

## Temporary Employment in Auto Supply

George Erickcek and Susan Houseman at the W.E. Upjohn Institute, along with Arne Kalleberg of the University of North Carolina, are completing a case study on the use of temporary agency workers by auto suppliers in the Midwest. The research effort is part of a larger study being funded by the Russell Sage Foundation that also explores the use of flexible staffing arrangements in hospitals and public schools.

The nonunion plants in our study extensively used temporary agency employment to respond to short-term increases in production and to screen workers for permanent positions. Temporary help agencies enjoyed economies of scale in recruitment and screening. The use of temporary help employment to screen potential workers was especially attractive to manufacturers when labor markets were tight and many job applicants had marginal work histories. Because workers were employed by a temporary agency during the probationary period, the manufacturer was spared some of the financial and emotional costs associated with dismissal, when that became necessary.

The use of temporary agency workers also appeared to lower labor costs for low-skilled production activities. The agency fees charged for temporary workers were found to be lower than the full compensation package offered to new direct hires. By lowering dismissal and wage costs, temporary help agencies facilitated employers' use of less-experienced and otherwise riskier workers, thereby minimizing employers' need to increase wages to attract experienced workers away from other companies. The latter strategy likely would have resulted in higher wages not only for new hires, but also for existing employees.

While the use of temporary agency workers can have a negative impact on productivity or the production error rate, several employers organized work stations to minimize such problems. Well-trained permanent workers routinely monitored the agency temporaries and helped avert production problems.

Although agency temporaries received lower wages and benefits than permanent workers, they were considered for permanent positions in all of the plants in our study. Moreover, because many of the agency temporaries lacked manufacturing experience or had poor work histories, temporary help agencies may have given these workers access to jobs that they otherwise would not have had. In general, we found that the use of temporary agency employment had little or no negative impact on the morale of permanent workers or the temporaries themselves. In one exception, resentment built when temporary workers believed that they were being kept in temporary status long after they had proven themselves to be qualified hires.