency because it allows us to capture the nature of the job “implicit contract.” That is, we include workers who expect their jobs not to last, even if they have been working in that position for more than a year.

3.2 Contingent Workers: Literature Review and US Trends

Richard Belous’ 1989 book, *The Contingent Economy*, defined the “contingent workforce” as the combination of temps, the self-employed, part-time and business services employees. His estimate that contingent workers comprised 25 to 30 percent of the US workforce attracted a significant amount of media attention. However, his numbers failed to stand up to scrutiny. When the Bureau of Labor Statistics first measured “the contingent workforce” in 1995, it identified six million contingent workers, or 4.9 percent of the total U.S. labor force. The BLS defined contingent workers as “those who do not have an implicit or explicit contract for ongoing employment,” (Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements,” Report 900, August 1997). The follow up studies of 1997 and 1999 found the number of contingent workers falling to 5.6 million.

Surveys have shown that the drive to improve efficiency has led businesses to outsource non-core operations and employ temporary workers as an ongoing business tactic (see for example results from an UpJohn Institute survey cited in Houseman and Polivka, 1998). However, temporary workers do not seem to be involuntarily stuck in undesirable situations. A survey of former temporary workers, conducted by the National Association of Temporary and Staffing Services in 1995, found that 72 percent of former

temps moved into permanent positions (63 percent full-time; 9 percent part-time).

Among this population that found permanent jobs, 40 percent (or about 29 percent of all former temp workers) came from the same organization where the worker held his or her temporary job. Indeed, another NATSS survey found that “a way to get full time work” was one of the most significant factors in individuals’ decisions to begin temping (see Lips, 1998).

Temp-to-hire arrangements, which allow employers to screen candidates for permanent positions via temporary employment, have become increasingly common in the 1990s. That is in part due to the weakening of the employment-at-will doctrine through legislative mandates and judicial decisions. Under that doctrine, employers can hire or dismiss employees as they see fit, without the need to justify their actions to government officials. The erosion of that freedom has raised the costs of putting individuals on payroll. Staffing companies have helped reduce those risks by allowing companies to assess an individual’s job performance before making a lasting commitment. Autor (2000) argues that the weakening of the “employment-at-will doctrine” can explain as much as 20% of the growth of temporary help services between 1973 and 1995.

Significantly, about 20% of contingent workers in the 1999 national survey are below 25 years of age, while the overall share of that age group in the labor force is 13%. In addition, 65% of contingent workers are enrolled in school. These statistics suggest that contingent employment provides entry-level transitional work for those who are entering the workforce for the first time. Far from being a “dead-end job,” a temporary position can be that all-important first position that instills the discipline necessary to

succeed in the working world, provides networking contacts and references, and helps individuals formulate career aspirations.

A series of studies conducted by researchers at the Bureau of Labor Statistics have shown that: (1) contingent work is more common among women, youth, students, and part-time workers; (2) contingent work is more prevalent in the construction and services industries; and (3) contingent workers are found in both high- and low-skilled occupations (see for example, Hipple, 1998). We have learned that contingent workers typically earn less and are less likely to have health insurance relative to non-contingent workers, although contingent workers often have health coverage from other family members (Hipple and Stewart, 1996).

Box 3.1: Contingent Employment in Europe

Contingent employment arrangements are increasingly used in Europe and elsewhere. In the EU, 9.3 percent of total employment is under temporary contract (De Grip, Hoevenberg and Willems (1997)). Within the EU, this ratio varies from 4 percent (Belgium) up to a high of 24.1 percent (Spain).

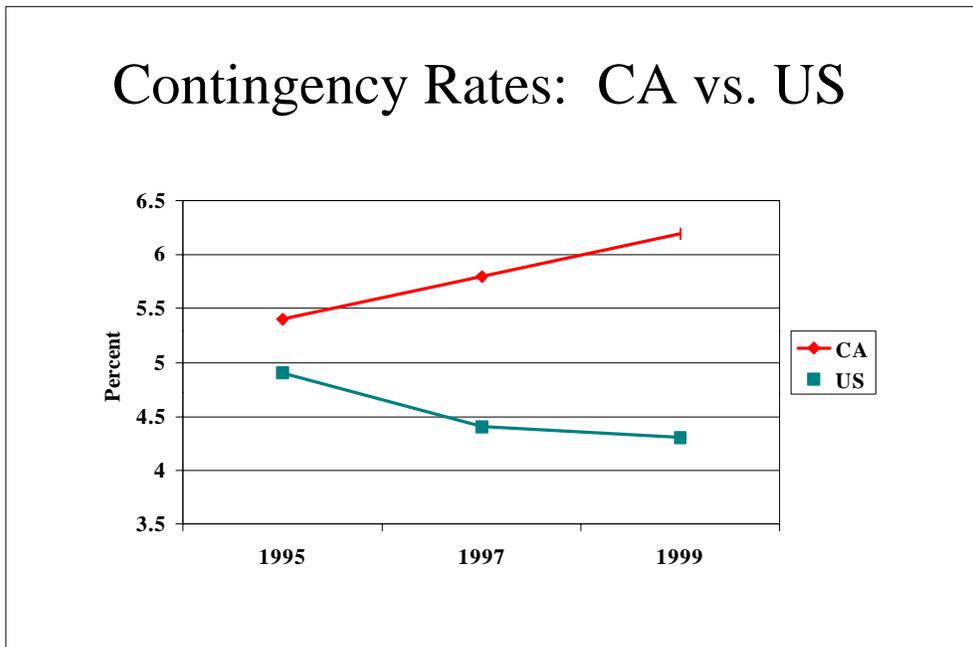
According to Treu (1992), temporary contracts have become a normal mode of entry in Europe, and are commonly seen among skilled professional workers, as well as in low-skilled occupations. The table below shows trends in temporary employment between 1983 and 1991 for a group of European countries.

Percentage of Workers with Temporary Contracts

Country	1983	1991
Belgium	3.6	4.0
FR Germany	8.4	8.1
Greece	7.2	7.9
Spain	10.9	24.1
France	2.6	8.7
Ireland	2.8	5.3
Netherlands	4.4	6.7
United Kingdom	4.6	4.8

Source: De Grip, Hoevenberg and Willems (1997)

3.3 Contingent Employment in California



In 1999, there were 962,000 workers in the state of California classified in the broadest definition of a contingent worker (category 3), representing 6.2 percent of total employment in the state. As Table 3-1 indicates, California has a significantly higher percentage of its workers in contingent jobs than the nation as a whole. In addition, recent trends concerning the contingency rate have been different in the state than the nation. The nation has seen a declining contingency rate, while the state's contingency rate has been increasing.

Table 3-1: Contingency Rate for California and US

	1995	1997	1999
State of California	5.4	5.8	6.2
United States	4.9	4.4	4.3

Contingency rates correspond to employment classified as Contingent 3 as a fraction of total employment

Source: Calculations from CPS data.

Table 3-2 provides the number of contingent workers in the state and in the nation. In 1995, California contained just over 12 percent of the nation's contingent workforce. However, because of growing contingency rates in the state and declining contingency rate in the nation, by 1999 California was home to over 17 percent of the nation's contingent workforce.

Table 3-2: Number of Contingent Workers: California and US

	1995	1997	1999
State of California	749,000	826,700	962,000
United States	6,034,000	5,574,000	5,641,000
California's share of US contingent workforce	12.4%	14.8%	17.1%

Using the CPS data, we can examine employment patterns according to worker's area of residency in the large metropolitan areas of the state of California. We present data for the largest consolidated metropolitan statistical areas (CMSA's) of the state: the Los Angeles-Orange-Riverside CMSA, the Sacramento-Yolo CMSA, and San Francisco-Oakland-San Jose CMSA. We also take data from the San Diego metropolitan statistical area (MSA) as another region. The distribution of state employment in the five resulting regions is shown in Table 3-3. As seen, Los Angeles-Riverside represents close to 50% of the state's population, San Francisco-Oakland is moving toward 25%, San Diego has evolved to around 10%, and Sacramento-Yolo has doubled its share to 5.1% in 1999. That leaves a shrinking share of employment (down to 15% in 1999) in the remaining, largely non-metropolitan regions of the state.

Table 3-3: Geographic Distribution of Employment in California

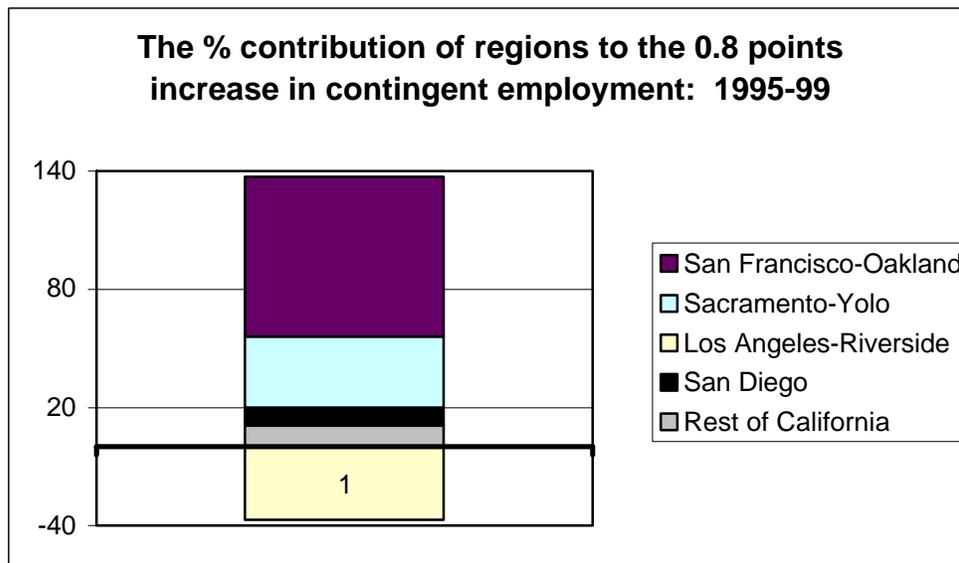
Region	1995	1997	1999
Los Angeles-Riverside	45.53	47.77	47.58
San Francisco-Oakland	22.17	22.26	23.58
San Diego	9.87	11.11	8.51
Sacramento-Yolo	2.66	4.95	5.12
Rest of California	19.77	13.91	15.2
*State of California	100	100	100

In 1995, the largest metro areas (Los Angeles, San Francisco and San Diego) had contingency rates similar to that of the state, while Sacramento's rate was well below the state average. The remaining area of the state, encompassing much of the state's agricultural industry, had the highest contingency rate at 6.5%.

However, the various metropolitan areas saw very different trends in the second half of the 1990s. The contingency rate in Los Angeles-Riverside followed a trend similar to that of the nation, with the rate falling from 1995 to 1999. The other half of the state saw a substantial increase in contingency rates. From 1995 to 1999, the San Francisco-Oakland contingency rate increased sharply, from 4.9% to 7.2%. Increases were also seen in the Sacramento-Yolo, San Diego, and remaining areas of the state. Overall, these increases more than offset the modest decline in contingency in Los Angeles-Riverside, causing the state's overall contingency rate to rise.

Table 3-4: Contingency Rates by California Region

Region	1995	1997	1999
Los Angeles-Riverside	5.5	5.8	4.7
San Francisco-Oakland	4.9	7.3	7.2
San Diego	4.7	4.6	6.3
Sacramento-Yolo	3.2	6.1	7.0
Rest of California	6.5	4.1	9.0
State of California	5.4	5.8	6.2



The figure above decomposes the increase in the state’s contingency rate by region. Of the 0.8 point increase in the state’s contingency rate from 1995-1999, we find that 80% of the increase occurred in the San Francisco-Oakland area; an additional 40% came from the Sacramento-Yolo area; and about 20% from the combined San Diego and “Resto of California” areas. The total increase explained by these four regions is larger than the actual increase because the Los Angeles-Riverside area pulled the contingency rate down.

The evidence from the regional perspective suggests that contingency rates may be correlated with expanding employment, given that San Francisco-Oakland and Sacramento-Yolo experienced such rapid employment expansions during the late 1990s. In fact, the notion that a worker in a new job may consider that job to be contingent is not unrealistic. We turn now to examine the demographic characteristics of contingent workers.

3.4 Contingency Rates by Demographic Characteristics

In California, contingency rates are particularly high for young workers under the age of 25. However, contingency rates in California do not follow a clear gender pattern. In 1999, the contingency rate for women was higher than that of men, but the reverse was true in 1997.

Comparing workers with various levels of education, we find the largest percentage of contingent workers among those with the lowest level of educational attainment (less than a high school diploma). Contingency rates are also relatively high among college graduates, pointing out to the relative importance of contingency among professionals. Workers of Hispanic origin have had consistently higher rates of contingency than whites, while blacks and Asian/Pacific Islanders have at times been below the white contingency rate. In 1999, the contingency rate for blacks was 4.2, significantly below the white rate of 6.3 percent. Contingency rates are roughly twice as large among part-time workers compared to full-time workers.

Since there are important differences in the age, sex, race and educational attainment of the labor force, it is also informative to examine the distribution of contingent workers by demographic group. Table 3-6 reports the distribution of

contingent workers in each of the three years, and the 1995-99 state average distribution of employment by demographic characteristics. It became clear that, while young workers make up less than 15 percent of state employment, they represent between 20 and 30 percent of the contingent population, and the trend has been clearly upward.⁶ The distribution of contingent employment by gender is 56 percent male and 44 percent female. The contingent employment distribution by gender has been relatively more feminine at times, but not consistently. In particular, the gender distribution of contingent employment was more male oriented than the overall state employment in 1997.

In a similar way, the distribution of contingent employment by race moves around the overall state employment distribution, except for the fact that the fraction of contingent workers that are Hispanic is higher than the state average. People of Hispanic origin (many of whom are also counted in the white or black category) made up 31 percent of the contingent workforce in California in 1999, versus only 27 percent of the state's overall workforce. The distribution of contingent employment by full-part time reflects a larger concentration in part time employment relative to the overall employment distribution. Moreover, the percentage of contingent workers who work part-time has been rising, from 32 percent in 1995 to 38 percent in 1999, while the state overall fraction of full time work has seen an increase from 80 to 82 percent.

The comparison of the schooling composition of contingent workers versus the schooling composition of all California workers indicates that the two extreme groups in the education category, (less than a high school diploma, and college graduates) while

⁶ This is in spite of the fact that the age distribution of the state labor force has not seen a significant change in the same period.

representing about 45% of the state's labor force, make up 55% of the contingent workforce. The difference is particularly large among workers with less than a high-school diploma. They represent about 13% of the state labor force and close to 20% of contingent employment.

Table 3-5: Contingency Rates by Demographic Characteristics, California

	Contingency Rates		
	1995	1997	1999
<i>Age and sex</i>			
16 to 19 years	9.2	17.0	14.7
20 to 24 years	8.5	9.1	11.4
25 to 34 years	6.3	5.7	6.8
35 to 44 years	4.5	4.5	5.3
45 to 54 years	3.4	4.1	4.1
55 to 64 years	3.9	5.0	2.8
65 years and over	7.4	7.5	3.9
Men	5.0	6.1	5.8
Women	5.9	5.3	6.6
<i>Race and Hispanic Origin</i>			
White	5.1	5.1	6.3
Black	6.2	8.3	4.2
Asian/Pacific Islander	4.7	8.9	6.5
Hispanic Origin	6.5	5.4	7.0
Part-time work	8.7	10.2	12.8
<i>Educational Attainment</i> (workers over the age of 25 only)			
Less than a high school diploma	6.9	6.4	6.9
High school graduates	5.1	3.7	4.1
Less than a bachelor's degree	3.8	4.4	4.8
College graduates	5.0	5.5	5.3

Note: Hispanics are included in both the white and black groups.

Table 3-6: Distribution of Contingent Workers by Age, Sex, and Race, California

	Contingent Employment			State Employment Distribution Period Average
	1995	1997	1999	1995 – 1999
<i>Age and Sex</i>				
16 to 19 years	6.75	9.63	10.03	3.82
20 to 24 years	15.28	17.35	19.47	10.44
25 to 34 years	32.05	25.88	27.1	26.15
35 to 44 years	24.07	22.45	24.02	28.41
45 to 54 years	12.12	13.79	13.46	19.69
55 to 64 years	5.87	7.76	4.28	8.88
65 years and over	3.86	3.14	1.65	2.60
Total	100	100	100	100
Men	51.76	60.30	51.79	55.91
Women	48.24	39.70	48.21	44.09
Total	100	100	100	100
<i>Race and Hispanic Origin</i>				
White	77.09	71.94	83.25	81.68
Black	7.31	9.83	4.14	6.41
Hispanic Origin	31.19	24.92	30.65	26.56
<i>Employment Status</i>				
full-time workers	67.9	66.38	61.8	80.94
part-time workers	32.1	33.62	38.2	19.06
Total	100	100	100	100
<i>Educational Attainment</i> (workers over the age of 25 only)				
Less than a high school diploma	18.48	17.99	19.12	13.70
High school graduates	22.93	16.62	18.46	22.38
Less than a bachelor's degree	26.66	28.02	28.25	31.67
College graduates	31.93	37.38	34.16	32.26
Total	100	100	100	100

Note: Data for groups in the "Race and Hispanic Origin" categories will not sum to totals, because data for "other races" is not presented, and Hispanics are included in both the white and black groups.

3.5 Contingency Rates and Employment by Industry and Occupation

The nature of work in some industries or occupations lends itself more naturally to short-term or contingent employment relationships. Traditionally, this has been the case with seasonal labor in farming and construction work. Thus, we expect to find variations in the degree of contingent employment by sector. In fact, as table 3-7 indicates, contingency rates are highest in agriculture, mining, construction, and services, and lowest in government, finance, insurance, and real estate. An examination of the data from the point of view of occupational classifications (Table 3-8) confirms the notion that farming and laborer's occupations are more likely to take the form of contingent employment.

Table 3-7: Contingency Rates by Industry, California

Industry	Contingency Rates by Industry		
	1995	1997	1999
Agriculture	10.2	10.1	15.2
Mining	13.6	11.5	NA
Construction	10.9	11.0	8.0
Manufacturing	3.6	4.9	2.7
Transportation and Public Administration	2.3	5.3	3.7
Wholesale and Retail	3.2	3.1	3.9
Finance, Insurance and Real Estate	1.9	1.8	1.7
Services	7.5	7.3	9.2
Public Administration	2.5	2.2	3.8

Table 3-8: Contingency Rates by Occupation, California

Occupation	1995	1997	1999
Executive, Adm. & Managerial	3.28	2.49	3.25
Professional	5.95	6.58	8.34
Technicians	3.93	10.58	10.75
Sales Occupations	3.71	2.54	2.56
Administrative Support	5.50	7.28	7.94
Service Occupations	5.18	4.89	5.83
Precision, craft repair	6.29	6.75	4.57
Operators and laborer	8.37	9.79	10.06
Farming forestry fishing	11.05	10.43	18.71

Table 3-7 also indicates that in 1999 contingency rates in agriculture and services rose significantly. The occupational view from Table 3-8 adds to the above by indicating that contingent work among professionals has increased steadily between 1995 and 1999; contingency rates among technicians saw a sharp increase between 1995 and 1997; and contingency rates among administrative support personnel rose between 1995 and 1997.

The concentration of employment by sector or occupation, along with the rate of contingency by sector or occupation, determines the distribution of contingent work by sector or occupation. Table 3-9 below shows the distribution of contingent workers across industries. To evaluate the significance of the sectoral distribution, it is useful to compare it with the state distribution of employment by sector. This table highlights an important fact concerning contingent workers: they are highly concentrated within the service sector. The service sector is the largest single sector in the state's economy, with more than 38 percent of total employment. The large size of this sector, combined with a relatively high contingency rate, means that this sector alone accounts for over 50 percent of all contingent workers.

Table 3-9: The Distribution of Contingent Workers Across Industries, California

Industry	Sector Share			State Labor Force Distribution by Sector
	1995	1997	1999	1995-99 Average
Agriculture	6.69	6.07	7.58	3.35
Mining	0.74	0.52	0	0.24
Construction	11.22	11.18	8.19	5.92
Manufacturing	10.47	13.53	6.58	15.40
Transportation and Public Utilities	2.91	5.69	3.93	6.52
Wholesale and Retail Trade	11.84	10.59	12.75	19.92
Finance, Insurance an Services	2.44	1.93	1.87	6.51
Public Administration	51.81	48.95	56.48	38.02
	1.88	1.54	2.63	4.11
Total	100	100	100	100

Table 3-10: Distribution of Contingent Work by Occupation, California

Occupation	Occupation Share of Contingent Work			Distribution of State Labor Force by Occupation
	1995	1997	1999	1995-99 Average
Executive, Adm. & Managerial	9.26	6.71	8.58	15.72
Professional	17.27	19.33	21.85	16.25
Technicians	2.61	5.78	4.85	3.16
Sales Occupations	7.76	5.46	4.93	11.86
Administrative Support	14.45	18.34	18.44	14.35
Service Occupations	12.95	10.53	12	12.86
Precision, craft repair	21.64	20.31	13.99	18.28
Operators and laborer	6.95	7.18	6.67	4.26
Farming forestry fishing	7.11	6.36	8.69	3.27
Total	100	100	100	100.00

3.6 Examining Trends in Contingent Employment: Decomposition Analysis

We can use a technique called decomposition analysis to examine reasons for differences between contingency rates at the state and national level, and to examine reasons for changes in California's contingency rates over time. Let us use the notation

CE for contingent employment; TE for total employment; and subscript i for sector of employment.

$$\frac{CE}{TE} = \sum_i \frac{CE_i TE_i}{TE_i TE}$$

Define $C_{ca} = (CE/TE)$ in CA

Define $C_{ica} = (CE_i/TE_i)$ contingency rate in sector i in CA

Define $S_{ica} = (TE_i/TE)$ Employment in sector i over total employment in the state of CA

then $C_{ca} = \sum_i C_{ica} * S_{ica}$

and $C_{ca} - C_{usa} = \sum_i C_{iusa} (S_{ica} - S_{iusa}) + \sum_i S_{iusa} (C_{ica} - C_{iusa}) + \sum_i (\Delta C_{it}) * (\Delta S_{it})$ (1)

Equation (1) shows that the difference in contingency rate between the state and the nation can be decomposed in three elements: the first is the “effect of differences in sector composition of employment,” the second is the “effect of differences in contingency rates by sector,” and the third is the “interaction effect.” We calculated equation (1) using values of the C’s and the S’s for the state of California and the United States in each of the three years for which CPS data are available. For the purpose of the decomposition exercise, the sector distribution of employment was subdivided with a greater degree of aggregation. In particular, the services sector is subdivided in nine sub-sectors allowing a better measure of changes and differences in contingency rates within the services sector.

Table 3-11: Explaining the Higher Contingency Rate in California

	1995		1997		1999	
State of California	5.4		5.8		6.2	
United States	4.9		4.4		4.3	
Difference to explain	0.5		1.4		1.9	
Effect of	Total	%	Total	%	Total	%
Δ Sector Employment Shares	0.153	30.60%	0.165	12.21%	0.164	8.63%
Δ Sector Contingency Rates	0.280	55.95%	1.151	85.07%	1.643	86.23%
Interaction	0.067	13.45%	0.037	2.71%	0.079	4.15%

Contingency rates correspond to employment classified as Contingent 3 as a fraction of total employment. Source: Calculations from CPS data.

The decomposition exercise (shown in 3-11) indicates that the most important explanation for the higher contingency rate in California is higher contingency rates by sectors. In fact, 56% to 87% of the difference –depending on the year-- can be attributed to that factor alone. In all three years, the sum of differences in contingency rates by sectors weighted by the sector’s size, were lead by higher contingency rates in services, agriculture and construction. A detailed analysis of the decomposition for 1999 is shown in Table 3-12. As seen in column (7), the state of California has a significantly higher contingency rate than the nation in these sectors, and given their relative importance in total employment, these differences make up a large fraction of the overall difference in contingency (see column (8)).

Table 3-12: Most of the Difference in Contingency Rates between the Nation and the State of California is in the Services Sector

Sector	Differences in Sector Shares					Differences in Contingency		
	S_{ica}	S_{iusa}	$S_{ica}-S_{iusa}$	C_{iusa}	$C_{iusa} * (S_{ica}-i_{usa})$	C_{ica}	$C_{ica}-C_{iusa}$	$S_{iusa} * (C_{ica}-i_{usa})$
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Agriculture	3.02	2.14	0.88	6.13	0.05	15.47	9.34	0.20
Mining	0.19	0.41	-0.23	2.56	-0.01	0.00	-2.56	-0.01
Construction	6.29	6.15	0.14	5.23	0.01	8.03	2.81	0.17
Mfg. – Durable Goods	9.47	9.60	-0.13	2.36	0.00	3.51	1.15	0.11
Mfg. – Non-Durable goods	5.42	5.96	-0.54	2.04	-0.01	1.36	-0.69	-0.04
Transportation	4.24	4.70	-0.46	1.70	-0.01	1.13	-0.57	-0.03
Communications	1.39	1.45	-0.05	2.45	0.00	8.29	5.84	0.08
Utilities and Sanitary Serv.	0.96	1.10	-0.14	2.92	0.00	8.22	5.30	0.06
Wholesale Trade	4.26	3.91	0.35	2.78	0.01	5.47	2.69	0.11
Retail Trade	16.11	16.87	-0.76	2.73	-0.02	3.44	0.71	0.12
Finance, Insurance and Real Estate	6.63	6.71	-0.07	1.89	0.00	1.74	-0.15	-0.01
<i>Private Households Business (and Auto and Repair) Services</i>	0.85	0.51	0.34	16.80	0.06	15.85	-0.95	0.00
<i>Personal Service excl. Private Households Entertainment and Recreation Services</i>	8.38	6.59	1.79	7.50	0.13	9.84	2.34	0.15
<i>Hospitals Medical Services excl. Hospitals Educational Services</i>	3.18	2.59	0.59	6.22	0.04	3.90	-2.32	-0.06
<i>Social Services</i>	2.65	1.83	0.83	5.71	0.05	7.11	1.40	0.03
<i>Other Professional Services</i>	2.69	3.68	-0.99	3.68	-0.04	6.27	2.59	0.10
<i>All Services</i>	4.09	4.84	-0.75	1.68	-0.01	2.56	0.88	0.04
<i>Forestry And Fisheries</i>	8.42	8.90	-0.48	11.61	-0.06	17.09	5.48	0.49
<i>Public Administration</i>	2.24	2.57	-0.33	7.31	-0.02	7.71	0.40	0.01
<i>Armed Forces</i>	5.22	4.75	0.47	4.15	0.02	6.31	2.16	0.10
Total	37.73	36.26	1.47	6.84	0.17	9.20	2.36	0.86
	0.06	0.10	-0.04	11.33	0.00	0.00	-11.33	-0.01
	4.25	4.66	-0.41	3.07	-0.01	3.82	0.75	0.03
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	100	100	0.00	4.29	0.16	6.17	1.88	1.64

For notation see page 21.

Source: Prepared by the authors using CPS data for 1999.

The services sector plays the most important role in the difference. As shown in column (7), the average contingency rate of the CA services sector is 9.20. This is 2.36 points above the equivalent rate for the USA. If we weight that difference by the employment share of the services sector we find that the higher contingency rate in the CA services sector contributes to explain 0.86 points –or about half (0.86/1.88)-- of the overall difference in contingency rates between the state and the nation. Turning again to the detailed analysis within the boxed area of Table 3-12, and focusing on column (7) that shows differences in contingency by sub-sector, we note that within the services sector, the largest differences in contingency rates – weighted or un-weighted – are business, hospitals, educational, and professional services.⁷

Differences in sector employment shares between the state and the nation also contribute to the higher contingency rate in California. At first sight, the state's distribution of employment among industries does not appear to be too different than that of the nation.

California's sector shares are typically less than 1 percentage point away from the nation's shares. However, the proportion of workers in services, a sector where contingency rates are significantly higher than average, is more than a full percentage points higher than the US. Turning again to Table 3-12, the 1.47% points difference in services share for California, weighted by the sector's share, explains 0.17 points of the overall difference (see column 5). This accounts for all the difference associated to sector shares (0.17/0.16). Examining the service sector more closely within the boxed

⁷ It is of interest to know that employment in educational services was expanding rapidly in the late 1990s, suggesting once again a link between employment growth and contingency.

section of column 3, we find that California has proportionately more workers in the business, personal, recreational, and professional services areas relative to the nation.

A similar decomposition exercise can be applied to examine the increase in contingency rates in the State of California between 1995 and 1999. In this case, we apply a modified notation:

Define C_t = Contingency rate (Contingent employment over total employment) in t

Define C_{it} = Contingency rate in sector i

Define S_{it} = Employment in sector i in period t

then $C_t = \sum_i C_{it} * S_{it}$

and $\Delta C_t = \sum_i C_{it} \Delta S_{it} + \sum_i S_{it} \Delta C_{it} + \sum_i \Delta C_{it} * \Delta S_{it}$ (2)

Equation (2) shows that the difference in contingency rate across two periods can be decomposed in three elements: the first is the “effect of changes in sector shares,” the second is the “effect of changes in contingency rates by sector,” and the third is the “interaction effect.” To estimate the various components of the difference, we estimated equation (2) using estimated values of the Cs and the Ss for the state of California and the United States in each of the three years for which these data is available

Table 3-13: Explaining the Rising Contingency Rate in California

Contingency 1995	5.4			
Contingency 1997	5.8			
Contingency 1999	6.2			
	Δ from 95 to 97		Δ from 97 to 99	
	Total	%	Total	%
Change	0.4	100%	0.4	100%
Δ in Sector Employment Shares	0.089	25.02%	-0.032	-7.75%
Δ in Contingency Rates by Sector	0.284	79.92%	0.425	101.37%
Interaction	-0.018	0.027	0.026	6.38%

The results of the decomposition exercise indicate that contingent employment grew more because contingency rates increased within sectors, and not because sectors with relatively high contingency rates gained importance in total employment. A closer look at the specific sectors where this change occurred indicates differences between 1997 and 1999. In 1997, contingency rates increased in Hospitals, Communications, Transportation, and Entertainment, followed by non-durable manufacturing. In 1999, the key sectors are Educational Services, Agriculture, Wholesale Trade, and Other Professional Services.

Because we found that contingency rates in California have increased more within certain occupations, (professional, technicians, administrative support), it is of interest to examine the degree of interaction between these two phenomena. Two of the most important sectors (in terms of size) with rising contingency rates over the period studied were education and hospitals. Combined, these sectors employ 10 percent of the state's labor force. From 1995-1999, the combined contingency rate of the two sectors increased from 8 to 15 percent. In these sectors, the overwhelming majority (70 percent) of the labor force is comprised of professionals, technicians and administrative personnel.

3.7 Summary Results on Contingent Employment in California

A key result from the research presented in this section is that, when it comes to contingent employment, California is different than the US. Contingency rates in California are significantly higher than in the US. More importantly, trends concerning the proportion of the labor force employed on a contingent basis have been different for the state as compared to the nation. From 1995 to 1999, California's contingency rate

rose from 5.4% to 6.2%. During that same period the nation's contingency rate fell from 4.9% to 4.3%.

Trends concerning contingent employment within California have also been sharply divergent amongst the major metropolitan areas of the state. Since 1995, the contingency rate has fallen in the greater Los Angeles area. By contrast, contingency rates are up sharply in all other areas of the state. The most important factor causing the increase in the state's contingency rate from 1995-1999 has been the sharp rise in contingency in the San Francisco metropolitan area.

In California, contingency rates are particularly high for young workers under the age of 25. In addition, workers over the age of 65 have a relatively high contingency rate. While the largest percentage of contingent workers in the state is found among those with the lowest level of educational attainment (less than a high school diploma), contingency rates are also relatively high among college graduates, pointing out to the relative importance of contingency among professionals. In California, workers of Hispanic origin have had consistently higher rates of contingency than whites, while blacks and Asian/Pacific Islanders have at times been below the white contingency rate. Rates of contingency are roughly twice as large among part-time workers compared to full-time workers.

Among sectors, contingency rates are highest in agriculture, mining, construction and services, and lowest in government, finance, insurance, and real estate. However, the large size of the service sector, combined with its relatively high contingency rate, means that this sector alone accounts for over 50 percent of all contingent workers. Contingent

work spans a number of occupational categories, but is most prevalent among Professionals, Technicians, Operators & Laborers, and Farming, Fishing & Forestry.

A decomposition of the changes in the prevalence of contingent work reveals that higher contingency rates within sectors, rather than changes in the sectoral distribution of employment, have been the primary reason for the overall rise in California's contingency rate. This has been particularly true of the service sector. Within this sector, contingency rates have risen most sharply in the categories of business services, hospitals, private educational services and other professional services. However, with only three years of data to examine, spanning over a short period, it is too early to tell if the changes we see represent a trend or they are mainly associated to the rapid employment expansion in the state throughout 1995-99.

There is still much to learn about the relationship between the types of industries found in California and the state's contingency rate. Unfortunately, the 1999 CPS survey categorized industries according to the Standard Industrial Classification (SIC) system. A shortfall of the SIC code is that it does not provide a sufficiently detailed breakdown of industries, especially in the services and information technology areas. This will soon be remedied as the US government begins to produce data using the new NAICS industry classification system. It would be useful to do these decomposition exercises with a better set of industry definitions, to determine whether more can be said about the relationship between the composition of California's employment and its contingency rate. This should be possible once the 2001 survey becomes available to researchers in 2002.

4. ALTERNATIVE WORK ARRANGEMENTS

4.1 Definitions

Most workers are employees of the same organization for which they carry out their assignments, and have an established schedule for reporting to work. Alternative work arrangements represent the exception to the above. That is; employment arranged by intermediaries and with less standardized work schedules. The CPS supplement to the February 1995, 1997 and 1999 surveys examines four groups of workers considered to be in “alternative” arrangements: independent contractors, temporary help agency workers, employees of contract companies, and on-call workers.

Independent Contractors. In the CPS survey, workers are considered to be independent contractors if they indicate that they work as independent contractors, independent consultants, or freelance workers. The basic characteristic of independent contractors in the survey’s definition is that they provide goods or services to customers that they obtain on their own. The majority (88%) of workers classified as independent contractors in the survey consider themselves to be self-employed, however, a small portion receive wages or salaries.

Temporary Help Agency Workers. The CPS survey defines this category of worker as any worker paid by a temporary help agency. This would include the permanent employees of temporary help agencies, along with the workers whom they temporarily place. Thus, this category includes both contingent and non-contingent workers.

Contract Workers. The survey defines this set of workers as workers employed by a contract company, who usually are employed for only one customer at the

customer's work site. Examples of such workers would be individuals providing security or landscaping services to a customer, who are employed by a contract company. The survey specifically excludes contract workers who typically work for more than one customer or who typically work at a site other than the customer's work site. The objective of this definition is to focus on workers who are closely tied to a single firm, but who are not employed by that firm.

On-Call Workers. The CPS defines on-call workers as workers who are called into work only when needed. These workers may be employed for spells that last from a day to several weeks but are not able to fully predict the periods when they will be employed or unemployed. An example of an on-call worker would be an individual who works as a substitute teacher. This definition would not include individuals with regularly scheduled periods of being "on-call," such as a doctor or medical resident.

It should be noted that the definitions of contingent and alternative work are not exclusive. While most alternative workers have permanent jobs, a small proportion (mostly temps hired through temporary help agencies) do not. Likewise, while the majority of contingent workers work in traditional work arrangements, a portion of contingent workers are also classified as alternative workers. It is for this reason that we analyze the characteristics of contingent and alternative workers separately. A cross-tabulation of these categories showing national employment for 1999 is shown in A13.

4.2 Alternative Employment: Literature Review and US Trends

In 1999, slightly more than 9 percent of the US work force was employed in some type of alternative work arrangement. Independent contractors numbered about 8.2 million, there were 2 million on-call workers, 1.2 million workers in temporary help

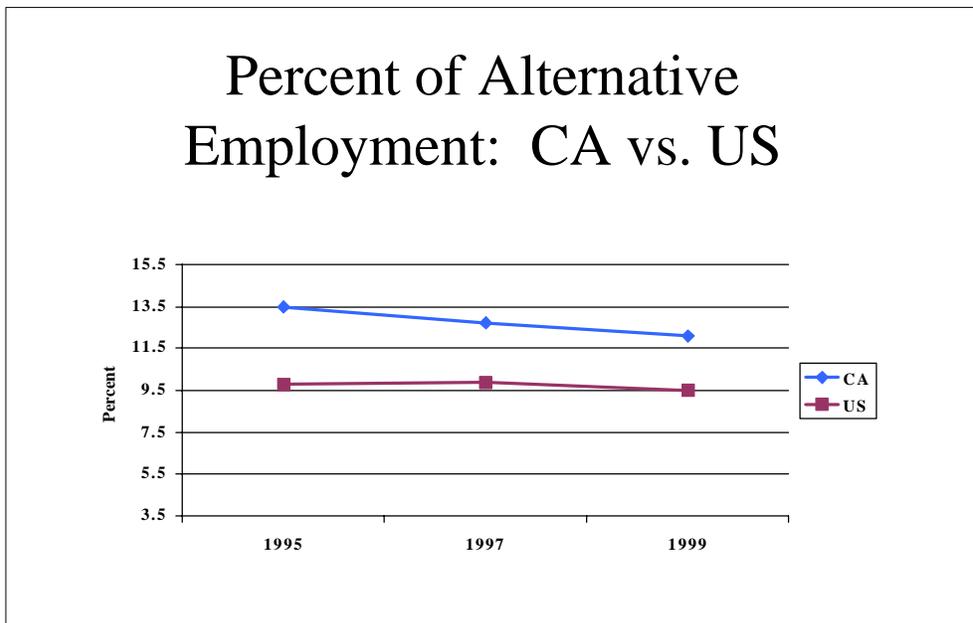
agencies and 769,000 employed for contract firms. The overall percentage of US workers in alternative arrangements has seen only a slight decline since 1995.

An analysis of US data by Coheny (1998) finds that the characteristics of alternative workers vary dramatically by category. Independent contractors are much more likely to be male, to be in the higher age categories, with relatively high levels of schooling. Some commonly held occupations of alternative workers are: managers, construction craftsmen, proprietors, writers, artists, real estate agents, and insurance agents. In contrast to other types of alternative employment, independent contractors are much more content with their work arrangement, with only 8.5 percent indicating they would prefer a traditional arrangement in the 1999 CPS survey. Independent contractors generally purchase their own health insurance, and are covered at just a slightly lower percentage than the workforce as a whole.

On-call and temporary help workers are found to be, on average, younger and less well educated than the workforce as a whole. This is particularly the case for temporary help agency workers. Temporary help workers also tend to be disproportionately female, black, and Hispanic, and have the lowest earnings of any of the alternative worker categories. Compared to independent contractors, these two categories of workers are much less satisfied with their work arrangements. Still, less than half (47%) of on-call workers indicated a preference for a traditional work arrangement in the 1999 survey. By contrast, 57 % of temporary help workers indicated a preference for a traditional job. Workers in these two categories are significantly less likely to be covered by health insurance than the general workforce, and only a small percentage of those who are covered receive their benefits through their employer.

Contract workers, the smallest group of alternative workers, are found to be disproportionately male, but with an age distribution that is similar to that of the overall workforce. This group receives relatively high earnings, even with respect to their counterparts in traditional jobs. In addition, they are about as likely as workers in traditional jobs to be covered by health insurance and to receive health benefits through their employers.

4.3 Alternative Work Arrangements in California



California also contains a large number of workers in alternative work arrangements. In 1999, there were 1.2 million independent contractors, 325,000 on-call workers, 130,000 contract workers, and 195,000 workers working for temporary help agencies. Table 4-1 compares the percentage of workers in these alternative arrangements for the state and the nation from 1995 to 1999.

Table 4-1: Trends in Alternative Employment (as percent of total employment), California and US

California, 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	9.2	8.8	7.8
On-Call Workers	2.1	2.1	2.1
Temporary Help Agencies	1.4	1.2	1.3
Contract Workers	0.7	0.6	0.8

United States 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	6.7	6.7	6.3
On-Call Workers	1.6	1.6	1.7
Temporary Help Agencies	1.0	1.0	0.9
Contract Workers	0.5	0.5	0.6

Table 4-2 shows the number of workers in alternative arrangements, for the state and the nation in 1999. As the table indicates, there are over a million independent contractors in the state, comprising almost 15 percent of all independent contractors nationwide. California contains around 16 percent of all on-call and temporary help workers, and a fifth of all contract workers in the nation.

Table 4-2: Workers in alternative arrangements in California and US, 1999

Type of Work Arrangement	California (thousands)	United States (thousands)	California's Share of US Alternative Workforce
Independent Contractors	1,211	8,309	14.6%
On-Call Workers	325	2,078	15.6%
Temporary Help Agencies	195	1,181	16.5%
Contract Workers	130	652	19.9%

As in the case of contingency rates, there are notable variations in the percentage of California workers in alternative arrangements by metropolitan area. When it comes to independent contractors, Sacramento-Yolo has the highest proportion, followed by San Diego and Los Angeles-Riverside. San Francisco-Oakland and the “Rest of State” are both below the state average in their proportions of independent contractors. The proportions of on-call workers are highest in the “Rest of State” and Sacramento-Yolo areas. Sacramento-Yolo and San Diego have slightly higher than average proportions of temporary help agency workers. Contract workers are heavily concentrated in the San Francisco CMSA that has almost double the state average rate of this type of employment.

Although its size is relatively small, the Sacramento-Yolo metropolitan area contains the highest overall percentage of workers in alternative work arrangements (18 % of total employment). The other metropolitan areas have overall ratios of alternative work much closer to the state average of 12 percent.

4.4 Demographic Characteristics of Workers with Alternative Work Arrangements in California

Table 4-4 below shows the characteristics of workers with alternative work arrangements in California throughout the 1995-97 period. The following patterns emerge. (1) Women are less likely to be independent contractors, more likely to work for temp agencies and more likely to be on-call workers than men. (2) The probability of being an independent contractor rises with age. (3) The only discernible pattern along race lines is that whites are twice more likely to be independent contractors than blacks or Hispanics. (4) There is a relatively high correlation between part-time work and independent contractor or on-call arrangements. (5) The probability of being an

independent contractor rises with the level of schooling, while the probability of being on-call falls with schooling.

Table 4-3: Prevalence of Alternative Work Arrangements in California by Region

Los Angeles-Riverside, 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	8.4	9.0	8.5
On-Call Workers	2.4	2.2	2.0
Temporary Help Agencies	1.7	1.2	1.3
Contract Workers	0.6	0.6	0.7

San Francisco-Oakland, 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	9.1	9.5	5.7
On-Call Workers	1.6	2.0	1.8
Temporary Help Agencies	1.3	1.6	1.2
Contract Workers	1.2	0.7	1.4

San Diego, 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	13.4	8.4	9.1
On-Call Workers	0.5	1.0	1.1
Temporary Help Agencies	0.6	0.7	1.4
Contract Workers	0.6	0.2	0.3

Sacramento-Yolo, 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	14.2	8.5	13.2
On-Call Workers	1.9	1.5	2.8
Temporary Help Agencies	0.0	1.5	1.5
Contract Workers	0.0	1.2	0.5

Rest of State, 1995-1999 Type of Work Arrangement	1995	1997	1999
Independent Contractors	8.3	7.7	6.2
On-Call Workers	2.9	3.2	2.9
Temporary Help Agencies	1.2	0.9	1.2
Contract Workers	0.6	0.4	0.7

**Table 4-4: Alternative Forms of Employment by Demographic Characteristics:
1995-1997, California**

	Independent Contractors	On-Call Workers	Temporary Help Workers	Contract Workers	Workers in Traditional Jobs
<i>Age and Sex</i>					
Men 16 years and older	9.9	2.0	1.1	0.9	86.2
16 to 19 years	2.4	4.9	1.1	0.6	91.0
20 to 24 years	2.1	3.3	2.2	1.3	91.2
25 to 34 years	6.6	2.1	0.9	0.8	89.6
35 to 44 years	10.7	1.4	0.7	1.1	86.1
45 to 54 years	14.1	1.8	1.4	0.5	82.3
55 to 64 years	14.9	1.3	0.8	0.7	82.2
65 years and over	27.6	2.3	0.9	2.0	67.2
Women, 16 years and older	6.9	2.2	1.5	0.5	88.9
16 to 19 years	1.2	2.1	1.2	0.0	95.5
20 to 24 years	1.6	3.0	2.6	0.2	92.6
25 to 34 years	5.7	2.1	1.7	0.9	89.6
35 to 44 years	7.3	2.0	1.4	0.4	88.9
45 to 54 years	9.4	1.9	1.0	0.3	87.5
55 to 64 years	8.8	2.7	2.0	0.4	86.1
65 years and over	19.5	4.5	0.0	0.0	76.0
<i>Race and Hispanic Origin</i>					
White	9.3	2.2	1.2	0.7	86.7
Black	5.7	1.9	2.9	1.7	87.9
Hispanic Origin	4.7	2.7	1.7	0.5	90.5
<i>Full and Part-Time Status</i>					
Full-time Workers	7.7	1.4	1.3	0.8	88.9
Part-time Workers	12.2	5.1	1.2	0.5	81.0
<i>Schooling</i>					
Less than a high school diploma	6.0	3.6	2.1	0.5	87.8
High school graduates, no college	8.9	2.0	0.7	0.9	87.6
Less than a bachelor's degree	9.8	1.7	1.5	0.7	86.3
College graduates	11.7	1.3	0.7	0.6	85.7

In order to describe the demographic characteristics of the labor force in alternative forms of employment, we look at the distribution of employment by demographic characteristics within each of these types of employment in the next four tables. These tables show the distribution of independent contractors, on-call workers,

temp agency workers, and contract workers by age, sex, race/ethnicity, employment status, and schooling, over the period 1995-1999.

Table 4-5 shows the distribution of independent contractors. The majority of independent contractors (roughly 60 percent) are found in the 35-54 age brackets. Moreover, there has been a significant increase in the fraction of independent contractors in the 45-54-age category. In 1995, 26 percent of independent contractors were in the 45-54-age category, and that fraction reached 29 percent in 1999. These rates are higher than the state fraction of 45-54 year old workers at roughly 20 percent for the period.

Men comprise 65 percent of independent contractors, and this percentage has edged up from 61 percent in 1995. Whites comprise 88 percent of all independent contractors, and this ratio has remained roughly constant since 1995. Two thirds of independent contractors worked on a full-time basis in 1995, and this fraction rose to three fourths in 1999. Independent contractors capture a higher fraction of college graduates than the state as a whole.

On-call workers, on the other hand are less educated, more likely to be part-time, Hispanic, and young than the working population. One half of on-call workers fall into the 25-44 year old range. Although more on-call workers are men than women, the distribution between the sexes is becoming relatively more equal in this category, with men constituting just 52 percent of on-call workers by 1999.

The age distribution of contract workers is similar to that of on-call workers, except that it is slightly more skewed to the younger age categories. Still, the majority of these workers, like on-call workers, are found in the 25-44-age range. Unlike the on-call workers, however, contract workers are much more likely to be male than female. In

1999, over 70 percent of contract workers were men. Blacks make up a higher percentage of contract workers than other categories of alternative work, comprising over 13 percent of all contract workers in 1999. Compared to on-call work, there are proportionately fewer persons of Hispanic origin working as contract workers, about 16 percent in 1999. Most contract workers are working in full-time positions, with only 10 percent working in part-time positions.

Workers hired by temporary help agencies are very young. Almost a quarter of all temporary workers fall into the narrow 20-24 age bracket. The other age brackets where these workers are predominantly found are the 25-34 and 35-44 brackets. Temporary help agencies, unlike other type of work arrangements, employ more women than men. In 1999, 56 percent of all temporary help agency workers were women. Blacks make up about 10 percent of temporary help workers, and individuals of Hispanic origin comprise about 30 percent of these workers. Most (81 percent) temporary help workers are working in full-time positions. This evidence suggests that temporary help agencies can be an important stepping stone for workers entering the labor market. Research has shown that this stepping stone can be particularly valuable for workers with disabilities (see Box 4.1)

Box 4.1: Temporary Help Agencies and Workers with Disabilities

Evidence suggests that temporary staffing agencies are becoming an important stepping-stone enabling people with disabilities to acquire permanent positions. There are an over 30 million working-age people with disabilities in the United States. Only about 160,000 of these individuals suffer from disabilities so severe that employment is not possible (Kruse, 1997). However, unemployment rates are much higher for the disabled than the population at large.

Employers are often reluctant to hire workers with disabilities. Temporary staffing agencies can assist the disabled by providing external validation of their job qualifications. In addition, employers can “test” a potential employee without entering into a long term obligation by hiring from a temporary staffing agency.

Once employers see that a disabled worker is, in fact, fully competent, they are willing to extend an offer of permanent employment. Studies show that people with disabilities move from temporary to permanent positions at about the same rate as people without disabilities (Digh, 1998).

Moving the disabled into paying employment could have significant impacts on government outlays. Kruse (1997) finds that if only 1 million more people with disabilities were employed, this would lead to a \$12 billion annual decrease in means-tested cash payments, a \$286 million annual decrease in the use of food stamps, and a \$1.8 billion decrease in supplemental Social Security payments.

Table 4-5: Distribution of Independent Contractors by Age, Sex and Race, California

	Independent Contractors			State Employment Distribution
	1995	1997	1999	1995 - 1999
<i>Age and Sex</i>				
16 to 19 years	0.84	0.27	1.33	3.82
20 to 24 years	1.13	2.06	3.74	10.44
25 to 34 years	21.23	19.2	16.7	26.15
35 to 44 years	29.26	31.82	30.31	28.41
45 to 54 years	25.94	26.6	29.32	19.69
55 to 64 years	12.66	13.42	11.88	8.88
65 years and over	8.93	6.62	6.72	2.60
Total	100	100	100	100
Men	61.21	66.81	65.45	55.91
Women	38.79	33.19	34.55	44.09
Total	100	100	100	100
<i>Race and Hispanic Origin</i>				
White	88.43	89.17	87.82	81.68
Black	4.94	4.3	3.4	6.41
Hispanic Origin	11.79	17.7	14.26	26.56
<i>Employment Status</i>				
full-time workers	66.08	76.76	75.55	80.94
part-time workers	33.92	23.24	24.45	19.06
Total	100	100	100	100
<i>Educational Attainment</i> (workers over the age of 25 only)				
Less than a high school diploma	6.74	9.97	8.64	13.70
High school graduates	22.45	19.47	19.44	22.38
Less than a bachelor's degree	33	29.98	33.39	31.67
College graduates	37.81	40.58	38.54	32.26
Total	100	100	100	100

Note: Data for groups in the "Race and Hispanic Origin" categories will not sum to totals, because data for "other races" is not presented, and Hispanics are included in both the white and black groups.

Table 4-6: Distribution of On-Call Workers by Age, Sex and Race, California

	On-Call Employment			State Employment Distribution
	1995	1997	1999	1995 - 1999
<i>Age and Sex</i>				
16 to 19 years	8.16	7.68	3.42	3.82
20 to 24 years	17.33	18.7	12.6	10.44
25 to 34 years	27	26.2	24.77	26.15
35 to 44 years	19.31	23.38	26.36	28.41
45 to 54 years	16.09	16.47	17.14	19.69
55 to 64 years	9.18	5.25	9.07	8.88
65 years and over	2.93	2.32	6.64	2.60
Total	100	100	100	100
Men	60.6	51.91	51.96	55.91
Women	39.4	48.09	48.04	44.09
Total	100	100	100	100
<i>Race and Hispanic Origin</i>				
White	77.87	87.63	89.04	81.68
Black	5.32	6.06	8.34	6.41
Hispanic Origin	33.83	32.8	33.58	26.56
<i>Employment Status</i>				
full-time workers	55	51.21	56.79	80.94
part-time workers	45	48.79	43.21	19.06
Total	100	100	100	100
<i>Educational Attainment</i> (workers over the age of 25 only)				
Less than a high school diploma	24.54	23.98	28.68	13.70
High school graduates	28.41	17.42	26.24	22.38
Less than a bachelor's degree	30.41	30.02	23.96	31.67
College graduates	16.64	28.58	21.12	32.26
Total	100	100	100	100

Note: Data for groups in the "Race and Hispanic Origin" categories will not sum to totals, because data for "other races" is not presented, and Hispanics are included in both the white and black groups.

Table 4-7: Distribution of Contract Workers by Age, Sex, and Race, California

	Contract Employment			State Employment Distribution
	1995	1997	1999	1995 - 1999
<i>Age and Sex</i>				
16 to 19 years	0	0	4.03	3.82
20 to 24 years	10.73	9.68	14.99	10.44
25 to 34 years	32.31	33.58	27.04	26.15
35 to 44 years	23.6	40.49	33.36	28.41
45 to 54 years	9.34	11.2	13.15	19.69
55 to 64 years	11.81	5.05	5.66	8.88
65 years and over	12.21	0	1.77	2.60
Total	100	100	100	100
Men	73.38	67.95	70.8	55.91
Women	26.62	32.05	29.2	44.09
Total	100	100	100	100
<i>Race and Hispanic Origin</i>				*
White	77.86	74.32	79.61	81.68
Black	10.76	22.86	13.22	6.41
Hispanic Origin	22.66	15.44	15.79	26.56
<i>Employment Status</i>				
full-time workers	79.13	91.26	89.74	80.94
part-time workers	20.87	8.74	10.26	19.06
Total	100	100	100	100
<i>Educational Attainment</i> (workers over the age of 25 only)				
Less than a high school diploma	13.67	7.42	6.57	13.70
High school graduates	29.12	26.43	31.63	22.38
Less than a bachelor's degree	38.21	29.51	29.85	31.67
College graduates	19.00	36.64	31.95	32.26
Total	100	100	100	100

Note: Data for groups in the "Race and Hispanic Origin" categories will not sum to totals, because data for "other races" is not presented, and Hispanics are included in both the white and black groups.

Table 4-8: Distribution of Temporary Agency Workers by Age, Sex, and Race, California

	Temp Agency Employment			State Employment
	1995	1997	1999	Distribution 1995 - 1999
<i>Age and Sex</i>				
16 to 19 years	4.37	3.09	2.65	3.82
20 to 24 years	16.89	18.15	22.93	10.44
25 to 34 years	29.42	22.39	24.76	26.15
35 to 44 years	27.91	17.72	22.45	28.41
45 to 54 years	13.37	24.34	17.36	19.69
55 to 64 years	6.86	14.32	7.71	8.88
65 years and over	1.18	0	2.15	2.60
Total	100	100	100	100
Men	48.15	48.98	43.99	55.91
Women	51.85	51.02	56.01	44.09
Total	100	100	100	100
<i>Race and Hispanic Origin</i>				
White	71.74	65.2	84.49	81.68
Black	10.29	24.45	9.9	6.41
Hispanic Origin	43.5	30.56	29.2	26.56
<i>Employment Status</i>				
full-time workers	83.17	82.85	81.5	80.94
part-time workers	16.83	17.15	18.5	19.06
Total	100	100	100	100
<i>Educational Attainment</i>				
<i>(workers over the age of 25 only)</i>				
Less than a high school diploma	36.69	27.45	12.61	13.70
High school graduates	17.84	10.29	11.91	22.38
Less than a bachelor's degree	31.51	34.31	59.42	31.67
College graduates	13.95	27.96	16.06	32.26
Total	100	100	100	100

Note: Data for groups in the "Race and Hispanic Origin" categories will not sum to totals, because data for "other races" is not presented, and Hispanics are included in both the white and black groups.

4.5 Alternative Workers by Sector and Occupation

Table 4-9: Rates of Alternative Employment by Industry, 1999, California

Industry	Independent Contractors	On-call Workers	Temporary Help	Contract Workers
Agriculture	17.2	4.7	0.5	0.0
Mining	0.0	7.4	0.0	0.0
Construction	16.3	3.9	0.8	2.5
Manufacturing	2.2	0.5	1.3	0.5
Transportation and Public Utilities	4.4	2.0	0.6	0.9
Wholesale and Retail	5.3	1.2	0.6	0.0
Finance, Insurance and Real Estate	8.8	0.5	0.7	0.0
Services	10.3	3.4	2.0	1.3
Public Administration	0.7	1.2	0.5	1.1
TOTAL	7.8	2.2	1.3	0.8

Table 4-9 above shows the rates of alternative employment by industry for 1999. As the table indicates, certain types of alternative arrangements are highly concentrated in a small number of industries. For example, independent contractors are very common in the agriculture, construction, and services sectors. On-call work is an arrangement most common in the mining, agriculture, construction, and services sector. Temporary help agency workers are employed mainly in the services sector. Contract workers are found mainly in the construction and services sector.

Across occupations, independent contractors are most likely to be in managerial, professional, farming, or sales occupations. On-call workers are most likely found in the farming, operator/laborer and service occupations. Temporary help agency workers are predominantly technicians, administrative support personnel, and operators/laborers. Contract workers are found in the operator/laborer occupation, as well as technician and service occupations.

Table 4-10: Rates of Alternative Employment by Occupation, 1999, California

Occupation	Independent Contractor	On-call Workers	Temporary Help	Contract Workers
Executive, Adm. & Managerial	10.45	0.73	0.87	0.52
Professional	11.32	2.19	0.41	0.93
Technicians	4.77	4.69	4.22	2.16
Sales	9.40	0.24	0.44	0.00
Administrative Support	1.63	1.90	3.06	0.38
Service Occupations	6.03	4.88	0.43	2.02
Precision, craft repair	7.75	1.52	1.20	0.64
Operators and laborer	2.56	5.04	3.38	2.64
Farming, forestry & fishing	14.47	6.67	0.54	0.00
TOTAL	7.8	2.2	1.3	0.8

4.6 Examining Trends in Alternative Employment: Decomposition Analysis

As was established earlier, the bulk of the difference in alternative work arrangements between California and the United States is in the “Independent Contractor” category, and the driving force behind the declining share of alternative employment is the reduction in the fraction of Independent Contractors. Thus, we focus on explaining differences associated to the independent contractor category.

Using the same methodology applied earlier to decompose differences in contingency rates between California and the United States, and in California through time, we decompose differences in Independent Contractor Rates. These are reported in Tables 4-11 and 4-12.

The Independent Contractor rate was 2.4 points higher in California than in the United States in 1995. The rates have fallen more steeply in California, reducing the difference to 1.5 points in 1995. Most of the difference is explained by higher rates of independent contractors by sector in California. However, the fraction of independent contractors by sector has fallen sharply in the state, leading to a declining rate in independent contractors for the state and a reduced difference between the state and the

nation. A closer examination of the specific sectors where the rate of independent contractors has fallen does not lead to clear patterns.

Table 4-11: Why is there a higher fraction of Independent Contractors in California ?

	1995		1997		1999	
California	9.2		8.8		7.8	
United States	6.8		6.7		6.3	
Difference to explain	2.4		2.1		1.5	

Effect of	Total	%	Total	%	Total	%
Δ Sector Employment Shares	0.109	4.54%	0.086	4.02%	0.126	8.69%
Δ Sector Independent Contract Rates	1.759	73.01%	1.595	74.80%	0.818	56.26%
Interaction	0.541	4.54%	0.452	21.18%	0.510	35.05%

Source: Calculations from CPS data.

Table 4-12: Explaining the Falling Fraction of Independent Contractors in California

Independent Contractors 1995	9.2	
Independent Contractors 1997	8.8	
Independent Contractors 1999	7.8	

Change	Δ from 95 to 97		Δ from 97 to 99	
	Total	%	Total	%
Δ in Sector Employment Shares	-0.046	13.11%	-0.056	5.57%
Δ in Independent Contract Rates by Sector	-0.378	107.86%	-1.097	109.60%
Interaction	0.073	-20.97%	0.157	-15.68%

Source: Calculations from CPS data.

4.7 Summarizing Alternative Employment Results

California has a higher proportion of workers in alternative employment arrangements than the nation as a whole. In 1999, 12.1 percent of the state's workforce was employed in alternative work arrangements, as compared to 9.5 percent of the nation's workforce. In particular, the state has a very high percentage of independent

contractors (7.8 % versus 6.3 % for the nation as a whole). The state also has a higher percentage of workers working on an on-call basis, as temporary help agency workers, and as contract workers.

As in the case of contingency rates, there are large differences between the metropolitan areas of the state in terms of the prevalence of various forms of alternative employment. Based on 1999 data, the Los Angeles metro area mirrors the state in its percentages of workers in on-call, temporary help, and contract arrangements, with a higher ratio of independent contractors than the state. However, the Sacramento metropolitan area contains almost twice the percentage of independent contractors as the state. The San Francisco area has a smaller percentage of independent contractors than the state, but has almost double the percentage of contract workers.

However, unlike the case of the contingency rate, trends concerning alternative employment have been similar for the state and the nation. Both have seen the rate of alternative employment decline, driven primarily by a decline in the percentage of workers working as independent contractors.

As we examine the characteristics of workers in alternative employment arrangements, we see that the four categories have little in common. Independent contractors are more likely to be male, in the older age categories, white, and to have relatively high levels of educational attainment. On-call and temporary workers are more likely to be female, young, and less educated than the workforce as a whole. Contract workers also relatively young, but they are much more likely to be male than female. Blacks make up a higher percentage of contract workers than other categories of

alternative work, while there are proportionately fewer Hispanics in this category of employment.

Across sectors, independent contractors are very common in the agriculture, construction, and services sectors. On-call work is an arrangement most common in the mining, agriculture, construction, and services sector. Temporary help agency workers are employed mainly in the services sector, and contract workers are found mainly in the construction and services sector.

Across occupations, independent contractors are most likely to be in managerial, professional, farming, or sales occupations. Occupations commonly found in the other categories of alternative employment include: farming, operator/laborer, technician, service occupations, and administrative support personnel.

An examination of trends indicates that the percentage of alternative workers in California has fallen more dramatically than for the state as a whole. This is largely explained by a decline in the rate of independent contractors within individual sectors of the California economy.

5. Earnings and Fringe Benefits

5.1 Earnings

Workers in various categories were asked about the structure of their employment arrangements, whether they were paid on an hourly basis or not, and whether they typically received overtime payments, tips or commissions. Table 5-1 below shows the percent of workers in 1999 paid on an hourly basis, and receiving overtime, tips or commissions. As the table indicates, the answer to this question varied significantly across categories. Independent contractors were least likely to be paid hourly. However, the majority of workers in other categories reported that they were paid on an hourly basis. Overtime work is most prevalent among temporary help agency workers; over a quarter of these workers indicated that they typically received overtime pay.

Table 5-1: Percent of Workers Paid on Hourly Basis, California

	Percent Paid on Hourly Basis	Percent Typically Receiving Overtime Pay, Commissions or Tips
Contingent Workers	70.3	12.0
Independent Contractors	13.3	9.9
On-Call Workers	68.5	14.5
Contract Workers	69.7	11.5
Temporary Help Agencies	83.2	27.3

Table 5-2 shows median weekly earnings by type of work arrangement and across broad demographic characteristics. This first approach to wage differences suggests that contingent workers earn less than non-contingent workers, and that some categories of alternative work are associated to relatively high wages while other are associated to relatively low wages compared to traditional arrangements. In particular, independent contractors in all categories earn more than workers in traditional arrangements; and

workers provided by contract firms in all categories that are relevant, also earn more than workers in traditional arrangements. On the other hand, on-call workers and workers provided by temporary help agencies, earn less than workers in traditional arrangements across the board. This table can be compared to Table 13 in the Appendix, where we report data for the United States, also in 1999. A comparison of the data across tables indicates that the earnings picture that emerges from California is not too different from that of the nation.

However, we cannot stop here in the search for an accurate description of earnings. We know that the age and educational composition of workers varies significantly across the various types of work arrangement. Therefore, we examined wage differences within finer groups of workers by schooling and age categories using tabulations and regression analysis. The Tables are included in the Appendix (Tables 14-16). The key findings are as follows:

- Controlling for schooling, potential experience, and working hours, California workers earn about 20% more than the rest of the nation. Arguably, this difference in wages is partly offset by differences in cost of living.
- Using regression analysis, the wage differential associated to contingent employment is estimated at 20% for full time workers in the nation and California. However, this differential is not constant across ages.

Table 5-2 Median weekly wages of full- and part-time workers in various work arrangements by sex, race, and Hispanic origin: California 1999

Characteristic	Contingent Workers	Non Contingent Workers	Independent Contractors	On-call workers	Temporary Help Agency Workers	Workers provided by contract firms	Workers with traditional arrangements
Full-time workers							
Total, 16 years and over.....	\$440	\$673	\$759	\$400	\$398	\$769	\$560
Men.....	500	712	840	450	500	692	577
Women.....	400	519	560	346	360	792	500
White.....	440	692	771	400	396	769	596
Black.....	*	519	560	554	720	*	400
Hispanic origin.....	300	400	400	252	280	692	336
Part-time workers							
Total, 16 years and over.....	120	240	250	149	250	91	162
Men.....	128	300	457	204	480	90	160
Women.....	120	218	210	138	180	92	173
White.....	120	240	250	160	200	*	168
Black.....	200	256	*	*	*	*	200
Hispanic origin.....	120	231	231	84	*	*	170

Source: Prepared by the authors using CPS data. * The sample is too small to allow a meaningful estimate

- Generally, younger males in all categories of educational attainment earn less when employed on a contingent basis than on a permanent basis. However, the results are mixed for older males. In some cases, contingent workers earn more than non-contingent workers. For example, while most male non-contingent college graduates earn more than their contingent counterparts, contingent male college graduates over the age of 45 are found to earn more than their non-contingent counterparts.

- Similar patterns are found amongst female workers. While the younger contingent workers are generally worse off than their non-contingent counterparts, the results are more mixed for older workers, particularly with higher levels of educational attainment.

5.2 Job Security

By definition, contingent workers have less job security than non-contingent workers. In addition, the popular impression that workers in nonstandard arrangements have less job security is largely supported by recent evidence. Within non-standard arrangements, independent contractors have as much job security, on average, than regular full-time workers. However, those who are agency temporaries, on-call workers, direct-hire temporaries, contract company workers, and regular part-time employees are more likely to switch employers, become unemployed, or involuntarily drop out of the labor force. These findings are consistent with evidence from employer surveys showing that firms traditionally have used all types of nonstandard work arrangements to accommodate fluctuations in their workload or to fill in for absences or vacancies in their regular staff. Evidence also suggests that firms are increasing their use of temporary help and other nonstandard arrangements in order to increase their workforce flexibility. Arguably, firms have come under greater competitive pressure to reduce labor costs and, in response, increasingly have adopted a "just-in-time" workforce staffing strategy. Instead of overstaffing to accommodate employee absences or fluctuations in product demand, firms use various nonstandard arrangements to meet changes in their day-to-day staffing needs (Houseman and Polivka, 1998)

The low attachment between workers and firms implicit in many of these arrangements presents several problems for workers. For instance, many such workers are ineligible to receive unemployment insurance because they do not meet the minimum hours or earnings threshold with a particular employer within a base period. Similarly, under current federal pension regulations, workers who frequently change jobs have difficulty qualifying for employer retirement plans. There is widespread support in Congress and the administration for increasing pension portability, which would likely help many in nonstandard work arrangements. As to health insurance coverage, we learn from the CPS data that workers in non-traditional arrangements are less likely to get health insurance coverage through their employers. However, the difference in health insurance coverage between workers in traditional and non-traditional employment is less dramatic because many of the non-traditional workers are covered by their spouse or family members or buy their own plan (see Table 5-3)

5.3 Health and Pension Benefits

Roughly one half of California workers work for firms that offer pension plans to at least some of their employees, although less than 40% of workers are included in these pension plans. Among workers in contingent and alternative arrangements, contract workers fare the best with regard to pension benefits. In fact, contract workers are more likely than California workers are as a whole to work for an employer who offers a pension plan, and to be covered by a pension plan. Aside from independent contractors, temporary help employees are least likely to work for a firm that offers pension plans and less than 15 percent of these workers are covered by an employer-sponsored plan. Compared to temporary help agency workers, contingent workers are more likely to work

for an employer who offers a pension plan, but the percent of contingent workers included in a pension plan is roughly the same as for temporary help agency workers.

Table 5-3: Fringe Benefits for Non-Traditional Workers vs. All Workers in California: 1995-99

	All California Workers	Contingent Workers	Independent Contractors	On-Call	Contract	Temp Agencies
Firm Offers Pension	100.0	100.0	100.0	100.0	100.0	100.0
Worker Included	48.5	37.7	n.a.	37.2	53.7	13.3
	38.5	16.3	n.a.	16.1	35.4	5.9
Worker has Health Coverage	100.0	100.0	100.0	100.0	100.0	100.0
Source of Health Insurance	75.7	56.1	72.2	58.3	75.5	43.1
Provided by Employer	49.4	22.2	n.a.	19.4	50.9	3.9
Employer pays all	18.5	8.9	n.a.	8.2	15.0	0.0
Employer pays part	28.0	11.4	n.a.	10.3	33.6	2.2
Provided by Spouse	7.9	10.3	n.a.	18.0	9.4	17.2
Provided by other Fam. Member	3.4	8.7	n.a.	7.3	2.5	6.6
Purchased independently	2.0	4.0	n.a.	3.6	4.2	4.8
Purchased by Labor Union	0.8	2.3	n.a.	4.3	2.2	0.3

Three out of four California workers are covered by health insurance. This percentage carries over to independent contractors and workers on contract. Health care coverage for contingent and on-call workers falls to less than 60 percent, and that of workers for temp agencies to less than 50 percent. However, the largest health insurance related difference between workers with traditional jobs and those with contingent or alternative work, is in the source of coverage. While roughly 50 percent of California workers obtain health insurance via their employer, (with financing shared between employer and employee), the most important source of health insurance for non-traditional workers, except contract workers, is outside of their employer. Fully one quarter of on-call workers and almost 24% of temporary help workers receive health insurance through a spouse or other family member. In addition, a smaller percentage of these workers purchase insurance or receive insurance through their labor union.

Table 5-4 shows trends in health insurance coverage for contingent and alternative workers. The good news is that coverage rates are up from 1995 for every category of worker. This was most dramatic in the case of temporary help agency workers. While only 35.4 percent of these workers were covered by health benefits in 1995, over 46 percent were receiving coverage from some source by 1999.

Table 5-4: Trends in Health Coverage for California Workers, 1995-99

	1995	1997	1999
Contingent Workers	51.7	59.8	56.4
Independent Contractors	70.4	71.9	74.4
On-Call Workers	51.3	65.1	58.6
Contract Workers	56.7	93.3	78.3
Temporary Help Agencies	35.4	48.0	46.2
All California Workers	74.9	75.9	76.3

Table 5-5 shows trends in pension coverage for contingent and alternative workers from 1995 to 1999. During this period alternative workers became increasingly likely to be included in a pension plan (with the exception of independent contractors, who generally do not receive pension benefits since they are largely self-employed). However, contingent workers made no progress in this area, and, with the exception of contract workers, rates of pension coverage of alternative and contingent workers remained much lower than that for all California workers in 1999.

Table 5-5: Trends in Percent of California Workers with Pension Plans, 1995-99

Category	1995	1997	1999
Contingent Workers	17.0	16.1	16.0
On-Call Workers	12.7	11.5	23.1
Contract Workers	8.8	47.7	47.7
Temp. Help Agencies	2.8	0.0	14.3
All California Workers	36.5	37.3	39.0

Box 5.1: Contingent Workers and the Law

Typically, contingent workers have been denied access to the fringe benefits that their permanent co-workers enjoy. Recently, there have been legal challenges to the right of employers to differentiate in this way between their permanent employees and those employees working under contract.

The most famous of these cases is *Vizcaino vs. Microsoft*, which originated in 1992. This lawsuit challenged the right of the Microsoft Corporation to limit participation in the company's discount stock purchase plan to permanent employees. In May 1999, a federal appeals court ruled in favor of the temporary workers, a decision that was later upheld by the US Supreme Court. However, the courts' rulings still leave employers a great deal of flexibility in determining the pay rates, vacation, and health benefits they will extend to their temporary employees.

This ruling will clearly benefit the thousands of individuals who worked for Microsoft as temps for extended periods of time during the 1990s. However, the end result may not be entirely positive for current Microsoft temps. In July 2000, Microsoft announced a new policy to limit all temporary assignments to 1 year or less. Individuals would be eligible to apply for rehire after a mandatory 100 day break. This new policy, initiated in response to the legal challenges described above, will create new uncertainty and insecurity for Microsoft's temporary workforce, which is estimated at about 5,000.

Microsoft has been the most visible company affected by lawsuits filed by temporary workers. However, a number of other companies have also been targeted in similar lawsuits, including Arco, Pacific Gas & Electric, Capital Cities/ABC, Exxon, and Pacific Bell. The legal obligations of employers to temporary workers will continue to be debated in the courts as the size of the temporary workforce grows.

6. WORKER PREFERENCES

In the CPS survey, workers are asked questions regarding their preferences for their job status. These questions are specific to the type of non-traditional job (as shown in Table 6-1 below). On-call workers are not questioned regarding preferences in the CPS survey. Interestingly, a significant fraction of workers in contingent and non-traditional work arrangements actually *prefer their current work arrangement to a permanent or traditional job*.

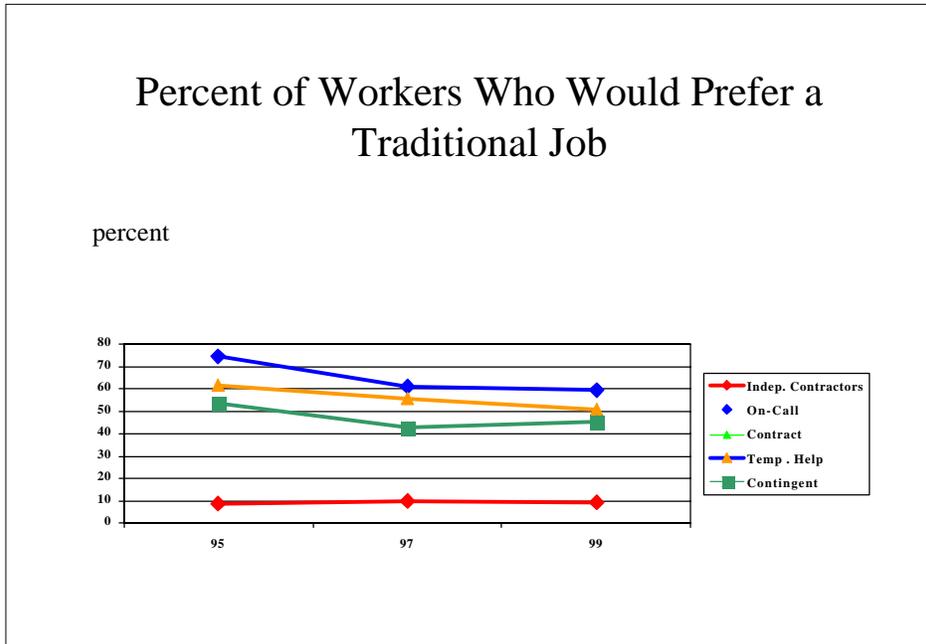
Table 6-1: Fraction of Non-traditional Workers that Prefer Traditional Employment, California

<i>Type of non-traditional worker</i>	<i>Year</i>		
	1995	1997	1999
Contingent Worker, Prefer Permanent Job	53.6	42.7	45.6
Independent Contractor, Prefer to work for someone else	8.9	9.5	9.2
On-Call Workers, Prefer regular hours	74.8	60.9	59.7
Temp Agency Workers, Prefer different type of employer	61.7	55.7	50.9

Less than 10 percent of independent contractors indicated that they would prefer a traditional work arrangement, the overwhelming majority prefer this type of alternative work arrangement. Slightly less than half of contingent workers indicated a preference for a permanent job. Slightly more than half of temporary help agency workers would prefer to work for a different type of employer, while almost 60 percent of on-call workers indicated a preference for regular hours.

Trends in the preferences of workers surveyed about preferred work arrangement are illustrated in the figure below. As the figure indicates, the proportion of these workers who prefer a different type of work arrangement has fallen significantly in all

categories except for independent contractors. This may indicate that, with the strengthening of the economy, those workers preferring a traditional or permanent job have been increasingly able to leave contingent and alternative arrangements in favor of their preferred type of work arrangement.



In addition to obtaining workers general preferences for the type of job they hold, the CPS survey also asks individuals the main reason why they hold their specific type of job. Not surprisingly, the answers are different among those that are willingly employed in a certain category relative to the ones that are not. The next two tables examine the reasons for contingent or alternative employment for the two largest categories of non-traditional workers: contingent workers and independent contractors.

Table 6-2 examines the reasons why contingent workers are not in a permanent work arrangement. Of all contingent workers surveyed in 1999, 79 percent answered the question regarding reason for contingent employment. The table does not record all reasons reported, only the most typical. Sixteen percent of workers questioned indicated that a contingent job was the only type of work they could find, 7 percent were working on a contingent basis in the hope that the position would become permanent, 12 percent had chosen a contingent job for the flexibility of schedule that it offered, and 16 percent indicated that they were working on a contingent basis to accommodate the needs of schooling or training programs.

When contingent workers are sorted according to preferences, however, a clear difference emerges as to the reason for contingent employment. Almost all workers reporting that contingent work was the only type of work they could find or reporting that they were employed on a contingent basis in the hope that the job would become permanent, indicated a preference for a permanent job.

By contrast, most of the workers who reported that school or training programs were the reason for their contingent work arrangement, and almost half of those workers in contingent jobs due to the flexibility of schedule they offer indicated a preference for a contingent job.

Box 6.1: Contingent by Necessity or Choice?

While many workers accept contingent employment as a “second-best” alternative to a permanent employment arrangement, some workers seek out these types of work arrangements. A study by Bernasek and Kinnear (1999) based on the 1995 CPS Supplement finds that a slight majority of contingent workers (55.5%) would prefer a permanent job to a temporary position.

The study finds that contingent workers indicating a preference for permanent work are more likely to be non-white, married, union members, older, and to have higher incomes than contingent workers satisfied with their temporary status. In addition, contingent workers who would prefer a permanent job are more likely to have a bachelor’s or higher degree, and are more likely to be working at a contingent job to obtain experience/training or for economic reasons.

Those satisfied with temporary work are more likely to be attending school/training, or to be employed in a temporary job for personal reasons. The study finds no statistically significant difference between the proportions of women versus men who accept contingent employment by choice.

These results have important implications for policy-making. Clearly, contingent workers are not homogeneous in their preferences regarding optimal employment conditions. Policies designed to reduce the extent of contingent employment should focus on those contingent workers with strong preferences for permanent work. For example, such policies might be targeted toward racial minorities, who are more likely than non-minorities to hold contingent jobs unwillingly.

Table 6-2: Reasons for Contingent Employment: By Preference for Contingent Employment (percent of all contingent workers surveyed), California

	1995	1997	1999
<i>Total answers</i>	69.7	71.5	79.0
Only type or work could find	25.4	18.0	16.2
Hope job leads to per	7.6	5.9	7.0
Flexibility of schedule	6.9	10.7	12.2
In school/training	7.6	13.2	15.9
<i>Workers prefer permanent job</i>	53.6	42.7	45.6
Only type or work could find	24.8	17.3	15.5
Hope job leads to per	7.6	5.3	6.5
Flexibility of schedule	2.9	2.3	5.1
In school/training	2.1	3.9	4.1
<i>Workers prefer contingent job</i>	13.8	22.4	28.0
Only type or work could find	0.6	0.7	0.6
Hope job leads to per	0.0	0.6	0.0
Flexibility of schedule	3.5	7.0	5.3
In school/training	4.3	7.9	10.7
<i>No clear preferences</i>	2.3	6.4	5.3
Only type or work could find	0.0	0.0	0.0
Hope job leads to per	0.0	0.0	0.6
Flexibility of schedule	0.5	1.4	1.8
In school/training	1.2	1.4	1.1

Note: The percentages are all fractions of “contingent workers”
The Table does not report all the answers, only the most typical.

Table 6-3 examines the reasons for work as an independent contractor. Almost all (96%) of these workers answered this set of questions. Less than 5 percent of independent contractors reported that their work arrangement was the only type of work they could find. The largest percentage (over 30 percent) reported that they chose this work arrangement because they enjoyed being their own boss. Another 26.5 percent indicated that they chose the work arrangement because of the flexibility of schedule if

offered. Slightly more than 10 percent indicated that they were independent contractors for the money that this type of work arrangement offered.

Less than 10 percent of independent contractors indicated a preference for a different work arrangement (to work for someone else). Only about 2.5 percent of independent contractors indicated a preference to work for someone else *and* that they were independent contractors because it was the only type of work that they could find. Flexibility of schedule and “enjoys being own boss” were the most common responses of the overwhelming majority of independent contractors who prefer their current work arrangement.

In summary, the degree to which contingent and alternative workers are satisfied by their current work arrangement varies significantly across employment categories. Independent contractors are most likely to prefer their current employment arrangement. By contrast, slightly more than half of temporary help and contingent workers, and 60 % of on-call workers indicated a preference for a traditional job. Reasons for current work arrangements also varied by category. It is interesting to note that in the case of contingent workers, the proportion of workers choosing that type of work arrangement due to schooling or training increased sharply during the late 1990s. This is also correlated with the increasing proportion over time of contingent workers indicating a preference for their current work arrangement.

Table 6-3: Reasons for work as Independent Contractor, by Preferences, California

	1995	1997	1999
<i>Total answers</i>	97.2	97.4	96.1
Only type of work could find	3.2	2.9	4.4
Flexibility of schedule	20.3	23.3	26.5
For the money	9.3	10.9	11.3
Enjoys being own boss	33.2	34.0	30.2
<i>Workers prefer to work for someone else</i>	8.9	9.5	9.2
Only type or work could find	2.3	1.4	2.4
Flexibility of schedule	1.3	1.7	2.3
For the money	0.9	1.1	1.3
Enjoys being own boss	0.9	0.9	0.9
<i>Workers prefer to be his/her own boss</i>	83.8	82.1	81.8
Only type or work could find	0.8	0.8	1.3
Flexibility of schedule	18.5	19.3	22.2
For the money	7.2	9.1	9.2
Enjoys being own boss	31.7	32.9	28.6
<i>No clear preferences</i>	4.5	6.4	5.3
Only type or work could find	0.0	0.6	0.7
Flexibility of schedule	0.4	2.4	2.0
For the money	1.3	0.7	0.8
Enjoys being own boss	0.6	0.2	0.6

Note: The percentages are all fractions of “independent contractors.”
The Table does not report all the answers, only the most typical.

7. SUMMARY AND CONCLUSIONS

A key result from this study is that California has a higher proportion of workers in contingent and alternative work arrangements than the rest of the country. In 1999, 6.2% of California workers held contingent jobs, compared with only 4.3% of workers at the national level. In recent years, this differential has been widening, since, during the second half of the last decade, contingency rates fell on a national level, while the state's contingency rate climbed sharply.

California also has a higher proportion of workers in alternative employment arrangements than the nation as a whole. In 1999, 12.1 percent of the state's workforce was employed in alternative work arrangements, as compared to 9.5 percent of the nation's workforce.

An examination of trends within the state reveals that much of the increase in contingency rates has been due to changes in the structure of work in the northern portion of the state. The greater Los Angeles area has seen a decline in its contingency rate. However, contingency rates have increased sharply in both the Sacramento-Yolo and San Francisco-Oakland metropolitan areas. Similarly, the northern metropolitan areas explain the bulk of the difference between national and state rates of alternative employment.

An important challenge for policy-makers is to determine what, if any, types of policy interventions might be suggested by these data, given that the objective is to improve the welfare of California workers. An examination of the data on contingent and alternative workers reveals that this set of workers is highly heterogeneous. Therefore, it is useful to think about policy in terms of individual categories of contingent and alternative work.

In the case of independent contractors, which is by far the largest group of workers within the “alternative” category, the data suggest that these workers earn relatively high incomes, are highly satisfied with their current work arrangement, and are covered by health insurance at roughly the same rate as the California workforce in general. Therefore, there is little to suggest a role for policy to improve the welfare of these individuals. We can draw similar implications for the case of contract workers. While the survey does not provide information on the preferences of these workers, we know that they earn relatively high incomes, and are covered by health insurance and pensions at about the same rate as California workers overall.

When it comes to the next two categories of alternative workers, temporary help agency workers and on-call workers, the story is not so clear. In many ways, these types of jobs can be said to be “inferior” to traditional jobs: earnings are lower, and these workers are very unlikely to receive health benefits from their employer. Of course, these jobs also offer little in the way of job security.

However, it is important to note that even in these two categories of alternative employment, many workers in these jobs are satisfied with their current work arrangement. When California workers in these categories were questioned about their preferences, only 51% of temporary help workers, and 60% of on-call workers indicated a preference for a traditional work arrangement. Why might many of these workers actually prefer an alternative work arrangement, which appears to be inferior to a traditional job in so many ways? Probably the most important reason is the flexibility that these types of work arrangements offer. This type of flexibility can be quite valuable

for many individuals, including students in a university or training program, parents of small children who wish to work only on an intermittent or part-time basis, and others.

The challenge for policymakers, then, is to try to target those groups of temporary help and on-call workers who are working in these jobs solely because of economic necessity, and who have a clear preference for a traditional job. Any policy action that is designed to simply reduce the overall number of temporary help and on-call workers will take away opportunities for many individuals to obtain their preferred type of job. In addition, there is evidence that temporary help jobs may serve as an important stepping-stone to permanent employment among groups such as the disabled and new entrants to the work force. Any policy aimed at reducing the extent of alternative employment should be designed so that it does not take away opportunities for employment for such individuals.

When it comes to the case of contingent workers, the policy issues are similar. Due to the relatively large number of contingent workers in California, we have very good data on these jobs, the types of workers in these jobs, and their preferences. Are contingent jobs in California inferior to permanent jobs? Certainly, it is clear that contingent workers receive fewer fringe benefits than workers in permanent positions. Even though many of these workers receive benefits from family members, their overall rate of health insurance coverage, 56%, is significantly lower than the state average (76%). However, when it comes to earnings, the picture is not as clear. Our study shows that contingent workers in older age groups often out-earn their counterparts in permanent positions, while younger contingent workers earn less than their permanently employed counterparts.

When questioned about preferences, less than half of contingent workers (46%) indicated that they would prefer a permanent job. When questioned about the reason for contingent employment, only 16 percent of workers questioned indicated that they were in a contingent job solely for economic reasons. Roughly, the same proportion indicated that they were in a contingent job due to schooling or training. The other major reasons given for contingent employment were that it was chosen for the flexibility of schedule, or that it was chosen in the hope that it would lead to a permanent position.

This information on preferences and reasons for contingent employment sheds light on the difficulty of designing appropriate policies. Again, a policy designed solely to reduce the number of contingent jobs would likely reduce job opportunities for students, and others who clearly value the flexibility of schedule that contingent employment offers.

Policy makers may want to focus on the relatively low rates of health insurance coverage of contingent workers, on-call workers, and temporary help workers. However, again, there is a need to target any policy action within these groups, since our data reveal that many of these workers are able to obtain health insurance from family members. The appropriate target for policy in this area would be the subgroup of workers in these categories who are unable to obtain health insurance coverage from any source.

In summary, we observe great heterogeneity in California's contingent and alternative workforce in terms of characteristics, earnings, access to health insurance, and preferences regarding ideal work structure. For some workers, contingent and alternative jobs are clearly "second-best" options that are chosen due to the lack of a better alternative. For others, however, a contingent or alternative job may fit optimally into a

household strategy that balances the benefits of traditional employment with the flexibility of non-traditional types of employment. Yet others may prefer non-traditional employment because of the necessity of balancing the demands of schooling with those of work. If the objective of policy is to improve the welfare of all California workers, this heterogeneity must be taken into account when designing policies that will affect the contingent and alternative workforce.

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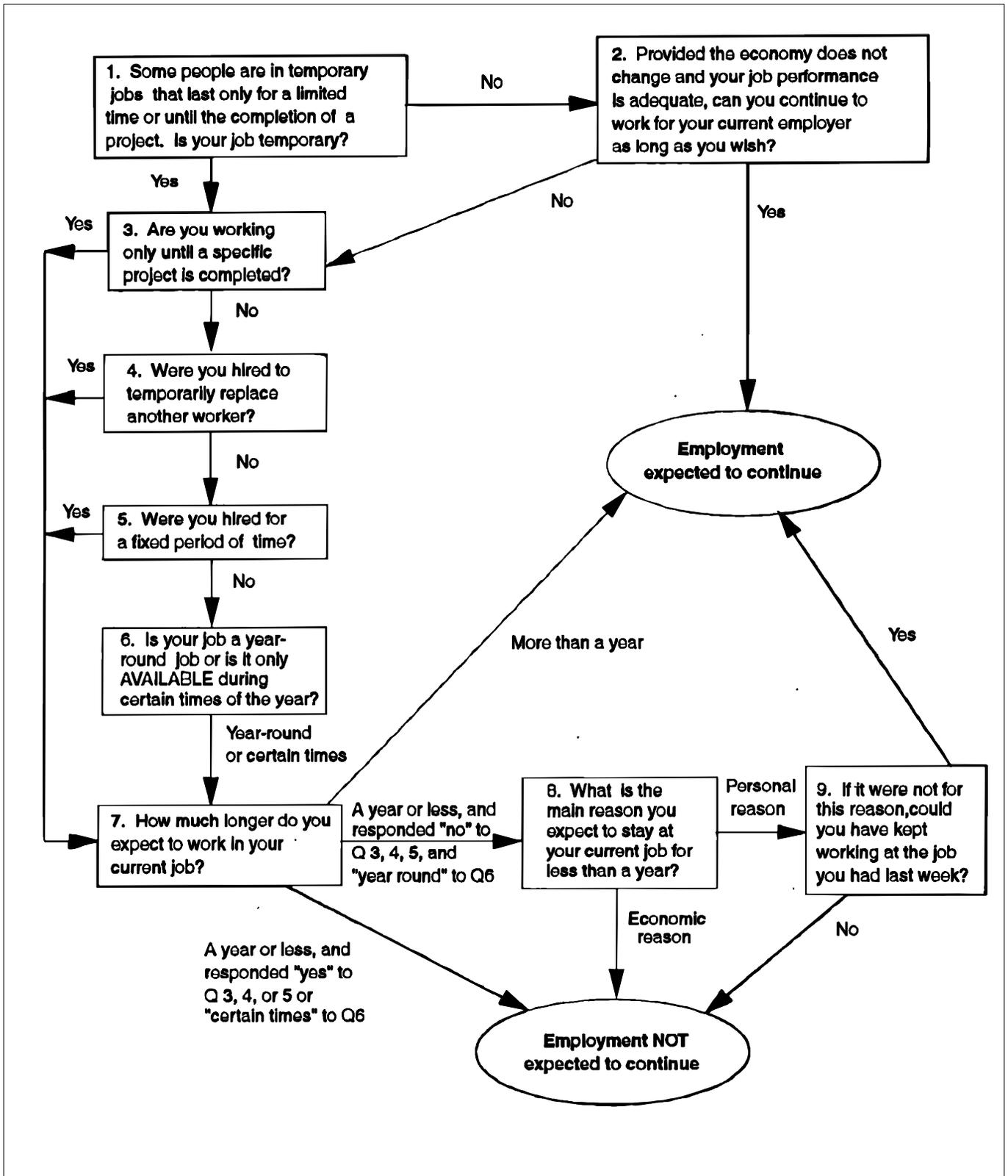
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APPENDIX

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



Source: Polivka (1996)

Table A1. Employed contingent and noncontingent workers by selected characteristics, United States, February 1999 (In Thousands)

Characteristic	Total Employed	Contingent Workers	Noncontingent Workers
Age and sex			
Total, 16 years and over.....	131,494	5,641	125,853
16 to 19 years.....	6,662	744	5,918
20 to 24 years.....	12,462	1,119	11,343
25 to 34 years.....	30,968	1,379	29,589
35 to 44 years.....	36,415	1,061	35,355
45 to 54 years.....	28,144	743	27,400
55 to 64 years.....	13,062	362	12,700
65 years and over.....	3,781	232	3,549
Men, 16 years and over.....			
16 to 19 years.....	3,339	355	2,984
20 to 24 years.....	6,489	570	5,919
25 to 34 years.....	16,617	700	15,917
35 to 44 years.....	19,603	502	19,101
45 to 54 years.....	14,684	337	14,347
55 to 64 years.....	7,186	177	7,009
65 years and over.....	2,122	105	2,017
Women, 16 years and over...			
16 to 19 years.....	3,323	389	2,934
20 to 24 years.....	5,973	549	5,424
25 to 34 years.....	14,351	679	13,672
35 to 44 years.....	16,812	559	16,254
45 to 54 years.....	13,459	406	13,053
55 to 64 years.....	5,876	185	5,691
65 years and over.....	1,659	127	1,532
Race and Hispanic origin			
White.....	110,887	4,525	106,361
Black.....	14,620	688	13,932
Hispanic origin.....	13,356	742	12,614
Full- or part-time status			
Full-time workers.....	107,630	3,156	104,473
Part-time workers.....	23,864	2,485	21,380

NOTE: Contingent definition 3 (see section 2) Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding. Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A2. Percent distribution of employed contingent and noncontingent workers by selected characteristics, United States, February 1999 (Percent Distribution)

Characteristic	Contingent Workers	Noncontingent Workers
<u>Age and sex</u>		
Total, 16 years and over.....	100	100
16 to 19 years.....	13.2	4.7
20 to 24 years.....	19.8	9
25 to 34 years.....	24.5	23.5
35 to 44 years.....	18.8	28.1
45 to 54 years.....	13.2	21.8
55 to 64 years.....	6.4	10.1
65 years and over.....	4.1	2.8
Men, 16 years and over.....	48.7	53.5
16 to 19 years.....	6.3	2.4
20 to 24 years.....	10.1	4.7
25 to 34 years.....	12.4	12.6
35 to 44 years.....	8.9	15.2
45 to 54 years.....	6	11.4
55 to 64 years.....	3.1	5.6
65 years and over.....	1.9	1.6
Women, 16 years and over.....	51.3	46.5
16 to 19 years.....	6.9	2.3
20 to 24 years.....	9.7	4.3
25 to 34 years.....	12	10.9
35 to 44 years.....	9.9	12.9
45 to 54 years.....	7.2	10.4
55 to 64 years.....	3.3	4.5
65 years and over.....	2.2	1.2
<u>Race and Hispanic origin</u>		
White.....	80.2	84.5
Black.....	12.2	11.1
Hispanic origin.....	13.2	10
Full- or part-time status		
Full-time workers.....	56	83
Part-time workers.....	44	17

NOTE: Contingent workers correspond to Definition 3 (see section 2 in the paper). Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding. Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A3. Employed contingent and noncontingent workers by school enrollment and educational attainment, United States, February 1999 (Percent Distribution)

	Contingent workers	Noncontingent workers
School enrollment		
Total, 16 to 24 years (thousands).....	1,863	17,261
Percent.....	100	100
Enrolled.....	65.9	41.4
Not enrolled.....	34.1	58.6
Less than a high school diploma	6.3	9.4
High school graduates, no college.....	13.1	27.1
Less than a bachelor's degree..	7.9	14.6
College graduates.....	6.8	7.4
Educational attainment		
Total, 25 to 64 years (thousands).....	3,546	105,043
Percent.....	100	100
Less than a high school diploma....	11.9	9.1
High school graduates, no college..	25.8	31.4
Less than a bachelor's degree.....	23.9	28.5
College graduates.....	38.5	31

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Detail may not sum to totals due to rounding.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A4. Employed contingent and noncontingent workers by occupation and industry, United States, February 1999 (Percent Distribution)

Characteristic	Contingent workers	Noncontingent workers
Occupation		
Total, 16 years and over (thousands)..	5,641	125,853
Percent.....	100	100
Executive, administrative, and managerial.....	6.8	15.1
Professional specialty.....	24.7	15.4
Technicians and related support....	3.3	3.2
Sales occupations.....	6.8	12.3
Administrative support, including clerical Services.....	19.2	14
	14.7	13.4
Precision production, craft, and repair Operators, fabricators, and laborers	8.4	11.1
	12.5	13.4
Farming, forestry, and fishing.....	3.7	2.1
Industry		
Total, 16 years and over (thousands).....	5,641	125,853
Percent.....	100	100
Agriculture.....	3.1	2.1
Mining.....	0.2	0.4
Construction.....	7.5	6.1
Manufacturing.....	8.1	15.9
Transportation and public utilities	3.4	7.4
Wholesale trade.....	2.5	4
Retail trade.....	10.7	17.1
Finance, insurance, and real estate	3	6.9
Services.....	58.1	35.4
Public administration.....	3.3	4.7

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Detail may not sum to totals due to rounding. Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A5. Employed workers with alternative and traditional work arrangements by selected characteristics, United States, February 1999 (In Thousands)

Characteristic	Workers with alternative arrangements					Workers with traditional arrangements
	Total employed	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
<u>Age and sex</u>						
Total, 16 years and over..	131,494	8,247	2,032	1,188	769	119,109
16 to 19 years.....	6,662	76	179	68	37	6,265
20 to 24 years.....	12,462	252	202	249	87	11,637
25 to 34 years.....	30,968	1,479	470	348	235	28,410
35 to 44 years.....	36,415	2,491	507	231	216	32,960
45 to 54 years.....	28,144	2,177	303	182	132	25,332
55 to 64 years.....	13,062	1,212	205	77	47	11,505
65 years and over.....	3,781	561	167	33	14	3,000
<u>Men, 16 years and over....</u>						
16 to 19 years.....	3,339	47	93	38	29	3,116
20 to 24 years.....	6,489	158	120	114	71	6,005
25 to 34 years.....	16,617	901	203	145	168	15,179
35 to 44 years.....	19,603	1,705	235	84	155	17,422
45 to 54 years.....	14,684	1,406	155	75	72	12,966
55 to 64 years.....	7,186	814	102	27	35	6,203
65 years and over.....	2,122	427	84	18	12	1,575
<u>Women, 16 years and over..</u>						
16 to 19 years.....	3,323	29	86	30	8	3,149
20 to 24 years.....	5,973	93	81	134	16	5,632
25 to 34 years.....	14,351	578	266	203	67	13,231
35 to 44 years.....	16,812	786	272	147	61	15,538
45 to 54 years.....	13,459	772	149	107	60	12,367
55 to 64 years.....	5,876	397	103	50	12	5,302
65 years and over.....	1,659	133	83	15	2	1,426
<u>Race and Hispanic origin</u>						
White.....	110,887	7,471	1,711	883	609	100,063
Black.....	14,620	476	258	252	97	13,542
Hispanic origin.....	13,356	506	237	161	46	12,355
<u>Full- or part-time status</u>						
Full-time workers.....	107,630	6,195	1,003	933	668	98,766
Part-time workers.....	23,864	2,053	1,029	255	101	20,343

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail may not add to totals because the total employed includes day laborers, an alternative arrangement, not shown separately, and a small number of workers were both "on call" and "provided by contract firms." Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A6. Employed workers with alternative and traditional work arrangements by selected characteristics, United States, February 1999 (Percent Distribution)

Characteristic	Workers with alternative arrangements				
	Independent Contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers with traditional arrangements
<u>Age and sex</u>					
Total, 16 years and over.....	100	100	100	100	100
16 to 19 years.....	0.9	8.8	5.8	4.8	5.3
20 to 24 years.....	3.1	9.9	20.9	11.3	9.8
25 to 34 years.....	17.9	23.1	29.3	30.5	23.9
35 to 44 years.....	30.2	24.9	19.4	28.1	27.7
45 to 54 years.....	26.4	14.9	15.4	17.2	21.3
55 to 64 years.....	14.7	10.1	6.5	6.1	9.7
65 years and over.....	6.8	8.2	2.8	1.9	2.5
Men, 16 years and over.....					
16 to 19 years.....	0.6	4.6	3.2	3.8	2.6
20 to 24 years.....	1.9	5.9	9.6	9.2	5
25 to 34 years.....	10.9	10	12.2	21.8	12.7
35 to 44 years.....	20.7	11.6	7	20.1	14.6
45 to 54 years.....	17	7.6	6.3	9.4	10.9
55 to 64 years.....	9.9	5	2.2	4.6	5.2
65 years and over.....	5.2	4.2	1.6	1.6	1.3
Women, 16 years and over.....					
16 to 19 years.....	0.4	4.2	2.5	1	2.6
20 to 24 years.....	1.1	4	11.3	2	4.7
25 to 34 years.....	7	13.1	17.1	8.8	11.1
35 to 44 years.....	9.5	13.4	12.4	8	13
45 to 54 years.....	9.4	7.3	9	7.8	10.4
55 to 64 years.....	4.8	5.1	4.2	1.6	4.5
65 years and over.....	1.6	4.1	1.3	0.3	1.2
<u>Race and Hispanic origin</u>					
White.....	90.6	84.2	74.3	79.2	84
Black.....	5.8	12.7	21.2	12.6	11.4
Hispanic origin.....	6.1	11.6	13.6	6	10.4
<u>Full- or part-time status</u>					
Full-time workers.....	75.1	49.3	78.5	86.8	82.9
Part-time workers.....	24.9	50.7	21.5	13.2	17.1

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Detail for other characteristics may not sum to totals due to rounding.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A7. Employed workers with alternative and traditional work arrangements by school enrollment and educational attainment, United States, February 1999 (percent Distribution)

Characteristic	Workers with alternative arrangements				
	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers with traditional arrangements
School enrollment					
Total, 16 to 24 years					
(thousands).....	328	380	317	124	17,901
Percent.....	100	100	100	100	100
Enrolled.....	39.3	56.4	22.7	35.8	44
Not enrolled.....	60.7	43.6	77.3	64.2	56
Less than a high school diploma	10	13.2	16.3	10.3	8.9
High school graduates, no college.....	27.9	20.2	31.8	13.9	25.8
Less than a bachelor's degree..	11.4	7.1	26.2	23.9	13.9
College graduates.....	11.5	3.1	3	16.2	7.4
Educational attainment					
Total, 25 to 64 years					
(thousands).....	7,359	1,485	838	631	98,207
Percent.....	100	100	100	100	100
Less than a high school diploma....	7.5	13.4	14.6	6.4	9.2
High school graduates, no college..	29.7	29.6	30.5	22.7	31.4
Less than a bachelor's degree.....	28.5	29.1	33.7	31.9	28.3
College graduates.....	34.3	27.9	21.2	38.9	31.1

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail may not sum to totals due to rounding.

Source: Bureau of Labor Statistics

<http://stats.bls.gov/news.release/conemp.toc.htm>

Table A8. Employed workers with alternative and traditional work arrangements by occupation and industry, United States, February 1999 (Percent Distribution)

Characteristic	Workers with alternative arrangements				Workers with traditional arrangements
	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
Occupation					
Total, 16 years and over (thousands)	8,247	2,032	1,188	769	119,109
Percent.....	100	100	100	100	100
Executive, administrative, and managerial	20.5	5.3	4.3	12	14.6
Professional specialty.....	18.5	24.3	6.8	28.8	15.5
Technicians and related support....	1.1	4.1	4.1	6.7	3.3
Sales occupations.....	17.3	5.7	1.8	1.5	12
Administrative support, including clerical Services.....	3.4	8.2	36.1	3.4	15
Precision production, craft, and repair Operators, fabricators, and laborers	8.8	23.5	8.1	18.8	13.7
Farming, forestry, and fishing.....	18.9	10.1	8.7	16	10.5
	7	16	29.2	10.7	13.6
	4.4	2.9	0.9	2.2	2
Industry					
Total, 16 years and over (thousands)	8,247	2,032	1,188	769	119,109
Percent.....	100	100	100	100	100
Agriculture.....	4.9	2.2	0.4	0.4	2
Mining.....	0.2	0.4	0.1	2.7	0.4
Construction.....	19.9	9.6	2.5	9	5.1
Manufacturing.....	4.6	4.5	29.7	18	16.5
Transportation and public utilities	5.7	9.5	6.1	14	7.4
Wholesale trade.....	3.5	1.8	4.2	0.8	4
Retail trade.....	10.2	14.6	3.9	4.6	17.6
Finance, insurance, and real estate	8.8	2.7	7	8.9	6.7
Services.....	42.1	52	38.7	27.1	35.2
Public administration.....	0.2	2.6	*	10.7	5.1
Not reported or ascertained.....	-	0.1	6.3	3.8	-

* Less than 0.05 percent.

NOTE: Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Detail may not sum to totals due to rounding. For temporary help agency workers and workers provided by contract firms, the industry classification is that of the place to which they were assigned. Dash represents zero.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A9. Employed contingent and noncontingent workers and those with alternative and traditional work arrangements by health insurance coverage and eligibility for employer-provided pension plans, U.S., February 1999

Characteristic	Total employed	Percent with health insurance coverage		Percent eligible for employer-provided pension plan (2)	
		Total	Provided by employer (1)	Total	Included in employer-provided pension plan
Contingent workers:					
Estimate 3.....	5,641	64.1	20.6	21.4	13.8
Noncontingent workers.....	125,853	82.3	54.6	51.3	45.8
With alternative arrangements:					
Independent contractors.....	8,247	73.3	-3	2.8	1.9
On call workers.....	2,032	67.3	21.1	29	22.5
Temporary help agency workers....	1,188	41	8.5	11.8	5.8
Workers provided by contract firms.....	769	79.9	56.1	53.9	40.2
With traditional arrangements.....	119,109	82.8	57.9	54.1	48.3

1 Excludes the self-employed (incorporated and unincorporated) and independent contractors.

2 Excludes the self-employed (incorporated and unincorporated); includes independent contractors who were self-employed.

3 Not applicable.

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories.

Source: Bureau of Labor Statistics

<http://stats.bls.gov/news.release/conemp.toc.htm>

Table A10. Employed contingent workers by their preference for contingent or noncontingent work arrangements, United States, February 1999 (Percent Distribution)

Preference	Contingent workers
	Estimate 3
Total, 16 years and over (thousands).....	5,641
Percent.....	100
Prefer noncontingent employment....	53.1
Prefer contingent employment.....	38.9
It depends.....	5.3
Not available.....	2.7

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers.
Detail may not sum to totals due to rounding.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A11. Employed workers with alternative work arrangements by their preference for a traditional work arrangement, United States, February 1999 (Percent Distribution)

Preference	Independent Contractors	On-call workers	Temporary help agency workers
Total, 16 years and over (thousands).....	8,247	2,032	1,188
Percent.....	100	100	100
Prefer traditional arrangement.....	8.5	46.7	57
Prefer indirect or alternative arrangement.....	83.8	44.7	33.1
It depends.....	5.2	4.8	5.3
Not available.....	2.5	3.8	4.6

NOTE: Detail may not sum to totals due to rounding.

Source: Bureau of Labor Statistics

<http://stats.bls.gov/news.release/conemp.toc.htm>

Table A12. Employed workers with alternative and traditional work arrangements by contingent and noncontingent employment, United States, February 1999 (Percent Distribution)

Arrangement	Total (thousands)	Contingent workers	Noncontingent workers
Estimate 3			
With alternative arrangements:			
Independent contractors.....	8,247	2.9	97.1
On-call workers.....	2,032	28	72
Temporary help agency workers....	1,188	55.9	44.1
Workers provided by contract firms.....	769	20.2	79.8
With traditional arrangements.....	119,109	3.2	96.8

1 Not applicable. Excludes independent contractors and the self-employed (incorporated and unincorporated).

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A13. Median usual weekly earnings of full- and part-time contingent and noncontingent wage and salary workers and those with alternative and traditional work arrangements by sex, age, race, and Hispanic origin, United States, February 1999

Characteristic	Workers with alternative arrangements						
	Contingent Workers	Noncontingent Workers	Independent Contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers with traditional arrangements
	Estimate						
	3						
Full-time workers							
Total, 16 years and over.....	\$415	\$542	\$640	\$472	\$342	\$756	\$540
Men.....	494	614	689	507	367	770	613
Women.....	340	476	441	348	331	690	474
White.....	420	564	662	478	338	734	562
Black.....	350	447	414	393	354	719	445
Hispanic origin.....	313	397	504	308	296	*	396
Part-time workers							
Total, 16 years and over.....	114	160	209	119	187	\$171	157
Men.....	119	150	319	133	192	*	146
Women.....	112	166	169	114	185	*	163
White.....	113	161	220	119	183	\$197	158
Black.....	122	150	142	130	*	*	146
Hispanic origin.....	116	159	240	102	*	*	156

* Data not shown where base is less than 75,000.

NOTE: Noncontingent workers are those who do not fall into any estimate of "contingent" workers. Workers with traditional arrangements are those who do not fall into any of the "alternative arrangements" categories. Earnings data for contingent and noncontingent workers exclude the incorporated self-employed and independent contractors. Data for independent contractors include the incorporated and unincorporated self-employed; these groups, however, are excluded from the data for workers with other arrangements.

Source: Bureau of Labor Statistics <http://stats.bls.gov/news.release/conemp.toc.htm>

Table A14: Median weekly salaries contingent and noncontingent workers by part and full-time status, age, sex and schooling, California 1999

Males Full Time

Age	Enrolled		Less than High School Diploma		High School Graduates		Less than a bachelor		College Graduate	
	Contingent?		Contingent?		Contingent?		Contingent?		Contingent?	
	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
20 to 24 years	769	240	240	230	250		596		462	
25 to 34 years			440	336	769	751	769	520	865	500
35 to 44 years			375	680	577	440	600	990	1108	415
45 to 54 years			400	300	750		865	500	962	1154
55 to 64 years			300		577		1000		865	
65 years and over					200				231	

Females Full Time

Age	Enrolled		Less than High School Diploma		High School Graduates		Less than a bachelor		College Graduate	
	Contingent?		Contingent?		Contingent?		Contingent?		Contingent?	
	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
20 to 24 years		520				220	320			
25 to 34 years			250	230	280		500	280	692	600
35 to 44 years			400	306	375	230	392	400	960	808
45 to 54 years			245		500	480	646		946	480
55 to 64 years			175		450		808		288	
65 years and over									700	

Table A14 : (cont)

Males Part Time

Age	Enrolled		Less than High School Diploma		High School Graduates		Less than a bachelor		College Graduate	
	Contingent?		Contingent?		Contingent?		Contingent?		Contingent?	
	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
16 to 19 years	\$125	\$70								
20 to 24 years	162	92								
25 to 34 years									673	
35 to 44 years					400		162			
45 to 54 years							575		808	
55 to 64 years			404				115		750	
65 years and over			138		250		750		600	

Females Part Time

Age	Enrolled		Less than High School Diploma		High School Graduates		Less than a bachelor		College Graduate	
	Contingent?		Contingent?		Contingent?		Contingent?		Contingent?	
	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes
16 to 19 years	\$62	\$60								
20 to 24 years		105			104					
25 to 34 years			138				240	72	346	115
35 to 44 years					350		200	120	240	300
45 to 54 years			280		462	105	750		395	250
55 to 64 years							300		231	
65 years and over					90		48			