

# Contingent Workers and Workers in Alternative Work Arrangements

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*Issue Brief*

- This *Issue Brief* presents a comprehensive description of contingent workers and workers in alternative work arrangements. The report discusses the advantages and disadvantages of contingent employment to both employers and workers. It describes recent trends in the use of contingent employment, characteristics of contingent workers and workers in alternative work arrangements, and these workers' employee benefits. The report also identifies public policy issues.
- In 1995, contingent workers accounted for between 2.2 percent and 4.9 percent of the labor force, and workers in alternative work arrangements accounted for 9.9 percent of total employment. By 1997, the contingent work force had declined slightly, ranging from 1.9 percent to 4.4 percent, while the percentage of workers in alternative arrangements remained the same. The decline in contingent work between 1995 and 1997 could be the result of the strong economy, especially if there was an increase in the number of noncontingent jobs over this period.
- Contingent workers and workers in alternative work arrangements are much less likely to have had any health insurance than noncontingent workers and workers in traditional work arrangements. Between 61 percent and 66 percent of contingent workers had health insurance coverage in 1997, compared with over 82 percent of noncontingent workers. Furthermore, while 83 percent of workers in traditional work arrangements had health insurance, only 46.5 percent of temporary help agency workers and 66.6 percent of on-call workers had health insurance.
- Contingent workers were less likely than noncontingent workers to have been offered coverage. They were more likely to be working for an employer that did not offer coverage to any workers, and more likely to be working for an employer that offered coverage for which they were not eligible. Contingent workers offered coverage were less likely than noncontingent workers offered coverage to report that they were covered by other health insurance and more likely to report that the plan that was offered was too costly.
- Contingent workers and workers in alternative work arrangements were much less likely to have participated in a retirement plan than noncontingent workers and workers in traditional work arrangements. In fact, 15.9 percent of contingent workers participated in a retirement plan in 1997, compared with almost 50 percent of noncontingent workers. Furthermore, while approximately 50 percent of workers in traditional work arrangements participated in an employment-based retirement plan, only 3.7 percent of temporary help workers, 13.4 percent of independent contractors, 18.6 percent of on-call workers, and 35.7 percent of workers provided by contract firms participated in such a plan.

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## Introduction

Conventional wisdom is wrong: The labor market in the United States today is

not changing dramatically. The monthly unemployment rate reached 4.3 percent in April and May 1998, its lowest level since October 1973, when it was 4.6 percent. It has since increased slightly. Despite recent low levels of unemployment, the news media have frequently suggested that the job security of American workers is at ever-increasing risk. In fact, a recent study found that there has been a modest decline in job stability among high-tenure workers and a larger decline in job security, especially for workers with higher levels of tenure (Aaronson and Sullivan, 1998).<sup>1</sup> While another recent study confirms that job stability has not changed much over time, it also suggests that workers have never lived in an idyllic world of job security (Yakoboski, 1998).

Many factors contribute to job insecurity, including technological change, increased competition (both nationally and globally), the shifting distribution of jobs away from the manufacturing sector, and the changing demographics of the work force. These factors provide an impetus for changes in the ways workers are employed. For example, as the age and family composition of the labor force changes, so too must the employment environment and employer-worker relationships and contracts.

The changing employment environment in the United States can be characterized by the increased use of *flexible* work arrangements. The term *contingent employment* is often used to describe flexible work arrangements or alternatives to traditional full-time work arrangements through which individuals are hired by, and work for, a single employer.<sup>2</sup> Contingent work, defined broadly, covers flexible employment practices such as temporary work, employee leasing, self-employment, contracting, and home-based work, as well as part-time work. Contingency work implies changes in

three traditional notions of employment:

- **Time**—something different from an eight-hour, five-day work week.
- **Permanency**—something other than a permanent relationship between an employer and worker.
- **Social contract**—something different from the traditional reciprocal rights, protections, and obligations between the worker and the employer (Christensen and Murphree, 1988).

Employers often use a contingent or flexible work force to surround a core set of full-time workers.

There is growing concern that the use of contingent workers and workers in alternative work arrangements is resulting in a work force with a growing number of *inferior* jobs: jobs that pay lower wages and are less likely to provide employee benefits. On the surface, data would seem to indicate that this is the case. If these jobs are in fact inferior, public policy may need to examine job quality and work place protection issues. However, when we look below the surface—meaning, when other factors are considered that would affect wage and employee benefit differences—these differences shrink but do not disappear (Kalleberg, 1997).

It is only recently that close examination of contingent workers and workers in alternative work arrangements has been possible. In the early 1990s, researchers at the Bureau of Labor Statistics (BLS) developed a survey to estimate the number of workers in contingent and alternative work arrangements. BLS defines contingent workers as those who “do not have an implicit or explicit contract for ongoing employment”

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<sup>1</sup> According to Aaronson and Sullivan (1998), job stability means the tendency for workers and employers to develop long-term relationships. Job security means workers' ability to remain employed as long as their job performance is satisfactory. Research on job security examines trends in involuntary job loss.

<sup>2</sup> Labor economist Audrey Freedman coined this term at a 1985 conference on employment security. It connotes conditionality, as indicated by a need for labor due to increased demand for a product or service, at a particular place, at a specific time (Freedman, 1988).

Table 1  
**Definition and Use of Contingent Workers and Workers in Alternative Work Arrangements**

	1995	1997	1995	1997
	(millions)		(percentage of total employment)	
Total Employed	123.2	126.7	100%	100%
Contingent Workers				
Estimate 1—Wage and salary workers who expect their jobs will last for an additional year or less and who had worked at their jobs for one year or less. Self-employed workers and independent contractors are excluded from the estimate. For temporary help and contract workers, contingency is based on the expected duration and tenure of their employment with the temporary help or contract firm, not with the specific client to whom they were assigned.	2.7	2.4	2.2	1.9
Estimate 2—Workers, including the self-employed and independent contractors, who expect their employment to last for an additional year or less and who had worked at their jobs (or been self-employed) for one year or less. For temporary help and contract workers, contingency is determined on the basis of the expected duration and tenure with the client to whom they are assigned, instead of their tenure with the temporary help or contract firm.	3.4	3.1	2.8	2.4
Estimate 3—Workers who do not expect their jobs to last. Wage and salary workers are included even if they already had held the job for more than one year and expect to hold the job for at least an additional year. The self-employed and independent contractors are included if they expect their employment to last for an additional year or less and they had been self-employed or independent contractors for one year or less.	6.0	5.6	4.9	4.4
Noncontingent Workers	117.2	121.2	95.1	95.6
Types of Alternative Work Arrangements				
Independent contractors—workers who are identified as independent contractors, independent consultants, or free-lance workers. They are either self-employed or wage and salary workers.	8.3	8.5	6.7	6.7
On-call workers—workers who are called to work only as needed, although they can be scheduled to work several days or weeks in a row.	2.1	2.0	1.7	1.6
Temporary help agency workers—workers who are paid by a temporary help agency, whether or not their job was a temporary position.	1.2	1.3	1.0	1.0
Workers provided by contract firms—workers who are employed by a company that provides the worker or the worker's services to others under contract and who are usually assigned to only one customer at a time and usually work at the customer's site.	0.7	0.8	0.5	0.6
Workers with traditional arrangements—workers who do not fall into any of the alternative arrangement categories.	111.1	114.2	90.1	90.1

Source: Employee Benefit Research Institute estimates from the February 1995 and February 1997 Current Population Surveys.

(Polivka and Nardone, 1989), while workers in alternative work arrangements are defined as those who self-identified themselves in the survey as independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms. In contrast to contingent workers, those with alternative arrangements may or may not have an implicit or explicit contract for ongoing employment. Thus, workers with contingent or alternative arrangements fall into two separate, but not necessarily mutually exclusive, categories.

In February 1995, BLS conducted the first supplemental questionnaire to the Current Population Survey (CPS) on contingent workers and workers with

alternative work arrangements. This survey offered the first “comprehensive and unified” measure on contingent workers and workers with alternative work arrangements in the U.S. work force (Polivka, 1996). Data from the survey indicate that contingent workers accounted for between 2.2 percent and 4.9 percent of the labor force, and workers in alternative work arrangements accounted for 9.9 percent of total employment in 1995 (table 1). Prior studies had estimated that contingent workers accounted for between 25 and 30 percent of the labor force (Belous, 1989), but these studies often combined workers in different categories, used data from different sources, and often double-counted individuals (Polivka, 1996). BLS repeated the survey on contingent workers

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and workers with alternative work arrangements in February 1997 and found that the contingent work force had declined slightly, ranging from 1.9 percent to 4.4 percent, while the percentage of workers in alternative arrangements remained the same (table 1). The decline in contingent work between 1995 and 1997 could be the result of the strong economy, especially if there was an increase in the number of noncontingent jobs over this period.

The purpose of this *Issue Brief* is to present a comprehensive description of contingent workers and workers in alternative work arrangements. The report discusses the advantages and disadvantages of contingent employment to both employers and workers. It describes recent trends in the use of contingent employment; characteristics of contingent workers and workers in alternative work arrangements; and the employee benefits available to these workers. The report also identifies public policy issues.

## Background: The Tradeoffs

The use of contingent workers and workers with alternative work arrangements is

both supply-driven (employer) and demand-driven (worker), presenting both advantages and disadvantages to employers and employees alike. Some of these advantages and disadvantages are summarized below.

### Employers

With fluctuations in the economy, an increasingly global business environment, differing employee demands, technological advances, and industry shifts, employers must continually focus on their ability to remain competitive. Contingent workers and workers with alternative work arrangements may be both an asset and a detriment to employers struggling to deal with these forces.

Among the advantages:

- *Commitment/Loyalty*—For employees desiring a less than full-time work arrangement, flexibility on the employer's part to meet these needs can lead to increased commitment and loyalty.
- *Scheduling flexibility*—Contingent workers and workers with alternative work arrangements afford employers greater flexibility in order to contend with economic shifts. For example, using short-time hiring practices by manufacturing companies allows these employers to expand and reduce their work force at minimal cost and with little lead-time while still maintaining a skilled labor force.
- *Growth in increments*—In some cases, an employer may have a need for only 10 or 20 additional hours of labor per week, not enough to warrant hiring a full-time worker. The use of contingent workers or workers with alternative work arrangements in this case allows the employer to meet specific demands and to add to its labor force only as needed.
- *Management of labor costs*—Labor costs can be a factor in employer use of contingent workers and workers with alternative work arrangements. Income data indicate that contingent workers and workers with alternative work arrangements earn lower wages per hour than traditional employees.<sup>3</sup> In addition, benefit costs can be lower since many contingent workers and workers with alternative work arrangements do not receive the same level of benefits as their traditional counterparts. Furthermore, because many contingent workers and workers with alternative work arrangements are employed on an hourly basis, employers need pay only for actual work required and performed.

Among the disadvantages:

- *Company-specific knowledge/continuity/productivity*—A lack of company-specific knowledge and

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<sup>3</sup> These data, however, do not adjust for industry of employment, type of position held, or other factors that may affect hourly earnings.

*Reasons for contingent employment vary over an individual's life and among people with different lifestyles.*

continuity can lead to reduced productivity. While this may not be an issue with workers in alternative work arrangements, it may be particularly true for *temporary* contingent workers.

- *Commitment*—While contingent employment opportunities for an employee desiring an alternative work schedule can increase employee commitment, this may not be the case for an employee preferring full-time work or with outside commitments and responsibilities. A less than full commitment can lead to low output and/or deterioration in the quality of products and services. Ultimately, such a decline can be self-defeating to employers if they lose their business advantage and competitiveness.
- *Cost-effectiveness*—While an employer may be able to reduce labor costs through the use of contingent workers and workers with alternative work arrangements (by paying them less on an hourly basis than traditional employees, in terms of both wages and benefits), cost-effectiveness depends not only on wages and benefits but also on productivity (Nollen, 1993). Workers are cost-effective if the value of their output exceeds the costs of their employment. Thus, high-wage labor may be cost-effective if there is high output, while low-wage labor may not be cost-effective if there is low output.

## Workers

Individuals choose contingent employment for a variety of reasons. For example, some individuals choose this type of work in order to supplement family income, earn money for education, ease into full-time retirement, or as an alternative to unemployment. Reasons for contingent employment vary over an individual's life and among people with different lifestyles. For example, contingent employment may be the option of choice for students or for women with young children. Contingent employment may serve those in their middle years as they undertake a career transition, as well as those in their later years as they ease into full-time retirement. In addition,

reasons for contingent employment may shift with demographic, societal, and economic changes.

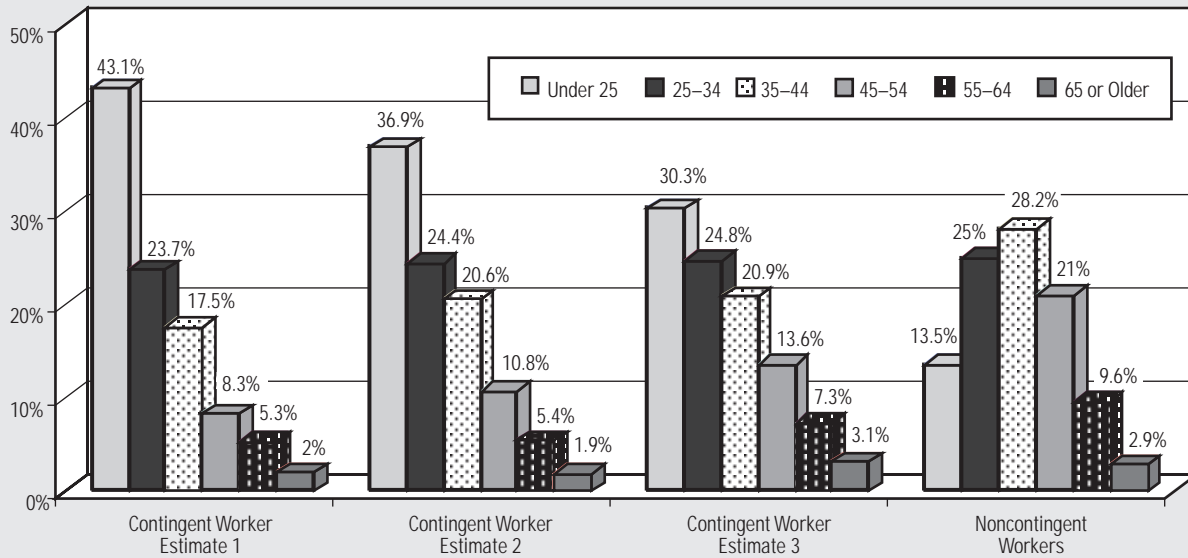
Among the advantages:

- *Flexibility*—Contingent employment can offer an individual the flexibility needed to meet family commitments and/or balance work with other interests and pursuits, such as an education.
- *Supplemental income*—Contingent employment can provide individuals with supplemental income to meet short-term financial obligations and/or obtain additional funds for other wants or needs (e.g., holiday gifts, home improvements, tuition).
- *Personal development*—Contingent employment may allow some workers the time to pursue alternative careers or hobbies while remaining gainfully employed. In addition, contingent employment may satisfy some individuals' desire to remain active while easing into full-time retirement.
- *Employment*—For some, the alternative to contingent employment is unemployment. For these individuals, the opportunity to work on a contingent basis allows them to remain in the work force and meet financial obligations while looking for a more traditional position.
- *Introduction to the work force*—Contingent employment may provide entry-level positions, introducing new workers to responsibilities and demands of the work place.

Among the disadvantages:

- *Compensation*—Contingent workers and workers with alternative work arrangements typically earn less than traditional workers. For individuals desiring to be employed in traditional jobs, contingent employment may not provide adequate compensation.
- *Job security*—In times of slack demand, the contingent worker is likely to be the first to go. Contingent workers and workers with alternative work arrangements likely have shorter tenure than traditional employees, play a less vital role in the organization, and are more vulnerable to cutbacks.

Chart 1  
Age of Employed Population, by Contingent Worker Status, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

- *Employee benefits*—Contingent workers and workers with alternative work arrangements are less likely to receive various employee benefits (including training and advancement opportunities, as well as such benefits as health insurance and retirement benefits) than their full-time counterparts.

## Definitions

BLS used the February 1995 and February 1997 CPS to examine contingent

workers and workers with alternative work arrangements. In determining whether a worker was a contingent worker, BLS examined the answers given by survey respondents to two questions: 1) were they in a job that would last a limited time or until the completion of a project? and 2) assuming the economy did not change and they were performing adequately at work, could they stay with their employer as long as they wished? Individuals responding “yes” and “no,” respectively, to these two questions were counted as contingent workers. Based on these two questions and other information, BLS determined that between 2.2 percent and 4.9 percent of the total employed population were contingent workers in February 1995, and between 1.9 percent and 4.4 percent of the total employed population were contingent workers in February 1997. These

data as well as the definitions are shown in table 1.<sup>4</sup>

BLS classified individuals in alternative work arrangements into four categories: independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms. BLS determined that in February 1997, 6.7 percent of the total work force were independent contractors, 1.6 percent were on-call workers, 1.0 percent were temporary workers, and 0.6 percent were contract workers (table 1). Workers in traditional work arrangements represented 90.1 percent of the total work force.<sup>5</sup>

## Characteristics

### Contingent Workers

A majority of contingent workers are young, high school graduates, have never been married, are white, and were born in the United States.

*Age*—Contingent workers are more likely to be concentrated among young individuals when compared with noncontingent workers. For example, the highest concen-

<sup>4</sup> Noncontingent workers are those workers who do not fall into any of the contingent worker categories.

<sup>5</sup> Workers with traditional work arrangements are those workers who do not fall into any of the alternative arrangements.

Table 2  
Contingent Workers and Noncontingent Workers, by Selected Characteristics, February 1997

	Total Employed	Contingent Workers			Noncontingent Workers
		Estimate 1	Estimate 2	Estimate 3	
Total (millions)	126.7	2.4	3.1	5.6	121.2
Age	100.0%	100.0%	100.0%	100.0%	100.0%
Under 25	14.2	43.1	36.9	30.3	13.5
25–34	25.0	23.7	24.4	24.8	25.0
35–44	27.8	17.5	20.6	20.9	28.2
45–54	20.6	8.3	10.8	13.6	21.0
55–64	9.5	5.3	5.4	7.3	9.6
65 or older	2.9	2.0	1.9	3.1	2.9
Gender	100.0%	100.0%	100.0%	100.0%	100.0%
Male	53.6	49.5	48.4	49.3	53.8
Female	46.4	50.5	51.6	50.7	46.2
Family Income	100.0%	100.0%	100.0%	100.0%	100.0%
Under \$10,000	5.1	15.0	14.7	12.1	4.8
\$10,000–\$19,999	10.4	17.4	16.4	14.9	10.2
\$20,000–\$29,999	13.9	16.0	16.0	15.0	13.9
\$30,000–\$39,999	13.7	10.5	10.8	11.3	13.8
\$40,000–\$49,999	11.5	9.6	9.5	10.1	11.5
\$50,000–\$74,999	20.4	13.7	14.4	15.5	20.7
\$75,000 or more	16.8	10.9	11.0	14.2	16.9
Not determinable	8.2	6.9	7.3	7.0	8.2
Education	100.0%	100.0%	100.0%	100.0%	100.0%
Some school	12.4	18.4	17.7	15.9	12.2
High school	61.0	60.2	59.4	55.5	61.2
College	17.8	15.2	16.7	18.1	17.8
Graduate school	8.9	6.2	6.2	10.6	8.8
Enrolled in School <sup>2</sup>	100.0%	100.0%	100.0%	100.0%	100.0%
Not enrolled	57.8	38.6	42.3	36.3	60.0
Enrolled	42.2	61.4	57.7	63.7	40.0
Hours of Work	100.0%	100.0%	100.0%	100.0%	100.0%
Part time	18.9	46.6	45.2	42.5	17.8
Full time	81.1	53.4	54.8	57.5	82.2

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Note: Noncontingent workers are those who do not fall into any estimate of “contingent” workers.

<sup>2</sup>Enrollment data exclude workers ages 25 and older.

tration of contingent workers can be found among those under age 25. Between 30.3 percent (estimate 3) and 43.1 percent (estimate 1) of contingent workers are under age 25, and another 23.7 percent to 24.8 percent are between ages 25 and 34 (chart 1 and table 2). In contrast, 13.5 percent of noncontingent workers are under age 25.

**Gender**—Overall, the data do not indicate large differences between males and females. However, noncontingent workers are more likely to be male, while contingent workers are slightly more likely to be female (table 2).

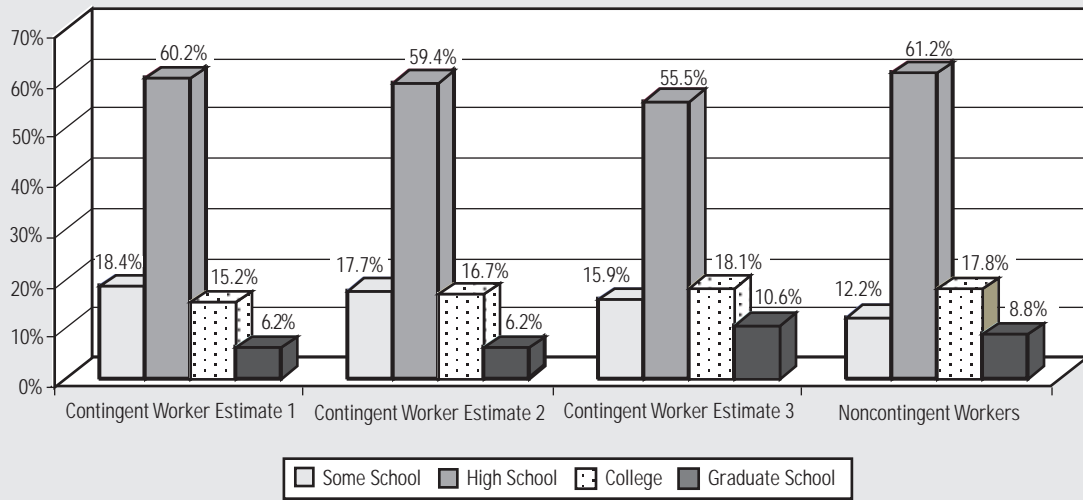
**Family Income**—Contingent workers are more likely to be in low-income families than noncontingent workers. While 4.8 percent of the noncontingent work force has a

family income of less than \$10,000, between 12.1 percent and 15.0 percent of contingent workers are in the same income group (table 2). Noncontingent workers are consistently more likely to be in families with income of \$30,000 or more.

**Education**—More than one-half of all contingent workers have completed a high school education, and do not have a college degree. Between 55.5 percent and 60.2 percent of contingent workers have high school degrees, compared with 61.2 percent of noncontingent workers (chart 2 and table 2). In addition, contingent workers are more likely than noncontingent workers to be enrolled in school. This is not surprising, given that contingent workers are, on average, younger than noncontingent workers (chart 3 and table 2).



Chart 2  
Education of Employed Population, by Contingent Worker Status, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

*Hours of Work*—Contingent workers are more likely than noncontingent workers to be employed on a part-time basis. Just 17.8 percent of the noncontingent work force works part time, yet between 42.5 percent and 46.6 percent of contingent workers are employed part time (chart 4 and table 2).

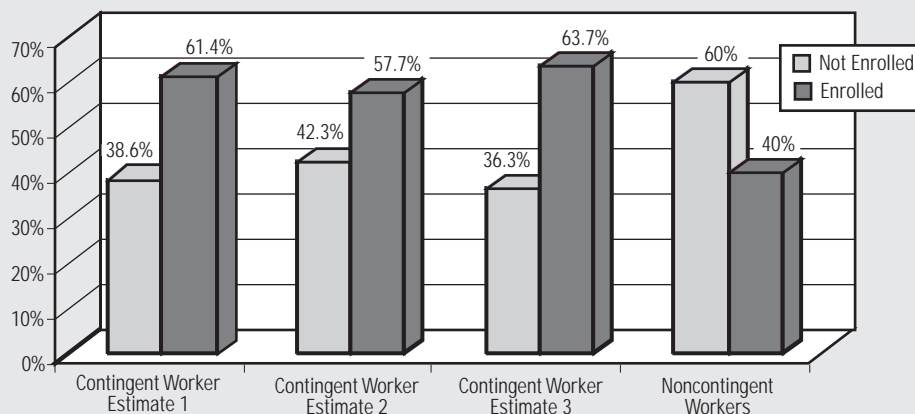
### Alternative Work Arrangements

*Age*—While contingent workers are clearly more likely to be younger than noncontingent workers, workers in alternative work arrangements are not necessarily more or less likely to be younger than workers in traditional

work arrangements. While 3.2 percent of independent contractors and 10.1 percent of workers provided by contract firms are under age 25, 22.0 percent of on-call workers and 22.6 percent of temporary help agency workers are under age 25 (chart 5 and table 3). This compares with 14.8 percent of workers in traditional work arrangements under age 25.

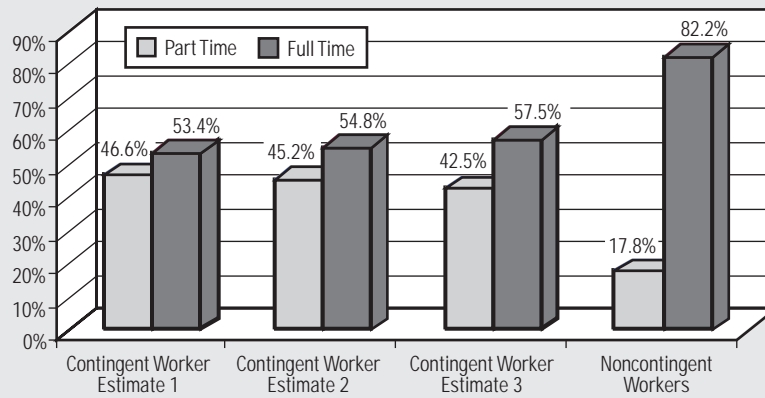
*Gender*—Differences in work arrangements exist among males and females. Independent contractors and workers provided by contract firms are more likely to be male than female: 66.6 percent males versus 33.4 percent females among independent contractors, and

Chart 3  
School Enrollment of Employed Population Ages 16-24, by Contingent Worker Status, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Chart 4  
Hours of Work of Employed Population, by Contingent Worker Status, 1997

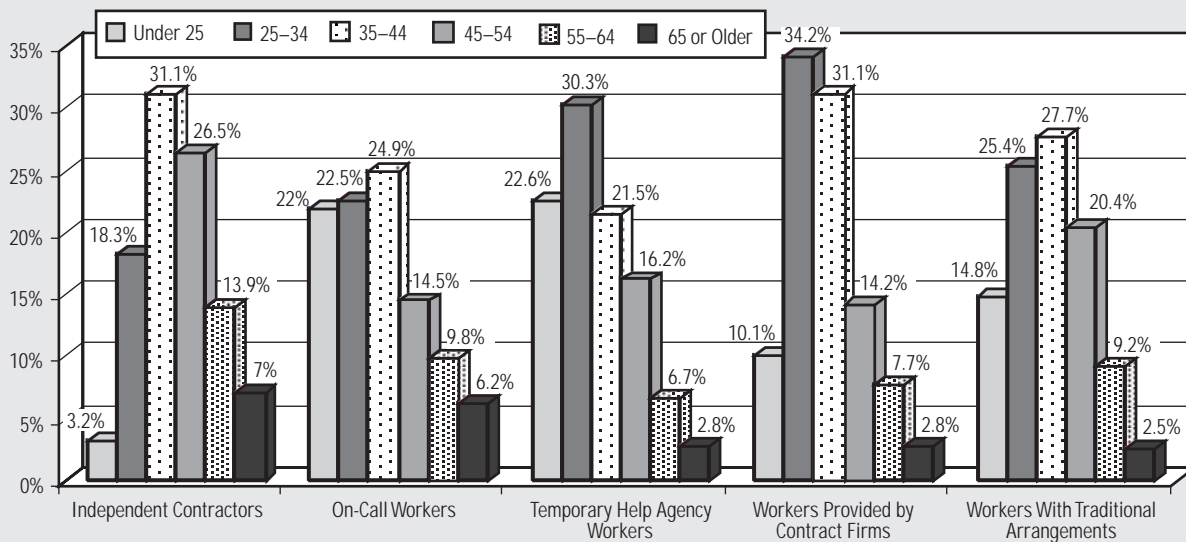


Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

69.8 percent males versus 30.2 percent females among workers provided by contract firms (table 3). However, on-call workers and temporary help agency workers are slightly more likely to be female: 50.8 percent female versus 49.2 percent male among on-call workers and 55.3 percent female versus 44.7 percent male among temporary help agency workers. Among the population of workers in traditional work arrangements, males represent 52.7 percent of the work force, whereas females represent 47.3 percent of the work force.

*Family Income*—Workers with alternative work arrangements often have family incomes either above or below that of workers in traditional work arrangements, depending on the type of arrangement they are employed in. Workers in temporary help agencies (13.6 percent) and on-call workers (10.9 percent) are more likely to have family incomes under \$10,000 than the population of workers with traditional arrangements (4.9 percent) (table 3). While 10.3 percent of workers in traditional work arrangements have family incomes between

Chart 5  
Age of Employed Population, by Alternative Work Arrangement Status, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 3  
**Workers With Alternative and Traditional Work Arrangements,  
 by Selected Characteristics, February 1997**

	Total Employed	Workers With Alternative Work Arrangements				Workers With Traditional Arrangements
		Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
Total (millions)	126.7	8.5	2.0	1.3	0.8	114.2
Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Under 25	14.2	3.2	22.0	22.6	10.1	14.8
25–34	25.0	18.3	22.5	30.3	34.2	25.4
35–44	27.8	31.1	24.9	21.5	31.1	27.7
45–54	20.6	26.5	14.5	16.2	14.2	20.4
55–64	9.5	13.9	9.8	6.7	7.7	9.2
65 or older	2.9	7.0	6.2	2.8	2.8	2.5
Gender	100.0	100.0	100.0	100.0	100.0	100.0
Male	53.6	66.6	49.2	44.7	69.8	52.7
Female	46.4	33.4	50.8	55.3	30.2	47.3
Family Income	100.0	100.0	100.0	100.0	100.0	100.0
Under \$10,000	5.1	4.9	10.9	13.6	7.4	4.9
\$10,000–\$19,999	10.4	9.6	15.3	21.5	8.5	10.3
\$20,000–\$29,999	13.9	12.4	18.4	16.6	15.6	13.9
\$30,000–\$39,999	13.7	12.0	11.8	10.8	11.6	13.9
\$40,000–\$49,999	11.5	9.4	8.8	9.6	11.3	11.7
\$50,000–\$74,999	20.4	19.4	17.9	13.8	22.5	20.6
\$75,000 or more	16.8	23.1	11.2	8.5	16.5	16.5
Not determinable	8.2	9.2	5.7	5.6	6.6	8.2
Education	100.0	100.0	100.0	100.0	100.0	100.0
Some school	12.4	9.4	20.3	13.3	9.2	12.5
High school	61.0	56.5	57.6	68.2	61.2	61.3
College	17.8	20.6	17.1	14.7	19.5	17.6
Graduate school	8.9	13.5	5.0	3.8	10.2	8.7
Enrolled in School <sup>a</sup>	100.0	100.0	100.0	100.0	100.0	100.0
Not enrolled	57.8	69.3	50.3	83.9	74.0	57.2
Enrolled	42.2	30.7	49.7	16.1	26.0	42.8
Hours of Work	100.0	100.0	100.0	100.0	100.0	100.0
Part time	18.9	26.4	53.3	19.7	17.2	17.7
Full time	81.1	73.6	46.7	80.3	82.8	82.3

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Note: Workers with alternative work arrangements are those who do not fall into any of the "alternative arrangements" categories.

<sup>a</sup>Enrollment data excludes workers ages 25 and older.

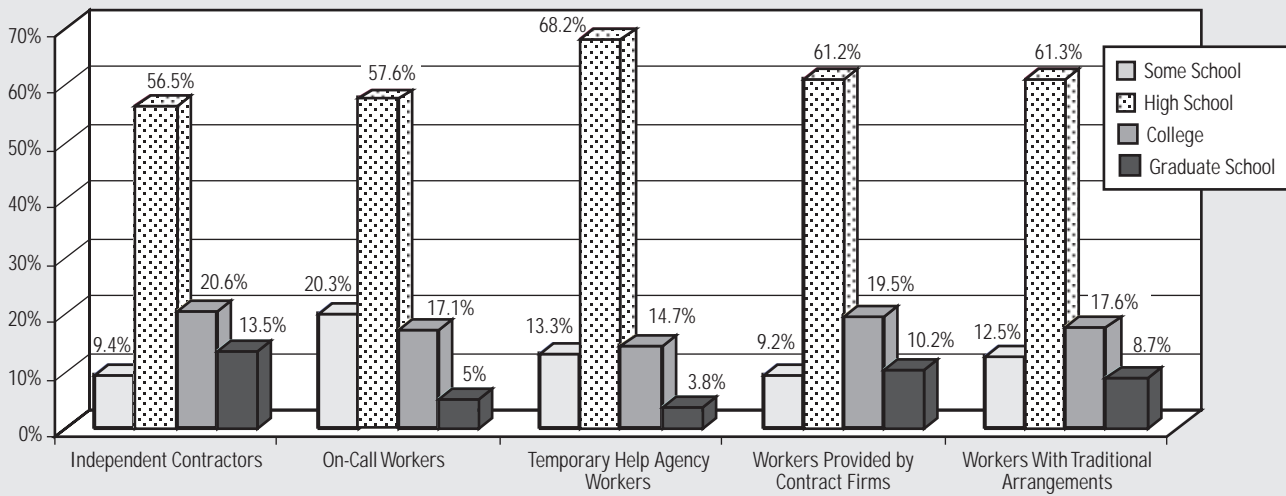
\$10,000 and \$19,999, more than twice as many (21.5 percent) temporary help agency workers are at this income level. Independent contractors and workers provided by contract firms are most likely to have a family income greater than \$50,000 (42.5 percent and 39.0 percent, respectively). This compares with 29.1 percent of on-call workers, 22.3 percent of temporary help agency workers, and 37.1 percent of workers with traditional work arrangements.

**Education**—The majority of workers with traditional arrangements are high school graduates (61.3 percent) (chart 6 and table 3). Among employees with alternative arrangements, the range in high school graduates varies from a low of 56.5 percent for independent contractors to a high of 68.2 percent for temporary help agency work-

ers. Independent contractors are most likely to have a graduate degree (13.5 percent versus 3.8 percent and 5.0 percent for temporary help agency and on-call workers). In the traditional work population, 8.7 percent of workers have graduate degrees. On-call workers are most likely to have completed some high school (20.3 percent versus 12.5 percent of workers in traditional arrangements). In addition, among workers ages 25 and above, with the exception of on-call workers, workers in alternative work arrangements are less likely to be enrolled in school than workers in traditional arrangements (chart 7 and table 3).

**Hours of Work**—Temporary help agency workers and workers provided by contract firms are just as likely as workers in traditional work arrangements to be em-

Chart 6  
Education of Employed Population, by Alternative Work Arrangement Status, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

ployed on a full-time basis (chart 8 and table 3). Independent contractors, however, are slightly less likely than traditional workers to be employed full-time (73.6 percent and 82.3 percent, respectively), while on-call workers are much more likely to be employed part-time than workers in traditional work arrangements.

industry is less likely than other industry sectors to employ contingent workers. Between 0.8 percent and 2.3 percent of manufacturing jobs are filled by contingent workers, compared with between 2.6 percent and 6.7 percent in the public sector and between 3.1 percent and 6.7 percent in agriculture, forestry, fishing, mining, and construction.

## Where Are the Workers?

### Contingent Workers

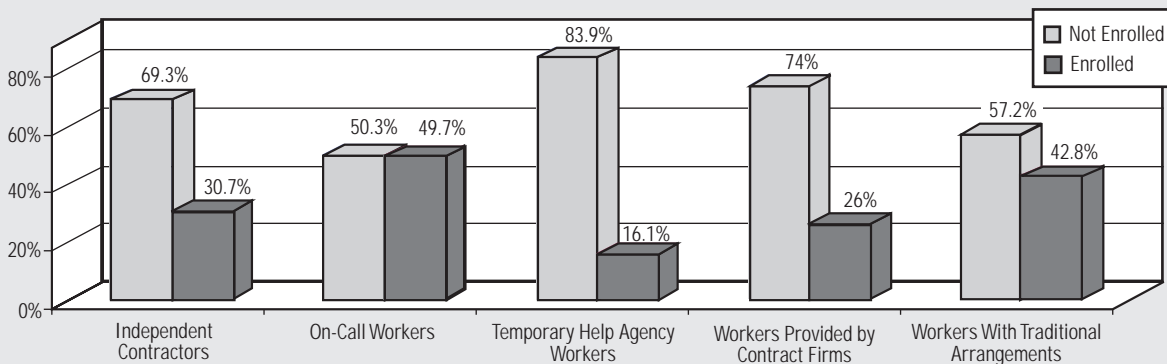
*Industry Group*—Between 1.9 percent and

4.4 percent of the U.S. work force is employed as contingent workers (table 4). However, the manufacturing

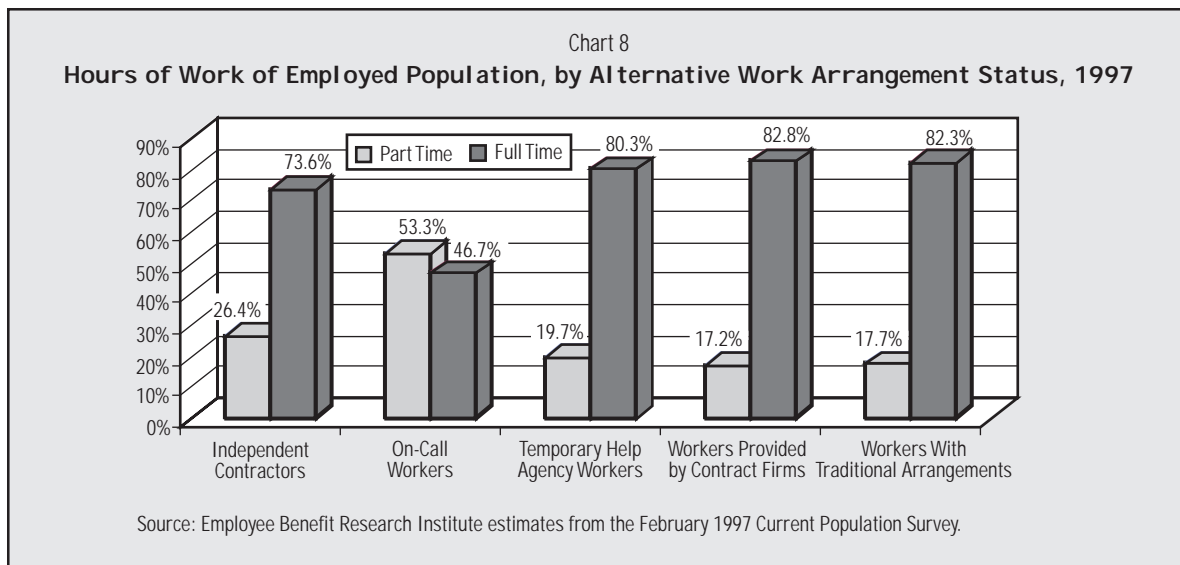
*Location*—The data do not show large variation in the use of contingent workers by state, which ranges from between 2.8 percent and 9.0 percent (estimate 3, table 5).<sup>6</sup> Using contingent worker estimate 3, the District of Columbia has the highest percentage of

<sup>6</sup> Caution should be utilized when using state and metropolitan region estimates, as they are based on smaller samples than other variables.

Chart 7  
School Enrollment of Employed Population Ages 16–24, by Alternative Work Arrangement Status, 1997



Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.



contingent workers, with 9.0 percent of the working population employed as contingent workers. Other states most likely to employ contingent workers include Washington (7.8 percent), New Mexico (7.7 percent), Montana (7.2 percent), and Alaska (6.7 percent). States employing 3.5 percent of contingent workers or fewer include Alabama, Georgia, Indiana, Louisiana, Nebraska, New Jersey, North Carolina, Ohio, Rhode Island, and Tennessee.

Examination of contingent workers by Consolidated Metropolitan Statistical Area (CMSA) reveals small differences in the proportion of workers in each area, ranging from 2.6 percent to 7.8 percent, under contingent worker estimate 3 (table 6). The highest proportion of contingent workers can be found in the Seattle-Tacoma-Bremerton, Washington, CMSA (7.8 percent). This is followed by 7.3 percent in the San Francisco-Oakland-San Jose, California, CMSA, 6.1 percent in the Sacramento-Yolo, California, CMSA, and 5.8 percent in the Los Angeles-Riverside-Orange County, California, CMSA.

## Workers in Alternative Work Arrangements

Overall, 9.9 percent of the work force is employed in alternative work arrangements (table 1). Specifically, 6.7 percent are employed as independent contractors, 1.6 percent as on-call workers, 1.0 percent as temporary help agency workers, and 0.6 percent as contract firm workers. However, the data indicate wide variation in the use of independent contractors when use is examined by industry and geographic region. There are not large differences in the use of on-call workers, temporary help agency workers, or contract workers by industry or geographic location.

*Industry*—With the exception of independent contractors, use of workers in alternative work arrangements by industry group is minimal. For example, 20.6 percent of workers in the agriculture, forestry, fishing, mining, and construction industry, 8.1 percent of the personal

Table 4  
Industry Group, by Percentage of Contingent Workers and Noncontingent Workers, February 1997

	Total Employed	Contingent Workers			Noncontingent Workers
		Estimate 1	Estimate 2	Estimate 3	
Total	100%	1.9%	2.4%	4.4%	95.6%
Agriculture, Forestry, Fishing, Mining, and Construction	100	3.1	4.1	6.7	93.3
Manufacturing	100	0.8	1.1	2.3	97.7
Wholesale and Retail Trade	100	1.9	2.6	3.7	96.3
Personal Services	100	2.0	2.8	5.1	94.9
Public Sector	100	2.6	2.6	6.7	93.3

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 5  
**Percentage of Contingent Workers and Noncontingent Workers, by Region and State, February 1997**

	Total Employed	Contingent Workers			Noncontingent Workers
		Estimate 1	Estimate 2	Estimate 3	
Total	100%	1.9%	2.4%	4.4%	95.6%
New England	100	2.1	2.5	4.6	95.4
Maine	100	1.9	2.1	4.4	95.6
New Hampshire	100	1.9	2.2	3.9	96.1
Vermont	100	3.5	4.8	6.2	93.8
Massachusetts	100	1.9	2.2	4.2	95.8
Rhode Island	100	1.8	2.2	3.4	96.6
Connecticut	100	2.4	3.0	5.7	94.3
Middle Atlantic	100	1.4	2.0	4.2	95.8
New York	100	1.7	2.1	4.7	95.3
New Jersey	100	1.0	1.6	3.5	96.5
Pennsylvania	100	1.4	2.0	3.9	96.1
East North Central	100	1.5	1.9	3.5	96.5
Ohio	100	1.3	1.6	3.2	96.8
Indiana	100	1.5	1.9	3.4	96.6
Illinois	100	1.7	2.3	3.7	96.3
Michigan	100	1.7	2.0	3.8	96.2
Wisconsin	100	1.1	2.0	3.5	96.5
West North Central	100	2.1	2.6	4.6	95.4
Minnesota	100	2.0	2.4	4.2	95.8
Iowa	100	1.6	2.1	3.9	96.1
Missouri	100	2.0	2.9	5.2	94.8
North Dakota	100	2.0	2.3	5.4	94.6
South Dakota	100	1.7	2.2	5.0	95.0
Nebraska	100	1.3	1.9	3.0	97.0
Kansas	100	3.4	3.8	5.9	94.1
South Atlantic	100	1.7	2.3	4.0	96.0
Delaware	100	1.9	1.9	3.9	96.1
Maryland	100	1.8	2.6	3.9	96.1
District of Columbia	100	3.6	4.6	9.0	91.0
Virginia	100	2.1	2.5	4.7	95.3
West Virginia	100	2.9	3.3	5.8	94.2
North Carolina	100	1.0	1.9	3.5	96.5
South Carolina	100	2.5	2.9	4.6	95.4
Georgia	100	1.5	2.1	3.0	97.0
Florida	100	1.5	2.0	4.0	96.0
East South Central	100	1.5	1.8	3.4	96.6
Kentucky	100	1.2	1.3	3.7	96.3
Tennessee	100	1.1	1.6	3.3	96.7
Alabama	100	1.5	2.0	2.8	97.2
Mississippi	100	2.8	2.8	4.2	95.8
West South Central	100	1.9	2.5	4.0	96.0
Arkansas	100	2.5	2.8	3.6	96.4
Louisiana	100	1.2	2.4	3.5	96.5
Oklahoma	100	2.2	2.6	4.2	95.8
Texas	100	1.8	2.5	4.2	95.8
Mountain	100	2.6	3.3	5.4	94.6
Montana	100	3.5	4.5	7.2	92.8
Idaho	100	2.5	3.3	5.2	94.8
Wyoming	100	2.2	2.7	5.7	94.3
Colorado	100	3.3	3.9	6.1	93.9
New Mexico	100	2.9	4.4	7.7	92.3
Arizona	100	2.7	3.8	5.1	94.9
Utah	100	1.5	1.8	3.5	96.5
Nevada	100	1.1	1.6	3.6	96.4
Pacific	100	2.7	3.3	6.1	93.9
Washington	100	4.2	4.8	7.8	92.2
Oregon	100	2.6	3.2	5.9	94.1
California	100	2.4	3.0	5.8	94.2
Alaska	100	2.7	3.5	6.7	93.3
Hawaii	100	2.3	2.7	6.4	93.6

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 6  
**Percentage of Contingent Workers and Noncontingent Workers, by Consolidated Metropolitan Statistical Area (CMSA), February 1997**

	Total Employed	Contingent Workers			Noncontingent Workers
		Estimate 1	Estimate 2	Estimate 3	
Total	100.0%	1.9%	2.4%	4.4%	95.6%
Boston-Worcester-Lawrence, MA-NH-ME-CT	100.0	2.2	2.5	4.4	95.6
Chicago-Gary-Kenosha, IL-IN-WI	100.0	1.7	2.0	3.2	96.8
Cincinnati-Hamilton, OH-KY-IN	100.0	1.1	1.3	2.6	97.4
Cleveland-Akron, OH	100.0	1.8	1.8	3.4	96.6
Dallas-Fort Worth, TX	100.0	2.8	3.4	5.3	94.7
Denver-Boulder-Greeley, CO	100.0	1.4	2.2	3.8	96.2
Detroit-Ann Arbor-Flint, MI	100.0	2.1	2.5	4.4	95.6
Houston-Galveston-Brazoria, TX	100.0	1.6	2.6	4.4	95.6
Los Angeles-Riverside-Orange County, CA	100.0	2.3	3.2	5.8	94.2
Miami-Fort Lauderdale, FL	100.0	0.9	1.6	3.8	96.2
Milwaukee-Racine, WI	100.0	0.6	1.0	3.0	97.0
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA	100.0	1.4	1.9	3.9	96.1
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	100.0	0.9	1.7	4.0	96.0
Portland-Salem, OR-WA	100.0	1.4	1.6	4.2	95.8
Sacramento-Yolo, CA	100.0	3.3	3.3	6.1	93.9
San Francisco-Oakland-San Jose, CA	100.0	3.0	3.7	7.3	92.7
Seattle-Tacoma-Bremerton, WA	100.0	4.4	5.1	7.8	92.2
Washington-Baltimore, DC-MD-VA-WV	100.0	1.6	2.0	3.8	96.2

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

service industry, and 7.4 percent of the trade industry are employed as independent contractors (table 7).

*Location*—Examination of workers with alternative arrangements reveals that Colorado, Montana, and Oregon are the states with the highest proportion of independent contractors (employing 10.9 percent, 11.5 percent, and 10.9 percent of independent contractors, respectively) (table 8).

Examination of workers with alternative work arrangements within CMSAs reveals small differences in the proportion of independent contractors and on-call

workers in some areas. The Denver-Boulder-Greeley, Colorado, CMSA makes the greatest use of independent contractors (11.8 percent), while the Portland-Salem-Oregon, Washington, CMSA uses 11.0 percent (table 9).

## Health Care Coverage

In 1997, 81.7 percent of workers ages 16 and above had health care coverage, either

from their own employer or from another source

Table 7  
**Percentage of Workers with Alternative Work Arrangements and Traditional Work Arrangements, by Industry Group, February 1997**

	Total Employed	Workers With Alternative Work Arrangements				Workers With Traditional Arrangements
		Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
Total	100.0%	6.7%	1.6%	1.0%	0.6%	90.1%
Agriculture, Forestry, Fishing, Mining, and Construction	100.0	20.6	3.4	0.3	1.2	74.5
Manufacturing	100.0	3.0	0.8	1.1	0.4	94.7
Wholesale and Retail Trade	100.0	7.4	1.1	1.9	0.9	88.7
Personal Services	100.0	8.1	1.6	0.6	0.5	89.2
Public Sector	100.0	0.3	2.5	0.0	0.2	96.9

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 8  
**Percentage of Workers with Alternative Work Arrangements and Traditional Work Arrangements,  
 by Region and State, by Region and State, February 1997**

	Total Employed	Workers with Alternative Work Arrangements				Workers with Traditional Arrangements
		Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
Total	100.0%	6.7%	1.6%	1.0%	0.6%	90.1%
New England	100.0	6.5	1.1	0.9	0.4	91.1
Maine	100.0	9.4	2.6	0.3	0.4	87.4
New Hampshire	100.0	5.9	1.8	1.2	0.2	91.0
Vermont	100.0	9.7	1.8	0.4	0.2	87.9
Massachusetts	100.0	6.4	0.8	0.9	0.4	91.4
Rhode Island	100.0	3.8	0.2	0.4	0.6	95.0
Connecticut	100.0	5.8	0.9	1.3	0.4	91.6
Middle Atlantic	100.0	5.5	1.5	0.9	0.4	91.7
New York	100.0	5.7	1.6	0.7	0.3	91.6
New Jersey	100.0	4.4	1.2	1.0	1.0	92.4
Pennsylvania	100.0	6.0	1.4	0.9	0.2	91.4
East North Central	100.0	5.5	1.3	1.1	0.7	91.4
Ohio	100.0	5.0	1.4	1.4	1.1	91.1
Indiana	100.0	4.9	0.9	1.3	0.3	92.6
Illinois	100.0	7.1	1.4	0.7	0.9	90.0
Michigan	100.0	5.1	1.1	1.3	0.7	91.8
Wisconsin	100.0	4.8	1.3	1.0	0.2	92.8
West North Central	100.0	5.3	1.6	1.0	0.9	91.1
Minnesota	100.0	4.8	1.9	1.2	0.9	91.2
Iowa	100.0	5.4	1.8	0.6	1.0	91.2
Missouri	100.0	5.4	1.3	0.9	1.2	91.2
North Dakota	100.0	5.7	1.6	0.3	0.4	92.0
South Dakota	100.0	6.3	1.6	0.5	0.1	91.5
Nebraska	100.0	5.8	1.0	0.9	0.7	91.7
Kansas	100.0	5.6	1.6	1.8	0.8	90.2
South Atlantic	100.0	6.8	1.3	1.0	0.7	90.2
Delaware	100.0	4.5	1.0	1.0	0.6	92.9
Maryland	100.0	8.5	1.6	1.0	1.3	87.6
District of Columbia	100.0	8.0	1.0	2.5	1.2	87.3
Virginia	100.0	6.3	1.1	1.5	1.0	90.1
West Virginia	100.0	4.9	4.0	0.3	0.5	90.2
North Carolina	100.0	5.4	1.1	0.6	0.7	92.2
South Carolina	100.0	6.3	1.5	1.6	0.0	90.6
Georgia	100.0	6.3	1.3	0.8	0.3	91.3
Florida	100.0	8.0	1.2	0.9	0.6	89.3
East South Central	100.0	6.2	1.6	1.1	0.5	90.6
Kentucky	100.0	6.1	1.7	1.4	0.2	90.6
Tennessee	100.0	7.9	1.6	1.0	0.7	88.8
Alabama	100.0	4.9	1.2	1.5	0.7	91.7
Mississippi	100.0	5.1	2.1	0.0	0.3	92.6
West South Central	100.0	6.9	1.6	1.0	0.8	89.7
Arkansas	100.0	8.6	1.4	0.7	0.1	89.2
Louisiana	100.0	5.3	1.4	0.7	0.8	91.8
Oklahoma	100.0	8.1	2.3	0.9	0.5	88.3
Texas	100.0	6.7	1.6	1.1	1.0	89.6
Mountain	100.0	8.2	1.6	1.0	0.5	88.7
Montana	100.0	11.5	1.7	0.4	0.1	86.3
Idaho	100.0	8.1	2.5	0.9	0.2	88.4
Wyoming	100.0	10.1	3.9	0.1	0.8	85.1
Colorado	100.0	10.9	1.0	0.9	1.0	87.0
New Mexico	100.0	6.8	2.8	1.0	1.0	88.4
Arizona	100.0	7.5	1.3	1.7	0.8	88.7
Utah	100.0	6.0	1.2	1.0	0.5	91.4
Nevada	100.0	5.1	2.3	0.2	0.3	92.2
Pacific	100.0	8.9	2.3	1.2	0.6	87.0
Washington	100.0	8.3	3.1	1.0	0.9	86.7
Oregon	100.0	10.9	2.2	1.8	0.8	84.3
California	100.0	8.8	2.1	1.2	0.6	87.3
Alaska	100.0	10.4	3.2	0.3	1.1	84.9
Hawaii	100.0	9.0	2.4	0.2	0.2	88.3

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.



Table 9  
**Percentage of Workers with Alternative Work Arrangements and Traditional Work Arrangements,  
 by Consolidated metropolitan Statistical Area (CSMA), February 1997**

	Total Employed	Workers With Alternative Work Arrangements				Workers With Traditional Arrangements
		Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	
Total	100.0%	6.7%	1.6%	1.0%	0.6%	90.1%
Boston-Worcester-Lawrence, MA-NH-ME-CT	100.0	5.4	1.0	1.1	0.5	92.0
Chicago-Gary-Kenosha, IL-IN-WI	100.0	6.8	1.1	0.6	0.8	90.6
Cincinnati-Hamilton, OH-KY-IN	100.0	4.9	1.3	1.2	2.3	90.2
Cleveland-Akron, OH	100.0	5.2	0.7	1.3	1.0	91.7
Dallas-Fort Worth, TX	100.0	6.6	1.1	2.1	1.1	89.1
Denver-Boulder-Greeley, CO	100.0	11.8	1.5	1.0	0.2	85.6
Detroit-Ann Arbor-Flint, MI	100.0	5.4	1.1	1.5	0.8	91.3
Houston-Galveston-Brazoria, TX	100.0	7.0	2.8	1.2	0.7	88.4
Los Angeles-Riverside-Orange County, CA	100.0	9.0	2.2	1.2	0.6	87.1
Miami-Fort Lauderdale, FL	100.0	8.8	0.9	0.7	1.0	88.7
Milwaukee-Racine, WI	100.0	5.0	0.6	1.0	0.3	93.2
New York-Northern New Jersey- Long Island, NY-NJ-CT-PA	100.0	5.5	1.3	0.9	0.5	91.7
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	100.0	7.1	1.4	0.7	0.3	90.6
Portland-Salem, OR-WA	100.0	11.0	2.0	1.0	0.5	85.5
Sacramento-Yolo, CA	100.0	8.5	1.5	1.5	1.2	87.3
San Francisco-Oakland-San Jose, CA	100.0	9.5	2.0	1.6	0.7	86.2
Seattle-Tacoma-Bremerton, WA	100.0	9.5	2.1	0.8	1.1	86.5
Washington-Baltimore, DC-MD-VA-WV	100.0	7.9	1.3	1.4	1.4	88.0

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

(table 10). However, contingent workers and workers in alternative work arrangements were much less likely to have had any health insurance than noncontingent workers and workers in traditional work arrangements. For example, between 61 percent and 66 percent of contingent workers had health insurance coverage in 1997, compared with over 82 percent of noncontingent workers (table 10). Furthermore, while 83 percent of workers in traditional work arrangements had health insurance, only 46.5 percent of temporary help agency workers and 66.6 percent of on-call workers had health insurance.

The differences in health insurance coverage are due in large part to the fact that contingent workers and workers in alternative work arrangements are less likely than noncontingent workers and workers with traditional work arrangements to have employment-based health insurance through their current employer. In 1997, noncontingent workers were more than twice as likely as contingent workers to have employment-based health insurance from their own employer (54.1 percent for noncontingent workers and 20.7 percent for estimate 3 of contingent workers).<sup>7</sup> Bigger differences are apparent when comparing workers in traditional work arrangements with workers in alternative work arrange-

ments. While contingent workers and workers in alternative work arrangements are more likely than noncontingent workers and workers in traditional work arrangements to have health insurance coverage from another source, this does not completely compensate for the differences in having employment-based health insurance from their own employer. As a result, a greater percentage of contingent workers and workers in alternative work arrangements are uninsured.

Overall, the percentage of workers with health insurance is unchanged from 1995, when health insurance covered 81.6 percent of all workers (table 10). However, while contingent workers were only slightly more likely to have employment-based health insurance from their own employer in 1997, when compared to 1995, some workers in alternative work arrangements were much more likely to have it. For example, the percentage of workers provided by contract firms with employment-based health insurance increased from 42.5 percent in 1995 to 50.2 percent in 1997.

<sup>7</sup> For the duration of this section, contingent worker comparisons will refer to this broadest estimate. The trends are the same for the other two estimates, so the discussion will be consistent for these other estimates as well.

Table 10  
**Percentage of Workers With Health Insurance by Work Arrangement, 1995 and 1997**

	All Workers	Contingent Workers			Workers With Alternative Work Arrangements					
		Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Temporary help agency workers	Independent contractors	Workers provided by contract firms	On-call workers	Workers With Traditional Arrangements
1995										
With Health Insurance	81.6%	57.4%	58.3%	65.1%	82.4%	44.9%	72.7%	69.8%	63.8%	83.0%
Own employer	52.3	10.2	8.7	20.4	53.9	5.7	3.0	42.5	16.9	57.2
Other source	29.3	47.2	49.6	44.7	28.5	39.2	69.7	27.4	46.9	25.8
No Health Insurance	15.8	40.6	39.7	32.2	14.9	53.8	25.3	27.6	34.2	14.3
Don't know	2.7	2.0	2.1	2.7	2.7	1.3	2.0	2.6	2.0	2.7
1997										
With Health Insurance	81.7	60.7	59.3	66.2	82.4	46.5	72.7	82.0	66.6	83.0
Own employer	52.6	10.9	9.5	20.7	54.1	7.0	2.5	50.2	18.9	57.5
Other source	29.1	49.8	49.9	45.5	28.3	39.5	70.2	31.8	47.7	25.6
No Health Insurance	15.4	37.6	38.4	30.9	14.6	49.9	24.7	16.6	30.5	14.0
Don't know	2.9	1.6	2.3	2.9	2.9	3.7	2.6	1.4	2.9	3.0

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

## Hours of Work

Full-time workers were significantly more likely to have had health insurance than part-time workers in 1997 (83.2 percent, compared with 75.3 percent) (table 11). As a result, part-time workers were more likely to be uninsured, 22.4 percent, compared with 13.7 percent of full-time workers being uninsured. Although full-time workers were more likely than part-time workers to have

health insurance, this was not the case for specific groups. For example, contingent workers employed part time were more likely to have had health insurance coverage than contingent workers employed full time (72.5 percent and 61.6 percent, respectively). However, this difference was completely due to the fact that part-time contingent workers were more likely than full-time contingent workers to have had health insurance from another source. In fact, contingent workers employed

Table 11  
**Percentage of Workers With Health Insurance by Work Arrangement and Hours of Work, 1997**

	All Workers	Contingent Workers			Workers With Alternative Work Arrangements					
		Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Temporary help agency workers	Independent contractors	Workers provided by contract firms	On-call workers	Workers With Traditional Arrangements
<b>Full-Time Workers</b>										
With health insurance	83.2%	52.4%	51.8%	61.6%	83.9%	42.8%	72.0%	82.2%	62.6%	84.6%
own employer	61.7	15.3	13.4	29.2	62.7	8.5	3.0	57.9	33.2	66.5
other source	21.5	37.1	38.5	32.4	21.2	34.3	69.0	24.3	29.4	18.1
No health insurance	13.7	45.3	45.0	34.4	13.1	53.4	25.0	16.7	33.1	12.3
Don't know	3.1	2.3	3.2	4.0	3.1	3.8	3.0	1.1	4.3	3.1
<b>Part-Time Workers</b>										
With health insurance	75.3	70.3	68.4	72.5	75.6	61.4	74.6	81.2	70.1	75.8
own employer	13.7	5.9	4.7	9.3	14.2	1.0	1.2	13.2	6.3	15.7
other source	61.6	64.4	63.7	63.2	61.4	60.4	73.5	68.0	63.8	60.1
No health insurance	22.4	28.9	30.5	26.1	22.0	35.7	23.6	16.2	28.3	21.8
Don't know	2.3	0.8	1.1	1.4	2.4	2.9	1.8	2.6	1.6	2.4

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

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*Contingent workers  
were less likely  
than noncontingent  
workers to have  
been offered  
coverage.*

part time were about one-third as likely as their full-time counterparts to have had employment-based health benefits from their own employer.

## Age

Across all age groups, noncontingent workers are more likely than contingent workers to have had health insurance and to have had it from their own employer, though the differences between the 16–19, 20–24, and 65 and older age groups are very small (table 12). Similarly, workers with traditional work arrangements were almost always more likely than workers with alternative work arrangements to have had employment-based health insurance from their own employer. The two exceptions were as follows: 1) temporary help agency workers were slightly more likely to have had employment-based health insurance than traditional workers in the age 16–19 group; and 2) workers provided by contract firms were much more likely than traditional workers to have had employment-based health insurance from their own employer in the age 20–24 group.

However, among contingent and noncontingent workers, large variation occurs by age in the difference in probability of having employment-based health insurance from their own employer. For example, for workers ages 16–19, noncontingent workers were almost twice as likely as contingent workers to have employment-based health insurance from their own employer, but for workers ages 20–24, contingent workers are almost four times as likely as noncontingent workers to have it.

## A Closer Look at Workers Without Employment-Based Coverage

There are three basic reasons why workers do not have employment-based health insurance coverage through their employer: The worker's employer does not offer coverage, the worker is offered but declines coverage, or

the worker is not eligible for a plan that the employer is providing to other workers. For workers with health insurance through a source other than their own employer, 21.4 percent worked for employers where coverage was not offered in 1997, 25.1 percent were offered coverage but did not take it, and 16.4 percent were not eligible for the plan (table 13).<sup>8</sup> Of the 25.1 percent who did not take the coverage they were offered, 80.5 percent were covered by other health insurance, while 11.7 percent reported that the coverage offered was too costly. Only 1.0 percent reported that they did not need coverage. For workers not eligible for coverage, not working enough hours per week or weeks per year were the most likely reasons for ineligibility.

Contingent workers were less likely than noncontingent workers to have been offered coverage. They were more likely to be working for an employer that did not offer coverage to any workers, and more likely to be working for an employer that offered coverage for which they were not eligible. Contingent workers offered coverage were less likely than noncontingent workers offered coverage to report that they were covered by other health insurance and more likely to report that the plan that was offered was too costly.

Overall, workers without health insurance coverage were more likely than workers with health insurance coverage not to have been offered coverage by their employer. In addition, contingent workers were less likely than noncontingent workers to have been offered health insurance coverage. Cost of health insurance was the biggest factor for uninsured workers not accepting an employment-based health insurance offer.

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<sup>8</sup> Self-employed workers were not considered to have had employment-based coverage in their own name in the February 1997 CPS. Therefore, they were not asked if they were offered coverage. As a result, a fourth reason for not having employment-based health insurance through a worker's employer is that the worker was self-employed. The self-employed account for 28.8 percent of those who had health insurance but not through their employer, and 14.9 percent of uninsured workers.

Table 12  
**Percentage of Workers With Health Insurance, by Age and Work Arrangement, 1997**

	All Workers	Contingent Workers			Non-contingent Workers	Workers With Alternative Work Arrangements				
		Estimate 1	Estimate 2	Estimate 3		Temporary help agency workers	Independent contractors	Workers provided by contract firms	On-call workers	Workers With Traditional Arrangements
<b>Ages 16–19</b>										
With Health Insurance	71.4	72.0	69.5	69.0	71.8	64.3	69.2	58.2	84.5	71.2
Own employer	8.9	5.4	5.0	5.3	9.3	10.1	3.6	0.0	7.3	9.0
Other source	62.6	66.6	64.5	63.7	62.4	54.2	65.6	58.2	77.2	62.2
No Health Insurance	25.5	26.2	27.6	27.7	25.2	27.1	25.6	41.9	15.5	25.8
Don't know	3.1	1.8	2.9	3.3	3.0	8.6	5.3	0.0	0.0	3.1
<b>Ages 20–24</b>										
With Health Insurance	64.9	62.2	59.3	64.1	65.0	30.2	51.9	79.3	58.1	65.9
Own employer	38.3	7.9	6.9	10.9	40.8	2.3	6.9	54.8	14.3	40.0
Other source	26.6	54.4	52.4	53.2	24.2	27.9	44.9	24.4	43.8	25.9
No Health Insurance	30.6	35.1	37.1	32.6	30.4	63.7	48.1	15.2	39.8	29.5
Don't know	4.5	2.6	3.6	3.4	4.6	6.2	0.0	5.6	2.1	4.6
<b>Ages 25–34</b>										
With Health Insurance	78.9	49.8	50.8	59.0	79.8	35.7	64.7	85.9	56.8	80.5
Own employer	57.4	17.2	14.0	27.2	58.7	6.6	1.8	59.1	22.8	61.5
Other source	21.5	32.6	36.8	31.9	21.0	29.0	62.9	26.8	34.0	18.9
No Health Insurance	17.9	49.4	47.8	37.8	17.0	61.4	32.1	13.0	41.6	16.3
Don't know	3.2	0.8	1.4	3.2	3.2	3.0	3.2	1.1	1.6	3.3
<b>Ages 35–44</b>										
With Health Insurance	84.6	52.5	55.0	62.8	85.3	46.7	70.9	76.0	63.8	86.5
Own employer	58.4	10.9	8.8	25.6	59.5	9.0	3.1	46.8	23.2	64.1
Other source	26.2	41.6	46.2	37.2	25.8	37.7	67.8	29.1	40.7	22.4
No Health Insurance	12.9	45.0	42.3	33.5	12.2	50.8	26.7	23.8	29.0	11.0
Don't know	2.6	2.6	2.7	3.8	2.5	2.5	2.4	0.2	7.2	2.5
<b>Ages 45–54</b>										
With Health Insurance	87.0	62.0	57.3	71.0	87.5	54.0	74.1	87.6	69.5	88.8
Own employer	59.3	14.6	12.5	26.6	60.3	10.8	2.2	56.1	21.4	65.7
Other source	27.7	47.4	44.8	44.4	27.2	43.2	71.9	31.5	48.1	23.1
No Health Insurance	10.3	38.0	41.2	26.5	9.8	41.8	23.1	9.1	27.5	8.6
Don't know	2.7	0.0	1.5	2.5	2.7	4.2	2.9	3.3	3.1	2.7
<b>Ages 55–64</b>										
With Health Insurance	88.1	75.1	77.2	81.9	88.3	77.7	78.8	84.8	71.4	89.5
Own employer	53.9	11.8	9.0	27.6	54.8	4.6	1.6	35.0	21.8	60.8
Other source	34.2	63.3	68.1	54.4	33.5	73.1	77.1	49.8	49.7	28.7
No Health Insurance	9.5	24.9	22.8	18.1	9.2	22.3	18.2	15.2	28.6	8.0
Don't know	2.4	0.0	0.0	0.0	2.5	0.0	3.1	0.0	0.0	2.5
<b>Ages 65 and Over</b>										
With Health Insurance	91.5	92.6	90.5	89.5	91.6	100.0	91.7	90.6	87.4	91.6
Own employer	23.0	9.1	7.4	12.6	23.5	0.0	3.3	12.2	4.5	28.3
Other source	68.5	83.5	83.1	76.9	68.1	100.0	88.4	78.4	82.9	63.3
No Health Insurance	6.1	7.4	9.5	10.5	5.9	0.0	6.7	9.4	12.6	5.8
Don't know	2.3	0.0	0.0	0.0	2.4	0.0	1.6	0.0	0.0	2.6

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

Table 13  
**Percentage of Workers Without Health Care Coverage From Their Employer Who Are Offered Coverage, by Work Arrangement, 1997**

	All Workers	Contingent Workers			Workers With Alternative Work Arrangements					
		Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Temporary help agency workers	Independent contractors	Workers provided by contract firms	On-call workers	Workers With Traditional Arrangements
<b>With Other Health Insurance</b>										
Not Offered Coverage	21.4%	33.0%	28.9%	29.4%	20.8%	63.1%	4.3%	37.0%	28.1%	23.7%
Offered Coverage	25.1	11.6	11.8	15.0	25.9	21.5	0.8	36.4	13.0	30.4
Covered by other insurance	80.5	72.8	72.6	74.7	80.8	65.1	66.3	67.5	78.5	81.0
Preferred higher pay	0.5	0.0	0.0	0.7	0.5	2.3	0.0	0.0	0.0	0.5
Too costly	11.7	17.7	20.2	16.3	11.5	25.2	16.5	20.0	17.5	11.3
Don't need coverage	1.0	3.0	2.3	2.0	1.0	0.0	0.0	0.0	0.0	1.1
Other	6.3	6.5	4.9	6.4	6.3	7.4	17.2	12.5	4.0	6.2
Not Eligible for Coverage	16.4	38.7	30.5	33.9	15.1	5.6	2.0	19.2	46.1	18.5
Does not work enough hours or weeks	62.7	40.6	39.7	44.8	65.7	24.6	21.1	42.1	48.5	65.2
Temporary or contract worker not eligible	9.0	36.8	35.9	34.7	4.8	0.0	53.4	31.9	25.7	6.6
Has not worked long enough	15.1	10.6	11.7	8.1	16.3	67.7	8.5	7.6	6.5	15.7
Pre-existing condition	1.3	0.1	0.1	0.4	1.4	0.0	1.6	0.0	0.1	1.4
Other	11.9	11.9	12.6	12.1	11.8	7.7	15.4	18.5	19.3	11.2
Self-Employed	28.8	0.0	14.4	8.7	30.3	0.0	91.5	0.0	0.0	17.8
Don't Know	8.4	16.8	14.4	13.0	8.0	9.9	1.4	7.3	12.7	9.6
<b>No Health Insurance</b>										
Not Offered Coverage	48.0	57.9	50.4	52.3	47.6	71.6	10.6	40.6	50.0	51.9
Offered Coverage	11.5	7.7	7.8	8.3	11.8	14.2	0.6	30.7	6.5	12.9
Preferred higher pay	1.2	5.1	8.1	6.8	0.8	4.3	0.0	0.0	0.0	1.1
Too costly	66.3	56.8	65.0	70.2	66.1	82.0	65.7	63.5	59.9	65.8
Don't need coverage	4.0	1.6	1.2	0.8	4.2	0.0	0.0	0.0	11.9	4.1
Other	28.5	36.5	25.7	22.3	28.9	13.7	34.3	36.5	28.3	29.0
Not Eligible for Coverage	17.8	26.3	19.6	21.5	17.5	6.8	1.1	11.3	32.4	19.9
Does not work enough hours or weeks	35.5	33.5	33.9	36.4	35.4	25.8	20.2	0.0	46.9	35.2
Temporary or contract worker not eligible	7.3	35.1	35.5	32.2	4.3	11.3	79.8	17.9	29.1	5.3
Has not worked long enough	47.5	21.0	20.0	17.2	51.1	57.4	0.0	65.0	13.8	49.7
Pre-existing condition	0.8	0.1	0.1	1.0	0.8	0.0	0.0	5.6	2.2	0.7
Other	8.9	10.3	10.5	13.2	8.4	5.5	0.0	11.4	7.9	9.0
Self-Employed	14.9	0.0	13.6	9.4	15.5	0.0	85.9	0.0	0.0	7.0
Don't Know	7.7	8.2	8.6	8.5	7.6	7.3	1.8	17.4	11.0	8.3

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.

## Retirement Plans

Approximately 48 percent of wage and salary workers<sup>9</sup> ages 16 and over

participated in an employment-based retirement plan in 1997 (table 14). However, contingent workers and workers in alternative work arrangements were much less likely to have participated in a retirement plan than noncontingent workers and workers in traditional work arrangements. In fact, 15.9 percent of contingent workers in estimate 3<sup>10</sup> participated in a retirement plan in

1997, compared with almost 50 percent of noncontingent workers. Furthermore, while approximately 50 percent of workers in traditional work arrangements participated in an employment-based retirement plan, only 3.7 percent of temporary help workers, 13.4 percent of

<sup>9</sup> For the rest of this section, except where noted, only wage and salary workers are included in the estimates. For this reason, our estimates of pension coverage are much higher than estimates provided by the BLS, which combines both wage and salary and self-employed workers in its analysis. A discussion of self-employed workers is included at the end of this section.

<sup>10</sup> Again, as in the previous section, contingent worker comparisons will refer to the broadest estimate (estimate 3). The trends are the same for the other two estimates, so the discussion will be consistent for these other estimates as well.

Table 14  
**Percentage of Workers in Firms Sponsoring a Retirement Plan and Participating in a Retirement Plan by Work Arrangement, 1995 and 1997**

	Contingent Workers				Workers With Alternative Work Arrangements					
	All Workers	Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers With Traditional Arrangements
1995										
In Firms Sponsoring Retirement Plans	60.6%	34.5%	33.6%	44.0%	61.5%	24.1%	44.9%	9.6%	46.5%	62.0%
Participating	47.4	4.3	4.4	15.1	49.1	13.6	17.7	2.6	28.5	49.0
For Those Offered										
Participating	78.1	12.5	13.0	34.3	79.8	56.5	39.3	26.7	61.4	79.0
Not participating	21.9	87.5	87.0	65.7	20.2	43.5	60.7	73.3	38.6	21.0
chose not to	21.5	6.8	6.5	7.8	23.3	8.9	9.6	29.0	20.9	22.1
type not eligible	9.9	35.1	35.3	35.1	6.8	43.2	29.3	25.0	30.0	8.6
not enough hours	20.3	29.3	27.9	26.1	19.6	8.1	34.8	7.1	9.2	20.0
insufficient tenure	29.4	14.3	15.8	14.7	31.3	14.7	14.2	30.0	20.0	30.3
too young	1.4	1.1	1.1	1.3	1.4	0.0	0.1	4.1	0.7	1.4
other/don't know	17.4	13.4	13.4	15.0	17.7	25.1	12.1	4.9	19.2	17.6
1997										
In Firms Sponsoring Retirement Plans	62.0	38.4	36.5	46.0	62.7	27.9	46.6	14.7	54.9	63.2
Participating	48.2	5.7	6.1	15.9	49.7	13.4	18.6	3.7	35.7	49.7
For Those Offered										
Participating	77.7	14.8	16.8	34.5	79.2	48.1	39.9	24.9	65.0	78.6
Not participating	22.3	85.2	83.2	65.5	20.8	51.9	60.1	75.1	35.1	21.4
chose not to	21.0	6.7	8.3	8.0	22.5	12.1	7.2	35.8	26.8	21.4
type not eligible	8.5	25.9	24.7	26.7	6.4	40.3	22.7	6.3	4.5	7.7
not enough hours	21.0	28.8	27.5	27.8	20.2	5.4	39.8	6.2	6.7	20.7
insufficient tenure	29.4	19.1	20.0	15.2	31.0	19.2	10.9	26.2	26.5	30.3
too young	1.6	1.0	0.9	0.6	1.7	0.0	0.3	0.0	0.0	1.7
other/don't know	18.6	18.5	18.7	21.6	18.3	23.2	19.0	25.5	35.5	18.3

Source: Employee Benefit Research Institute estimates from the February 1995 and February 1997 Current Population Surveys.  
 Note: Self-employed workers are excluded.

independent contractors, 18.6 percent of on-call workers, and 35.7 percent of workers provided by contract firms participated in such a plan.

The differences in retirement plan participation occurred because contingent workers and workers in alternative work arrangements were less likely than noncontingent workers and workers in traditional work arrangements to work for employers who sponsored a retirement plan, and also because contingent workers and workers in alternative work arrangements were less likely to be eligible to participate in a plan when it was sponsored (table 14). For instance, 62.7 percent of noncontingent workers worked for employers who sponsored a retirement plan, compared with 46.0 percent of contingent workers. Even larger differences were apparent when comparing workers in traditional work arrangements with workers in alternative work arrangements (14.7 percent to 54.9 percent of alternative work arrangement workers worked for a firm sponsoring a

retirement plan, compared with 63.2 percent of traditional workers).

As for eligibility rates across worker categories, contingent workers and workers in alternative work arrangements who worked for employers who sponsored a retirement plan were significantly less likely to be eligible to participate in the plan than were noncontingent workers and workers in traditional work arrangements who worked for a firm that sponsored a retirement plan. For contingent workers, independent contractors, and on-call workers, the difference in eligibility was almost entirely because these job categories were specifically not eligible for participation rather than because these workers had not worked sufficient hours per week or had insufficient tenure. However, temporary help workers and workers supplied by contract firms had significantly larger rates of choosing not to participate than did other worker types, while their ineligibility for participation was mainly to due insuffi-

Table 15  
**Percentage of Workers in Firms Sponsoring a Retirement Plan and Participating in a Retirement Plan, by Work Arrangement and Hours of Work, 1997**

	Contingent Workers				Workers With Alternative Work Arrangements					
	All Workers	Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers With Traditional Arrangements
<b>Full-Time Workers</b>										
In Firms Sponsoring Retirement Plans	66.4%	35.5%	33.8%	45.7%	67.1%	30.7%	52.5%	16.5%	58.7%	67.4%
Participating	55.5	8.9	9.4	23.0	56.6	16.1	28.4	4.6	39.9	56.8
For Those Offered										
Participating	83.6	25.2	27.8	50.3	84.3	52.4	54.0	27.7	68.0	84.2
Not participating	16.4	74.8	72.2	49.7	15.7	47.6	46.0	72.3	32.0	15.8
chose not to	27.3	10.9	13.7	13.4	28.3	13.8	11.8	37.8	28.3	27.7
type not eligible	5.7	23.2	21.5	22.3	4.5	37.3	25.8	5.1	3.8	4.9
not enough hours	4.4	14.4	13.3	12.3	3.8	0.0	22.4	6.5	0.0	4.1
insufficient tenure	39.2	32.4	32.7	25.3	40.2	22.9	18.9	24.3	28.8	40.2
too young	1.5	0.0	0.0	0.1	1.6	0.0	0.2	0.0	0.0	1.5
other/don't know	21.9	19.1	18.8	26.5	21.6	26.0	20.9	26.3	39.2	21.6
<b>Part-Time Workers</b>										
In Firms Sponsoring Retirement Plans	42.3	41.8	39.9	46.3	41.9	22.8	41.4	7.5	36.5	43.3
Participating	15.5	1.9	2.1	6.0	16.6	8.5	10.1	0.0	15.1	16.2
For Those Offered										
Participating	36.7	4.6	5.2	13.0	39.8	37.4	24.3	0.0	41.5	37.4
Not participating	63.3	95.4	94.8	87.0	60.2	62.6	75.7	100.0	58.5	62.6
chose not to	9.5	3.5	3.9	3.8	10.6	8.8	4.1	23.1	20.6	9.8
type not eligible	13.5	28.0	27.3	30.1	10.4	45.8	20.7	13.7	7.6	12.7
not enough hours	51.0	39.9	38.8	39.8	53.0	15.3	51.6	4.4	35.1	51.6
insufficient tenure	11.6	8.9	9.8	7.3	12.4	12.3	5.5	38.1	17.0	11.9
too young	1.8	1.7	1.6	1.1	1.9	0.0	0.4	0.0	0.0	1.9
other/don't know	12.6	18.1	18.5	17.8	11.6	17.8	17.7	20.7	19.7	12.2

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.  
 Note: Self-employed workers are excluded.

cient tenure (table 14).

Overall, the percentage of workers participating in an employment-based retirement plan remained essentially unchanged from 1995, when the participation rate was 47.4 percent of all workers (table 14). A slight increase occurred in two out of three contingent worker categories, and temporary help workers and workers supplied from contract firms had significant increases. However, the participation rate of temporary workers still increased only from 2.6 percent in 1995 to 3.7 percent in 1997.

## Hours of Work

Full-time workers were significantly more likely to have participated in an employment-based retirement plan than part-time workers in 1997 (55.5 percent, compared with 15.5 percent) (table 15). Furthermore, contingent workers and workers in alternative work arrangements

employed either part-time or full-time were less likely to participate in retirement plans than were noncontingent workers and traditional work arrangement workers. However, full-time contingent workers and workers in alternative work arrangements were at least twice as likely to have participated in a retirement plan as their part-time counterparts.

While the full-time worker comparisons of worker categories for employment-based retirement plan sponsorship and participation were similar to the entire work force, part-time workers revealed some interesting differences. First, part-time contingent workers were more likely to work for firms that sponsored a retirement plan than were part-time noncontingent workers (46.3 percent, compared with 41.9 percent). Despite this fact, part-time contingent workers still had lower participation rates than did the part-time noncontingent workers, since the contingent workers were more likely to be ineligible due to their job classification. Second,

Table 16  
**Percentage of Workers in Firms Sponsoring a Retirement Plan and Participating in a Retirement Plan, by Work Arrangement and Age, 1997**

	Contingent Workers				Workers With Alternative Work Arrangements					
	All Workers	Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers With Traditional Arrangements
<b>Ages 16–19</b>										
In Firms Sponsoring Retirement Plans	31.8%	34.4%	33.8%	33.4%	31.6%	0.0%	12.5%	3.9%	21.6%	33.0%
Participating	3.9	0.8	0.8	0.5	4.4	0.0	2.9	0.0	0.0	4.1
For Those Offered										
Participating	12.4	2.3	2.3	1.6	13.9	0.0	23.3	0.0	0.0	12.3
Not participating	87.6	97.7	97.7	98.4	86.2	0.0	76.8	100.0	100.0	87.7
chose not to	6.3	1.1	1.1	2.2	6.9	0.0	0.0	0.0	0.0	6.3
type not eligible	10.5	24.6	24.6	27.0	8.0	0.0	43.2	0.0	0.0	10.2
not enough hours	44.8	47.0	47.0	43.2	45.0	0.0	53.1	0.0	0.0	44.9
insufficient tenure	21.9	11.7	11.7	9.7	23.8	0.0	0.0	0.0	100.0	22.1
too young	6.6	3.2	3.2	3.2	7.1	0.0	0.0	0.0	0.0	6.7
other/don't know	10.0	12.4	12.4	14.7	9.2	0.0	3.7	100.0	0.0	9.9
<b>Ages 20–24</b>										
In Firms Sponsoring Retirement Plans	45.7	39.8	37.6	43.0	45.9	19.6	32.6	13.9	54.5	46.6
Participating	19.1	1.6	1.5	3.1	20.6	12.5	6.2	2.8	35.1	19.7
For Those Offered										
Participating	41.9	4.1	4.1	7.2	44.8	63.6	19.1	19.8	64.4	42.2
Not participating	58.1	95.9	95.9	92.8	55.2	36.4	80.9	80.3	35.6	57.8
chose not to	16.5	6.5	7.6	6.4	17.9	0.0	10.7	44.0	18.0	16.4
type not eligible	8.5	23.0	23.1	26.2	6.0	100.0	21.2	15.3	0.0	8.1
not enough hours	22.9	33.6	33.7	38.2	20.8	0.0	50.5	1.8	0.0	22.6
insufficient tenure	31.3	16.1	16.2	12.8	33.9	0.0	4.8	16.8	63.1	31.9
too young	3.4	1.2	1.2	0.7	3.8	0.0	0.0	0.0	0.0	3.5
other/don't know	17.4	19.5	18.3	15.7	17.7	0.0	12.9	22.2	19.0	17.5
<b>Ages 25–34</b>										
In Firms Sponsoring Retirement Plans	61.7	40.2	38.7	51.4	62.2	29.8	52.6	14.8	53.5	62.8
Participating	46.2	6.5	7.3	13.6	47.7	8.4	19.1	3.4	34.3	47.6
For Those Offered										
Participating	74.9	16.2	18.9	26.4	76.7	28.1	36.4	22.9	64.1	75.8
Not participating	25.1	83.8	81.1	73.6	23.3	71.9	63.6	77.1	35.9	24.2
chose not to	24.5	10.3	11.7	10.3	26.2	0.0	10.3	18.2	15.9	25.5
type not eligible	7.3	23.9	22.8	25.7	5.1	22.0	18.5	5.9	3.7	6.8
not enough hours	12.9	22.8	21.8	18.8	12.2	8.0	31.2	9.9	8.0	12.4
insufficient tenure	33.9	21.2	21.4	16.6	35.9	26.8	14.9	35.6	33.0	34.6
too young	0.6	0.0	0.0	0.1	0.6	0.0	0.9	0.0	0.0	0.6
other/don't know	20.9	21.8	22.3	28.5	20.0	43.3	24.3	30.5	39.4	20.2
<b>Ages 35–44</b>										
In Firms Sponsoring Retirement Plans	67.9	41.1	37.7	46.9	68.6	28.9	53.7	15.7	58.3	69.1
Participating	57.3	10.3	10.6	24.0	58.5	18.2	26.8	4.5	35.4	58.9
For Those Offered										
Participating	84.5	25.1	28.1	51.1	85.3	62.9	50.0	28.4	60.7	85.3
Not participating	15.5	74.9	71.9	48.9	14.7	37.1	50.0	71.7	39.3	14.7
chose not to	23.5	8.0	7.2	5.2	25.0	17.1	6.6	32.1	32.4	24.1
type not eligible	8.0	35.7	32.0	32.8	6.1	39.3	33.3	0.0	4.8	6.7
not enough hours	17.0	13.2	11.8	18.6	16.9	14.0	35.4	12.8	3.7	16.5
insufficient tenure	30.4	27.0	29.2	20.4	31.2	9.5	11.3	21.6	16.0	31.9
too young	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
other/don't know	20.9	16.1	19.8	23.0	20.8	20.1	13.4	33.6	43.1	20.7

(continued)



Table 16 (continued)

	Contingent Workers				Workers With Alternative Work Arrangements					
	All Workers	Estimate 1	Estimate 2	Estimate 3	Non-contingent Workers	Independent contractors	On-call workers	Temporary help agency workers	Workers provided by contract firms	Workers With Traditional Arrangements
Ages 45–54										
In Firms Sponsoring Retirement Plans	70.5%	34.9%	32.4%	51.1%	71.2%	26.0%	57.3%	18.4%	56.6%	71.9%
Participating	62.4	10.2	10.6	32.0	63.3	11.0	21.6	5.4	43.2	64.2
For Those Offered										
Participating	88.4	29.4	32.6	62.7	89.0	42.5	37.7	29.5	76.4	89.3
Not participating	11.6	70.6	67.4	37.3	11.0	57.5	62.3	70.5	23.6	10.7
chose not to	23.3	2.6	12.9	12.8	24.1	13.4	0.0	68.5	43.2	24.0
type not eligible	9.0	13.0	11.1	20.7	8.1	37.2	15.1	0.0	14.7	8.1
not enough hours	18.0	19.7	16.8	24.1	17.5	0.0	47.3	0.0	0.0	17.0
insufficient tenure	29.1	33.8	33.0	23.3	29.6	34.2	11.2	31.5	20.2	30.2
too young	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0
other/don't know	20.6	30.9	26.3	19.0	20.7	15.2	26.0	0.0	21.9	20.7
Ages 55–64										
In Firms Sponsoring Retirement Plans	65.7	41.6	36.8	49.0	66.4	25.6	54.8	16.4	61.6	66.9
Participating	57.9	14.1	11.7	28.8	59.2	8.1	24.1	5.1	40.0	59.8
For Those Offered										
Participating	88.2	33.8	31.8	58.8	89.1	31.8	44.0	31.2	64.9	89.4
Not participating	11.8	66.2	68.2	41.2	10.9	68.3	56.0	68.8	35.1	10.6
chose not to	28.5	15.2	13.9	16.3	29.9	0.0	5.1	9.6	43.0	31.3
type not eligible	12.9	32.3	29.5	27.0	11.3	79.7	28.9	27.5	0.0	9.7
not enough hours	22.5	23.2	21.1	22.6	22.5	0.0	38.8	0.0	30.1	21.8
insufficient tenure	19.6	12.8	19.4	10.3	20.7	4.3	10.2	22.4	0.0	21.3
too young	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
other/don't know	16.5	16.6	16.1	23.8	15.6	16.1	17.0	40.6	26.9	15.9
Ages 65 and Over										
In Firms Sponsoring Retirement Plans	46.8	22.6	28.3	37.7	47.5	38.7	39.9	8.3	31.8	48.3
Participating	30.5	9.1	9.0	18.7	31.3	24.1	17.2	0.0	31.8	31.9
For Those Offered										
Participating	65.0	40.2	31.6	49.7	65.9	62.3	43.1	0.0	100.0	66.1
Not participating	35.0	59.8	68.4	50.3	34.1	37.7	56.9	100.0	0.0	33.9
chose not to	31.4	0.0	31.4	15.2	32.7	53.4	21.0	100.0	0.0	30.8
type not eligible	6.0	78.3	53.7	23.1	4.6	40.3	0.0	0.0	0.0	5.2
not enough hours	41.4	21.7	14.9	30.2	42.3	0.0	48.2	0.0	0.0	42.7
insufficient tenure	6.5	0.0	0.0	0.0	7.0	0.0	10.4	0.0	0.0	6.4
too young	0.5	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.6
other/don't know	14.3	0.0	0.0	31.5	12.9	6.4	20.4	0.0	0.0	14.3

Source: Employee Benefit Research Institute estimates from the February 1997 Current Population Survey.  
Note: Self-employed workers are excluded.

with the exception of temporary help workers, participation rates for part-time workers in alternative work arrangements were much closer to the rates for part-time workers in traditional work arrangements than participation rates of alternative workers were to those of traditional workers in the entire work force.

## Age

Across all age groups, noncontingent workers and workers in traditional work arrangements were more

likely than contingent workers and workers in alternative work arrangements to have participated in an employment-based retirement plan in 1997, with one exception: contract firm workers in the 20–24 age group participated at a higher rate than their traditional work arrangement counterparts (table 16). In addition, in all age groups, contingent workers and workers in alternative work arrangements were less likely to have worked for a firm sponsoring a retirement plan than were noncontingent and traditional workers. However, in general, as the age of the workers increased for all

Table 17  
**Percentage of Self-Employed Workers With an Individual Retirement Account (IRA) or Keogh Plan by Work Arrangement, 1995 and 1997**

	All Workers	Contingent Workers			Noncontingent Workers	Independent Contractors	Workers With Traditional Arrangements
		Estimate 1	Estimate 2	Estimate 3			
1995							
With IRA or Keogh plan	36.5%	0.0%	13.6%	13.6%	37.2%	34.7%	38.2%
No Plan	63.5	0.0	86.4	86.4	62.8	65.3	61.8
1997							
With IRA or Keogh plan	39.0	0.0	15.9	15.9	39.7	37.2	40.9
No Plan	61.0	0.0	84.1	84.1	60.4	62.8	59.1

Source: Employee Benefit Research Institute estimates from the February 1995 and February 1997 Current Population Surveys.

worker categories, the likelihood of participating in a retirement plan and working for an employer that sponsored a retirement plan increased up to the 55–64 age group, at which point retirement plan participation started to decline.

## Self-Employed With Retirement Plans

Since 1962, federal policy has encouraged the provision of retirement plans for the self-employed and their employees through the Self-Employed Individuals Tax Retirement Act. This law created Keogh plans. The law allowed unincorporated small business owners, farmers, and those in professional practice to establish and participate in tax-qualified plans similar to those of corporate employers. The self-employed may either be sole proprietors or members of a partnership.<sup>11</sup>

In 1997, 39.0 percent of the self-employed had a Keogh plan or an individual retirement account (IRA), while the remaining 61 percent were without a retirement plan (table 17). Among contingent workers, 15.9 percent had a Keogh plan or an IRA. This compares with 39.7 percent for the noncontingent self-employed workers. The percentage of self-employed independent contractors, the only alternative work arrangement with self-employed workers, with a Keogh plan or an IRA was 37.2 percent in 1997, which was similar to the percentage (40.9 percent) for the self-employed workers in traditional work arrangements. These percentages of self-employed workers with a Keogh plan or IRA for 1997 represented a 2 percentage point to 2.5 percentage point increase from the percentage of self-employed workers who had these plans in 1995 (table 17).

employee or independent contractor. In addition to the benefit issues that have been previously discussed, the distinction is very important as far as Treasury and the Internal Revenue Service (IRS) are concerned. For employees, an employer must withhold federal income tax and the workers' share of Social Security and Medicare payroll taxes, and the employer must pay Social Security, Medicare, and unemployment taxes. Employers do not have these responsibilities if the workers are independent contractors; independent contractors must pay their own income and Social Security taxes on payments received.

There is widespread confusion over correct worker classification, and the potential costs of misclassifications are great. Tensions rise particularly high when organizations within the same industry classify their workers differently and there is a resulting issue of (perceived) unfair competitive advantage. The IRS has instituted a complex system to be used in classifying workers, which ultimately comes down to control over what the worker is to do *and* how he/she is to do it. Between fiscal years 1988 and 1995, IRS completed 12,983 audits under its Employment Tax Examination Program, resulting in 527,000 workers reclassified to "employee" status and \$830 million in recommended tax assessments. Not surprisingly, the courts are clogged with independent contractor versus employee classification litigation.

IRC Sec. 3121(d)(2) requires issues of worker classification to be resolved using the common law rule: An independent contractor is defined as "a person who

<sup>11</sup> Prior to 1962, many small-business owners found that their employees could participate in a tax-qualified retirement plan, but the employers themselves could not. Self-employed individuals without employees also could not participate in a tax-qualified plan. Furthermore, where two people operated similar businesses and realized similar profits—but one was a sole proprietor and the other was incorporated—the corporate operator could benefit from a retirement plan even though he or she was the only employee of the corporation, but the sole proprietor could not.

## Legal Issues

For legal purposes, there are only two classifications of workers:

contracts with another to do something for him, but who is not controlled by the other nor subject to the other's right to control with respect to his physical conduct in the performance of the undertaking." Treasury Reg. 31.3401(c)-1(b) states that "an employer-employee relationship exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work, but also as to the details and means by which that result is accomplished." During the 1960s, as IRS enforcement became more aggressive in this area, IRS established a 20-factor checklist for determining worker status under the common law rule, based on examinations of court cases and rulings on worker classification. A related revenue ruling (IRS Rev. Rul. 87-41) states that "the degree of importance of each factor varies depending on the occupation and the factual context in which the services are performed." This checklist has proven highly controversial and subject to broad interpretation.

Congress enacted Sec. 530 of the Revenue Act of 1978 to alleviate problems caused by the 20-factor test. Sec. 530 was designed to:

- Prohibit the IRS from applying a position inconsistent with a general audit position in effect on January 1, 1976.
- Prohibit the IRS from applying a position inconsistent with any tax regulation, ruling, or other authoritative pronouncements in effect on Dec. 31, 1975.
- Prevent the IRS from reclassifying workers as employees if the employer consistently treated the worker in good faith as an independent contractor.

In addition, Sec. 530 allows an employer to treat a worker as an independent contractor if it had a reasonable basis for doing so, regardless of the worker's actual status under common law.<sup>12</sup>

Sec. 530 was originally intended to last only a year, but it proved effective from the employers' perspective in providing relief from the IRS and has been maintained. There has been, however, an increase over

time in IRS/employer disputes regarding worker classification due to confusion created by Sec. 530. In addition, many small businesses did not have the resources to challenge the IRS in court. Therefore, Congress modified and clarified Sec. 530 in the Small Business Job Protection Act of 1996 in an effort to reduce the number of disputes with the IRS. The new legislation allows employers to use Sec. 530 on a proactive basis, not merely in response to an IRS audit that classifies a worker as an independent contractor under the 20-factor test. Second, Sec. 530 now allows employers to treat a worker as an employee in one year and an independent contractor in another year. Third, an employer can rely on audits begun prior to Jan. 1, 1997, to show a reasonable basis for treating a worker as an independent contractor, even if the audit did not cover worker classification issues.<sup>13</sup> Finally, the law shifted the burden of proof to the IRS in worker classification disputes if the organization had a prima facie case that it was reasonable to treat a worker as an independent contractor and if the employer had fully cooperated with reasonable requests from IRS. Other issues were also clarified by the legislation.<sup>14</sup>

### *Vizcaino et al. v. Microsoft Corporation*

In 1989 and 1990, the IRS determined, by using the 20-factor test, that independent contractors employed by

<sup>12</sup> An employer has a "reasonable basis" if it reasonably relied upon: 1) a past IRS audit in which it was not penalized for the treatment of an individual holding a position substantially similar to the position held by the individual whose status is at issue; 2) a published Treasury ruling or judicial precedent; or 3) a longstanding recognized practice of a significant segment of the industry of which the business is a member. In addition, the employer must not have treated the worker in question as an employee for any period, and in the case of tax periods after Dec. 31, 1978, all tax returns must have been filed on a basis consistent with treating the worker as an independent contractor.

<sup>13</sup> Audits started after Dec. 31, 1996, may be relied upon only if they include an examination of worker classification issues.

<sup>14</sup> For a thorough discussion of these issues with complete regulatory background, see "Classification of Workers: Independent Contractor vs. Employee," by Michael N. Wolfe, *ACA Journal* (Summer 1998); and Andrew Goldberg, "Congress Clarifies Laws on Independent Contractors," *Solutions* (April 1988).

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Microsoft were indeed employees under common law and thus subject to withholding for federal income tax and Social Security and Medicare tax purposes. This ruling was made despite agreements signed by the workers involved that they were independent contractors, that they were not on Microsoft's payroll, and that they were not entitled to any benefits under Microsoft's employee benefit plans. Microsoft agreed and paid back taxes and issued retroactive W-2 statements.

These reclassified employees then sought a determination that they were entitled to participate in Microsoft's employee benefit plans. In the fall of 1996, a three-judge panel of the Ninth Circuit held that individuals hired by Microsoft as independent contractors, who were retroactively reclassified as employees in a settlement with IRS over payroll taxes, were entitled to be treated as employees for all purposes, including retroactive participation in Microsoft's employee stock purchase plan and possibly its 401(k) plan. On July 24, 1997, the full U.S. Court of Appeals for the Ninth Circuit affirmed this part of the earlier decision. The workers were thus eligible for the stock purchase plan as Microsoft employees and this issue was sent back to District Court for determination of remedy. The Microsoft 401(k) plan, however, only covered employees if they were "on the U.S. payroll." The company's accounts payable department (rather than the payroll department) paid these workers, and it is therefore not clear whether they were "on the U.S. payroll." Thus, while the court ruled that these workers were employees, it remained to be determined whether they were "on the U.S. payroll" and thus eligible for the 401(k) plan. This question was sent back to the plan administrator for a determination. The Supreme Court denied review of this case in January 1998. On November 17, 1998, plaintiffs filed a new suit for thousands of workers who were removed from the original ruling in the summer of 1998 when the district judge restricted the case to several hundred independent contractors who had worked at Microsoft prior to 1990.

This case highlights the high stakes involved for employers in the classification decisions regarding their

workers, as the costs associated with misclassification can be great.

## Other Cases

As opposed to the decision of the Ninth Circuit, the Tenth Circuit ruled in 1998 that newspaper carriers for the *Kansas City Star* who signed contracts agreeing to work as independent contractors without benefits could be excluded from pension and welfare plans (*Capital Cities/ABC, Inc. v. Ratcliff*). The court never considered the question of whether the carriers were employees under common law. According to the court, the carriers' benefit claims were foreclosed by their explicit agreement not to receive benefits even if they could prove that they were common law employees. This is very different from the Ninth Circuit's Microsoft ruling, which gave essentially no weight to the waivers signed by Microsoft's workers. Therefore, the impact of waivers currently varies across jurisdictions.

Other examples of recent litigation include the Department of Labor (DOL) suing Time Warner, Inc. The suit alleges that Time Warner improperly denied health and pension benefits to workers who were designated as independent contractors because these workers were actually common law employees, and it seeks to give the misclassified employees the opportunity to file claims for retroactive benefits. Time Warner disputes that these workers qualified as employees. This suit is noteworthy in that it was initiated by DOL rather than the workers involved, and may thus signal increased federal interest and activity in this area.

Temporary clerical workers of Pacific Gas and Electric Co. (PG&E) who were transferred to an employment agency and leased back to PG&E filed suit alleging that they continued to be common law employees, and as such were entitled to retroactive retirement and health benefits. The company argued they were not entitled because these plans excluded leased employees as defined in IRC Sec. 414(n). The Ninth Circuit Court of Appeals ruled that Sec. 414(n) does not apply to common

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law employees, and if the workers qualify as common law employees, they may also be entitled to retroactive health benefits. The appeals court sent the case back to lower court to see if the workers could prove that they continued to be common law employees after their transfer and lease-back.

Recently, the U.S. Court of Appeals for the First Circuit ruled that owner-operated truck drivers are independent contractors, not employees, and therefore are not entitled to employee benefits where they operate their own trucks, set their own work schedules, and work for more than one company, since they are not subject to management control over the means to accomplish their work and they assume entrepreneurial risk.

Legal issues regarding worker classification are still in flux, but if judges side with workers in these cases by ruling that workers are employees, it could lead to changes in the ways that employers employ temporary workers, contractors, and other contingent workers. Employers could be forced to give up considerable managerial control of these workers to ensure that they are not seen as common law employees.

## Conclusion

Despite conventional wisdom to the contrary, the proportion of the labor force that can be labeled as contingent or in alternative work arrangements has remained relatively stable in recent years, and, if anything, has declined. Furthermore, the extent of such employment relationships has been greatly overestimated in the past by some researchers. According to Employee Benefit Research Institute tabulations of the most recent CPS conducted by the U.S. Bureau of the Census, the contingent work force accounts for 1.9 percent to 4.4 percent of the labor force (depending on how it is measured), while the percentage of workers in alternative arrangements was 9.9 percent of the work force.

Contingent and alternative work arrangements offer advantages to both the employer and employee. Employers can benefit from scheduling flexibility, the potential for incremental growth, and management of labor costs. All of these benefits are desirable features for (at least part of) an employer's work force in an increasingly competitive environment. For their part, employees can benefit from scheduling flexibility, supplemental income, and personal development. However, for some workers in contingent or alternative positions, the arrangement is not voluntary; rather, they accept the position because they can not find "traditional" employment elsewhere. Policy issues are raised and media stories emerge in these situations, given that workers in contingent or alternative arrangements typically earn less and receive fewer employee benefits (in particular, health care and retirement benefits) than workers in traditional jobs. If the U.S. economy were indeed shifting to a condition where contingent/alternative jobs dominated, this would raise issues of basic economic security for a large segment of the work force. But as the data make clear, there is no evidence of such a large-scale movement actually occurring within the nation's work force.

However, these issues are now frequently being litigated in the courts, as workers who are classified as "independent contractors" seek to be classified as "employees" who are eligible for the retirement and health plans offered by their employers. The IRS has long been active in this area, due to its enforcement concerns that taxes owed are actually paid. As indicated by the recent DOL lawsuit against Time Warner over the classification of some of its workers, other parts of the federal government may become more active in this area in the future. Disputes between employers and workers and between employers and the federal government regarding the proper classification of workers are virtually certain to continue, as there are no "bright lines" that distinguish between employees and independent contractors in every possible situation. Some have called for Congress to more clearly define *independent contractor* and *employee*, or to

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repeal IRC Sec. 530 and allow the IRS to issue specific regulations and rulings on the subject. A bill known as the Independent Contractor Simplification Act of 1996 was introduced in the Senate to clarify the definition of independent contractor, and a similar bill was introduced in the House, although neither bill was enacted into law. More recently, a bill known as the Home-Based Business Fairness Act of 1997 would have created a second tier of “safe-harbor” protections under Sec. 530 to reduce certain retroactive tax liabilities, but it also stalled in Congress.

In the absence of congressional activity, employers of independent contractors could be forced to give up considerable managerial control of these workers to ensure that they are not seen as common law employees. If not, they risk incurring substantial costs for retroactive tax payments and benefit expenditures, in addition to the cost of treating current and future *independent contractors* as *employees*.

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