

Contracted Out: Findings from a National Voter Survey

Survey among voters conducted online
from August 17 to 23, 2016

Conducted on Behalf of:
National Employment Law Project

By Hart Research Associates
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Introduction:

The proportion of workers in “alternative work arrangements”—temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers—increased from 10% in 2005 to 16% in 2015. Contracting out work through these alternative arrangements is not inherently bad. However, the increased use of these arrangements can result in fewer permanent and direct employees, and labor researchers have documented negative consequences for workers in these arrangements, including unpaid wages and a lack of benefits.¹

On behalf of NELP, Hart Research has undertaken the first extensive examination of public attitudes regarding these changes in work arrangements. For this study, we conducted 1,000 online interviews with registered voters from across the country to understand national sentiment specifically about the use of contract workers and independent contractors.

The voting public believes that the increase in the contracting out of work—through the use of subcontractors and the misclassification of workers as independent contractors—is a serious problem. By wide margins, voters see both of these trends as negative changes in the workplace. Voters see the increased reliance on subcontracting and its effects as bad not only for workers, but also for the economy in general.

There is significant support across the electorate for policy proposals that aim to hold companies accountable for the potential harm to workers that may result from

¹ For additional information on these issues, see <http://nelp.org/campaign/stopping-misclassification/>.

contracting out. By wide margins, voters favor increasing penalties for companies that misclassify workers as independent contractors and holding companies legally responsible if their subcontractors fail to pay wages or make the appropriate contributions to Social Security, unemployment insurance, and workers' compensation funds. The public also favors various specific proposals that aim to improve the safety and fairness of workplaces that contract out work.

Voters' negative reaction to contracting out is consistent with—and likely contributes to—their broader worries about employment conditions for working people and the lack of fairness in today's economy. Moreover, they feel that corporations and CEOs are mainly responsible for the adverse economic conditions facing working people. Indeed, a perceived lack of employer loyalty and diminishing availability of good jobs have severely eroded Americans' traditional confidence that hard work and personal initiative will be rewarded.

Key Findings:

1) Voters are deeply concerned about the increase in subcontracting of jobs and the effect it has on our economy.

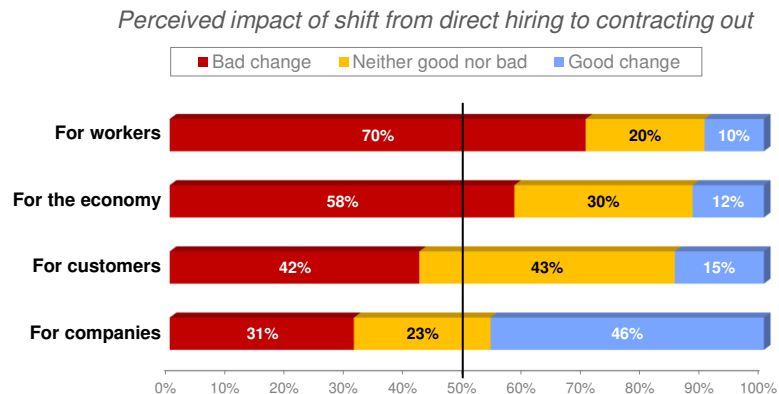
- By five to one, voters say that the increase in *subcontracting*—where a company hires an outside firm to supply workers or uses another firm to do work instead of hiring employees directly—over the past 10 years is a bad change. Fifty-nine percent (59%) of voters say that the increase in subcontracting is a bad change, including 19% who say it is a very bad change, while just 12% say it is a good change (29% say it is neither good nor bad). Americans across the electorate, regardless of party affiliation, agree on the matter. While concern is particularly high among older voters, who have been part of the labor force long enough to experience the decline of direct, permanent employment, younger voters also say that the use of subcontracting is a negative change.
 - Democrats (59% bad change/14% good change/27% neither), Republicans (58%/9%/33%), and independents (61%/13%/27%) agree at similar levels that the shift toward subcontracting is bad.
 - Older voters (50 and older) are most likely to say that the increase in subcontracting is bad, with more than two-thirds (68%) of voters in this cohort saying it is a bad change and just 7% saying it is a good change; one-quarter (25%) of voters say it is neither a good nor bad change.
 - Nearly half (45%) of young voters (age 18 to 34) say the increase in the use of subcontracting is bad, while 22% say it is a good change and a third (34%) say it is neither good nor bad.

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- Voters say there are valid reasons for companies to use subcontractors, such as to fill a short-term need, try out new workers, or to perform job functions outside of the company's core business. However, they believe companies often do this by avoiding providing benefits or lowering wages to save money, and that is not an acceptable reason to stop providing good jobs through direct employment. They especially object to having people work long term in the same position as an ostensibly "temporary" employee, rather than a permanent employee.
 - Nearly three-quarters (73%) of voters say that using subcontractors in place of direct employees to save money by not providing employee benefits is a bad reason to use subcontractors; just 12% of voters say it is a good reason, while 15% say it is neither good nor bad.
 - Avoiding the cost of employee benefits is the primary reason voters believe companies choose to use subcontractors. Fully 43% of those who consider it a bad change offer that companies are doing so in an effort to avoid providing benefits—particularly health insurance—to workers.
 - Similarly, 72% of voters say that saving money by reducing wages is a bad reason to use staffing agency and contract workers; 13% say it is a good reason and 15% say it is neither good nor bad.
 - Seventy-two percent (72%) of voters also say that using subcontractors to make it easier to terminate workers or reduce hours is a bad reason to do so; 12% say it is a good reason and 15% say it is neither good nor bad.
 - Fully 70% of voters—including 73% of older voters (50 and older)—say that filling a short-term need for workers, such as during Christmas shopping season, is a good reason to use staffing agency or contract workers in place of direct hires; 59% say that trying out workers before hiring them directly is a good reason to use staffing agency or contract workers. And 43% say that using staffing agency or contract workers to perform tasks that are outside the company's core business is a good reason to contract out work.
 - Seventy-one percent (71%) of voters say that more people working as long-term "temporary" employees rather than permanent employees is a bad change.
- The public understands that contracting out may benefit the companies that do it, at least in the short term, but feel that workers are mostly hurt by this trend. Moreover, they say subcontracting is bad for the economy in general, because it means lower wages and less consumer spending. A majority of voters across nearly all demographic groups—gender, income, education level, and political

party affiliation—recognize the negative consequences of the increased use of staffing agency and contract labor on both workers and the overall economy. Voters say that the shift results in less job security, is bad for morale, and implies that employers consider workers disposable.

Contracting Out Seen as Bad for Workers, Economy



- Seventy percent (70%) of voters say that the increase in subcontracting has a negative effect on workers. This includes strong majorities of voters across the electorate—men, women, and voters of all ages, income levels, education levels, and political ideologies. Just 10% of voters say the increase is good for workers and one in five (20%) says that it has been neither good nor bad.
 - In their own words, survey respondents say that subcontracting results in less job security and lower wages and indicates a lack of concern for workers who are treated as though they are disposable.
- Nearly three in five (58%) voters say that the shift toward subcontracting is bad for the economy in general. This includes majorities of nearly every demographic group, including both men and women, and voters from all incomes, education levels, and political leanings. Thirty percent (30%) of voters say that the change is neither good nor bad and just 12% say the change is good for the economy.
- At the same time, voters acknowledge the potential benefits for companies, with a plurality (46%) of voters saying that the increased use of subcontractors is good for companies; 31% say that it is bad for companies and 23% say that it is neither good nor bad.
- Voters have mixed opinions of the effect that subcontracting has on the public as customers. Just 15% of voters say that the shift toward subcontracting is good for customers, but a similar proportion say

subcontracting is bad for customers (42%) as say it is neither good nor bad (43%).

2) The public says the increased use of independent contractors is a bad change and strongly opposes the misclassification of employees as such.

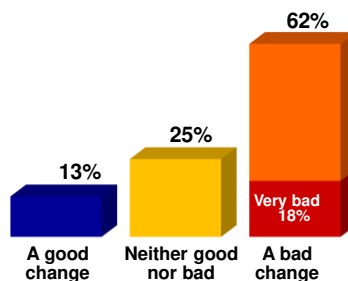
- Voters say the trend of hiring workers as *independent contractors*, rather than direct employees, is a bad change by five to one. College- and non-college-educated workers both say that this is a bad change, indicating that this is not just an issue for blue-collar voters or white-collar voters.

There is also widespread agreement that workers are better off when they are employed directly by a company rather than as an independent contractor. By significant margins, even younger voters, who are least likely to say the increased reliance on independent contractors is bad, say that it is better to be a direct employee.

- Fully 62% of voters say that the increased reliance on independent contractors is a bad change, including 18% of voters who say it is a very bad change; just 13% say it is a good change and one in four (25%) says it is neither good nor bad.

Negative View of Shift from Direct Employment to Independent Contractor Status

An increasing number of companies today hire workers as independent contractors, rather than as employees of the firm. In the past 10 years, the proportion of workers employed as independent contractors has grown substantially.



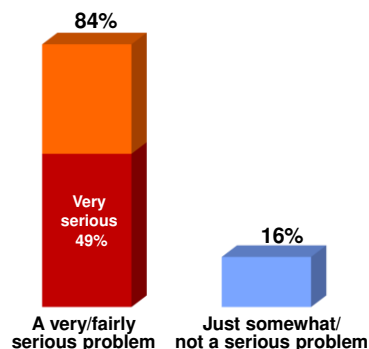
- Nearly two-thirds (64%) of college-educated voters and 58% of non-college-educated voters say that using more independent contractors is a bad change; just 14% and 15%, respectively, say it is a good change, while 22% and 27%, respectively, say it is neither.
- More than three in four (78%) voters agree that workers are better off when they are employees of a firm as opposed to independent contractors, with 41% saying it is much better to be a direct employee. Just 12% say it

is better to be an independent contractor and 10% say it does not make much of a difference either way.

- Voters of all ages (by margins ranging from more than five to one to more than seven to one) say that workers are better off as direct hires.
- There is surprisingly high awareness that employers often illegally misclassify workers as independent contractors when they should be classified as employees. Furthermore, overwhelming majorities of voters across the electorate say that companies engaging in this activity is a serious problem.
 - Two-thirds (67%) of voters have heard about the issue of employers misclassifying workers as independent contractors, allowing them to avoid certain costs, such as paying the minimum wage, providing benefits, and making Social Security or Medicare contributions. About one in three (33%) voters say they have not heard about the issue.

Misclassification Seen as Serious Problem

Misclassifying workers as independent contractors is:



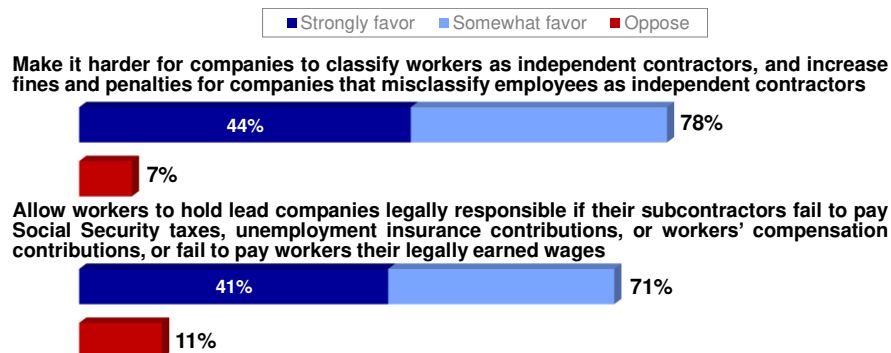
- Fully 84% of all voters say that companies misclassifying workers as independent contractors is a serious problem, with about half (49%) of voters saying it is a *very serious* problem; 13% say that it is just a somewhat serious problem and just 3% say it is not that serious a problem.

- Approximately four in five voters among every demographic say that misclassifying workers as independent contractors is a serious problem. And at least 40% of voters in each of these groups say it is a very serious problem.

3) Americans support policies that would address the negative effects of contracting out and hold lead companies accountable for these practices.

- Significant majorities of voters support policies that would hold companies accountable for misclassifying workers as independent contractors and for their subcontractors' failing to pay wages or taxes. In both cases, a sizable portion of the electorate strongly favor the proposed government intervention. Even a strong majority of Republican voters, who typically oppose government regulations, say they favor policies to address contracting out of work.
 - More than three in four (78%) voters favor a proposal that would make it harder for companies to classify workers as independent contractors and increase fines and penalties for misclassification, with 44% strongly favoring the policy; just 7% say they would oppose such a policy and 15% say they neither favor nor oppose it.
 - Support is similarly strong among Republican voters, with 73% saying they favor the proposal and just 9% saying they oppose it; 18% say they neither favor nor oppose the measure. And nearly two in five (39%) say they strongly favor it.
 - Fully 71% of voters favor a proposal that would hold the lead company legally responsible if its subcontractors fail to pay earned wages, unemployment insurance contributions, workers' compensation contributions, and Social Security taxes, with 41% strongly in favor of the proposal; just 11% say they would oppose such a policy.
 - Among Republican voters, 67% favor the proposal and just 14% oppose it; 19% say they neither favor nor oppose the measure. Nearly two in five (39%) say they strongly favor it.

Strong Support for Policies Addressing Misclassification and Subcontracting



- Significant majorities of voters of all ideological affiliations also favor various policies to specifically address some of the negative consequences of contracting out. In particular, voters support efforts to ensure that contract workers are appropriately trained to avoid injury, to rectify perceived inequalities in the workplace, and to limit the use of “long-term temps.”
 - Four in five (80%) voters say that companies should be required to provide in-person safety training for temporary and contract employees comparable with that provided for direct hires before they start new assignments; just 4% oppose the measure and 16% say they neither favor nor oppose it.
 - Nearly three-quarters (74%) of voters say companies should be required to offer additional hours to current part-time employees before turning to subcontractors; just 7% oppose the proposal and 19% neither favor nor oppose it.
 - Fully 73% of voters say that direct hires and contract workers should be similarly compensated—including benefits—for similar work; 10% of voters oppose such a requirement and 17% neither favor nor oppose it.
 - Seventy-one percent (71%) of voters say that once a “temp” worker has been on the job for six months, the company should be required to offer that worker a permanent position; 11% oppose the measure and 18% are neutral.

4) Voters' negative reaction to contracting out is consistent with—and likely contributes to—their broader worries about conditions for working people and the lack of fairness in today's economy.

- Three in five (60%) voters are dissatisfied with the availability of good jobs that provide fair wages and benefits (40% feel satisfied). An even larger majority (75%) voices dissatisfaction when it comes to wages and salaries keeping up with the cost of living, with just 25% expressing satisfaction.
 - Fifty-five percent (55%) say that a lack of “good-paying jobs with benefits” is a serious problem.
 - Just 35% say that good jobs that pay well and provide benefits are available if you are willing to work hard, while 65% say that such jobs are difficult to find.
- Americans feel that corporations and CEOs are mainly responsible for the adverse economic conditions facing working people. They clearly see that the story is very different for those at the top, with three-quarters voicing concern that CEO compensation continues to rise, while pay for average workers stands still.
 - Just three in 10 (30%) voters now say they trust employers to treat their employees fairly.
 - Three in four (74%) voters are very concerned that “salaries and bonuses of corporate CEOs continue to rise, while pay for the average worker is standing still.”
 - Sixty percent (60%) say that companies considering workers to be “disposable,” rather than valued assets, is a serious problem facing our economy.
 - Fifty-two percent (52%) say that companies not being loyal to their employees is a serious problem today.
- This lack of employer loyalty and diminishing availability of good jobs has severely eroded Americans' traditional belief that hard work and personal initiative will be rewarded, a crucial underpinning of the American dream.
 - By 14-points, voters agree that “working hard often isn't enough anymore, because companies aren't loyal to their employees” (57%) rather than “if you get a good education and work hard today, you can really do well and get ahead” (43%).
 - This view is embraced by a majority of men and women, Democrats and Republicans, all regions of the country, and all age groups.