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The Changing Face of Temporary Help

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The temporary help industry in Canada traces its origins to the 1950s, a period during which women began to enter the workforce in large numbers. According to industry sources, the focus in those days was the supply of clerical, secretarial and manual labour to fill in for permanent employees who were sick, on maternity leave or on vacation. Most of the jobs were of short duration. However, over the years, the industry has evolved to meet the diversified and changing needs of Canadian businesses. Today, many workers contracted out have specialized professional and technical skills. And these persons are often hired as supplementary labour rather than as temporary replacements for permanent staff absent from work.

The temporary help industry consists **primarily** of firms which provide temporary workers on contract to other establishments. ⁽¹⁾ The temporary help agency charges the receiving establishment an hourly wage to cover the worker's earnings and a mark-up for its services. The worker is supervised by the receiving firm but remains on the payroll of the supplying agency.

This paper examines the reasons why businesses use temporary help (demand factors) and why some workers offer their services under this type of arrangement (supply factors). It also traces recent employment trends in the industry and highlights the socio-demographic characteristics of its workers, including the kinds of jobs held by them.

Sources of demand

Employers choose to use temporary help supplied by agencies for various reasons, but the overriding one appears to be **cost minimization**. For example, temporary workers may be taken on only when needed by

businesses with sharply fluctuating peak-loads or whose activities are seasonal, as well as by those which require specialized professional services or skills for only a brief period. This way, the firm minimizes labour underutilization. Uncertainty about the economic climate may cause some employers to seek temporary help: these workers can be let go with relative ease if they are no longer needed. Employers are also able to reduce costs associated with the hiring and training of new permanent employees by taking this route. Finally, use of temporary rather than permanent workers can reduce some labour-related "fringe-costs" (for example, employer contributions to group pension or dental plans).

Apart from cost minimization, temporary workers also fill in for permanent employees absent due to vacation, illness or maternity leave, thus ensuring the continuity of the firm's daily operations.

Sources of supply

People seek temporary jobs for a variety of reasons. For some, the work schedules of such jobs offer more flexibility to attend to other demands such as childcare, school or the desire for more leisure time. For others, temporary jobs are an intermediate step in the search for permanent work in the receiving firm or elsewhere. They also provide an opportunity to exercise or upgrade personal skills, or acquire a wider range of experience. For women entering the job market after a long absence, these jobs may provide an opportunity to polish old skills, learn new ones, and improve their marketability. Finally, some people use temporary help agencies simply to reduce the time, bother and costs associated with job search.

Employment trends

The temporary help industry's share of the national non-agricultural workforce is small (only 0.6% in 1987). According to the Survey of Employment, Payrolls and Hours (SEPH), employment in the industry rose from 57,000 in 1983 to a peak of 73,000 in 1985 ([Table 1](#)). Since then it has fallen to 63,000 in 1987. [\(2\)](#)



Table 1 Employment Levels, 1983-1987

Employment in this industry is sensitive to cyclical factors; that is, it reflects changes in employers' hiring strategies triggered by changes in economic conditions. For example, in the early stages of an economic recovery, cautious employers are more likely to hire temporary labour. Not surprisingly, between 1983 and 1985, employment in this industry increased by 27% compared with an overall employment growth of only 5%. As the economic recovery matures and employers become more convinced that growth will continue, temporary workers tend to be replaced by permanent employees. In

short, the initial cyclical rise in the use of temporary help tends to slow or even decline over the course of economic expansion. In Canada, the latest cyclical surge in temporary help employment growth seems to have ended in the fall of 1985. While employment in the economy as a whole has continued to rise since then, the number of workers in the temporary help industry has registered declines. [\(3\)](#)

Seasonal factors also play a role in employment levels in the temporary help industry. Data from SEPH show that employment is relatively high during the summer months. Several factors account for the increase during this period, including rising work-loads in seasonal industries such as agriculture and an increased use of temporary replacements for permanent employees on vacation.

Worker profile

Women are the mainstay of the temporary help industry: in 1986, about 76% of the industry's paid workers were female ([Table 2](#)). In contrast, women accounted for only 45% of all paid workers employed at some time in 1986. Adult females outnumbered young females by a ratio of 2:1. Close to one-half of the women employed in the temporary help industry were married.



Table 2 Paid Workers Employed at Some Time in 1986*

* *These are persons with at least one paid job in 1986; a few of them were also self-employed (incorporated or unincorporated) and/or unpaid family workers at some time that year.*

The predominance of women in the industry may conform to popular perception, but the educational attainment of its workers does not. In general, workers supplied by temporary help agencies are better educated than the overall workforce. In 1986, about 37% of them had a postsecondary certificate or diploma, or university degree; the corresponding proportion was 29% across all industries. This finding reinforces the perception that the industry is in evolution. As will be seen later in this paper, businesses are demanding qualified professional - programmers, accountants, engineers - on a temporary basis, and the temporary help industry is diversifying to meet the demand. The educational requirements of temporary clerical workers may also be pushed up by the demand for specialized abilities and skills, for example, the ability to use micro-computers. Some of these workers may be "over-qualified"; for them a clerical job may be a stepping-stone to a more suitable permanent job. In 1986, about 30% of the temporary agencies' paid clerical jobs were held by workers with a postsecondary certificate or diploma, or university degree; across all industries, the corresponding proportion was 23%.

One might expect that a temporary help worker would be more likely to receive unemployment insurance benefits than a general worker. The data do not support this supposition. In 1986, the proportion of temporary workers who reported collecting unemployment insurance benefits was identical to the all-

industry average (17%). It is possible that many of these temporary workers are continually employed at one temporary job after another. Some eventually find permanent employment elsewhere or quit work to return to school. Others who leave their temporary jobs may not have worked long enough to qualify for unemployment insurance benefits.



Chart A Employed at Some Time in 1986

Job profile

As expected, many of the paid positions filled by workers from the temporary help agencies are of short duration. In 1986, about 45% of these jobs ended within three months ([Table 3](#)). Only 18% of positions across all industries were held for such a limited period. At the other end of the job tenure scale, about 27% of the temporary help industry positions lasted at least the full year compared with 61% of positions in all industries.



Table 3 Paid Jobs Occupied at Some Time in 1986

Part-time employment is more prevalent among temporary help workers. In 1986, slightly more than one in three paid jobs in this industry was part-time (less than 30 hours per week); in comparison, part-time employment represented only one in five paid jobs in all industries.

In 1986 the majority of paid jobs (58%) filled by the temporary help industry workers were in the female-dominated clerical occupations; about four out of ten of these were stenographic and typing jobs. In contrast, clerical jobs accounted for only 18% of all jobs in all industries that year.

At 19%, the proportion of temporary jobs in managerial and professional occupations was high. Although the corresponding figure for all industries was higher (27%), much of the difference can be attributed to the fact the number of temporary workers in religious, teaching, artistic, literary and recreational occupations is negligible since only a few are sought from the agencies.

The wage a temporary help worker receives excludes the supplying agency's mark-up. In 1986, the average hourly wage rate paid to these workers was \$8.17 compared with an all-industry average of

\$10.26. For clerical workers, the difference was somewhat narrower: the hourly wage rate was \$7.29 in the temporary help industry and \$8.80 across all industries.



Chart B Occupational Distribution of Jobs Held in 1986

Summary

The temporary help industry accounts for less than one percent of the national workforce. But in Canada's ever-changing economy, employment agencies offer numerous advantages to businesses and workers.

Compared with other industries, women are over-represented in the temporary help industry; its workers are also more likely to work part-time. The majority of jobs provided by the industry are clerical, but one in five is in a managerial or professional occupation. Finally, compared with the overall workforce, employees in this industry are better educated.

The Labour Market Activity Survey

Worker and job profile data are derived from the Labour Market Activity Survey (LMAS). This household survey provides information on the labour market participation patterns of the Canadian population over the full calendar year and identifies the characteristics of jobs held during that period (up to five jobs). Because the LMAS covers activities undertaken at any time during the year, this survey's employment estimates are higher than the annual average estimates derived from monthly SEPH data.

The LMAS offers two distinct ways of looking at the labour market. First, the data on **worker** characteristics show that 81,000 people worked as paid employees in the temporary help industry at some time in 1986. Second, the data on **job** characteristics show that these people worked at 87,000 paid jobs in that industry. In other words, some people worked for more than one temporary help agency or they changed jobs within an agency (meaning they underwent a change of both duties **and** wage rate) during the year. Thus, the 87,000 paid jobs are in reality paid "person-jobs", which represent the collective job-holding experience of all paid workers in the industry. Across all industries, 12.0 million paid employees worked in 14.8 million paid "person-jobs" in 1986.

The difference between a job (in the usual sense) and a "person-job" may be illustrated by the case of an employer who has one position which exists for the entire year but is occupied by three persons in turn. In the LMAS, this position would be viewed as three "person-jobs".

An information manual on the LMAS is available on request from Richard Veevers at (613) 951-4617.

Notes

Note 1

This industry is identified as "Employment agencies and personnel suppliers" in the *Standard Industrial Classification, 1980*, Catalogue 12-501E. As its name implies, the industry has two components: employment agencies (SIC 7711) and personnel suppliers (SIC 7712). Employment agencies list employment vacancies, and select, refer and place applicants for employment in other firms on either a permanent or temporary basis for a one-time fee. The workers so placed come under the payrolls of the receiving firms and hence do not form part of the temporary help industry's workforce; however, the staff who work directly for the employment agencies do. Personnel suppliers place their own employees in clients' offices or plants on a temporary basis for a fee which covers the workers' earnings and a service mark-up. Such contracted-out personnel - as well as the personnel suppliers' own staff - are part of the temporary help industry's workforce.

Of the two components, the personnel suppliers are, by far, the larger group in terms of employment. Estimates based on studies undertaken by Dr. Lawrence Fric of the University of Western Ontario suggest that personnel suppliers accounted for about 80% of the industry's total employment in 1987. Dr. Fric also estimated their payroll for staff contracted out in 1987 at around \$700 million.

Note 2

The data in this section are annual averages derived from the Survey of Employment, Payrolls and Hours (SEPH), an establishment-based survey that provides detailed monthly data by industry on paid employment, average weekly earnings, average hourly earnings, and average weekly hours worked. SEPH estimates of paid employment, which include working owners of incorporated businesses, date from 1983. SEPH covers all industries except agriculture, fishing, trapping, religion and private households. For more information, see [Employment, Earnings and Hours](#).

Note 3

Similar cyclical effects on this industry's employment were observed in the United States economy. For a detailed analysis, see [Carey and Hazelbaker](#) (1986).

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Chart references

- *Employed at Some Time in 1986*: Labour Market Activity Survey, unpublished data.
 - *Occupational Distribution of Jobs Held in 1986*: Labour Market Activity Survey, unpublished data.
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Table 1

Employment Levels, 1983-1987

	Temporary help industry*	Industrial aggregate**
	'000	
1983	57	9,075
1984	58	9,151
1985	73	9,512
1986	71	9,706
1987	63	9,946

* *Includes personnel suppliers and employment agencies.*

** *Excludes agriculture, fishing, trapping, religion and private households.*

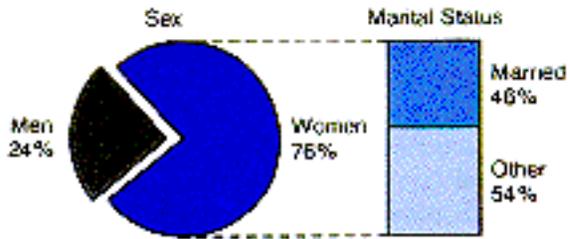
Table 2		
Paid Workers Employed at Some Time in 1986*		
	Temporary help industry	All industries
	%	
Age and sex	100	100
Men	24	55
16-24 years	10	13
25-69 years	14	41
Women	76	45
16-24 years	25	12
25-69 years	52	34
Sex and marital status	100	100
Men	24	55
Married	11	35
Single	13	17
Other	-	2
Women	76	45
Married	35	28
Single	32	13
Other	10	4
Educational attainment	100	100
0-8 years	--	9
Secondary	45	50
Some postsecondary	17	12
Postsecondary certificate or diploma	19	15
University degree	18	14
Unemployment insurance recipient in 1986	100	100
Yes	17	17
No	83	83

* These are persons with at least one paid job in 1986; a few of them were also self-employed (incorporated or unincorporated) and/or unpaid family workers at some time that year.

Employed at Some Time in 1988

Women predominate among temporary help workers.

Temporary help industry



All industries

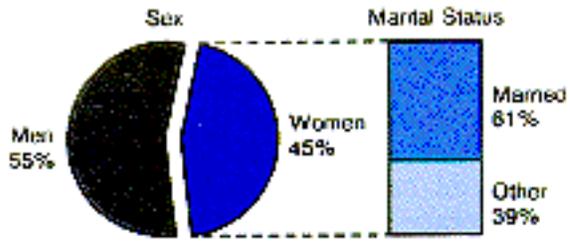


Table 3

Paid Jobs Occupied at Some Time in 1986

	Temporary help industry	All industries
	%	
Job tenure	100	100
Under 4 weeks	12	4
4-13 weeks	33	14
14-26 weeks	16	11
27-51 weeks	12	10
52 weeks or more	27	61
Full-time/part-time status	100	100
Full-time jobs	64	78
Part-time jobs	36	22
Occupation	100	100
Managerial and professional	19	27
Government managers and administrators	-	0.4
Others managers and administrators	13	10
Natural and social sciences, engineering, mathematics and medicine	6	10
Religious, teaching, artistic, literary and recreational	--	7
Clerical	58	18
Stenographic and typing	24	4
Service	8	15
Material handling and other crafts	5	4
Other*	10	36
Average hourly wage	\$8.17	\$10.26

* Includes sales, primary, processing, construction and transportation occupations.

Occupational Distribution of Jobs Held in 1986

Three in five jobs filled by temporary help workers are clerical, one in five is managerial or professional.

