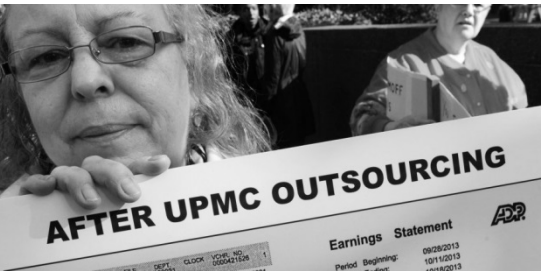


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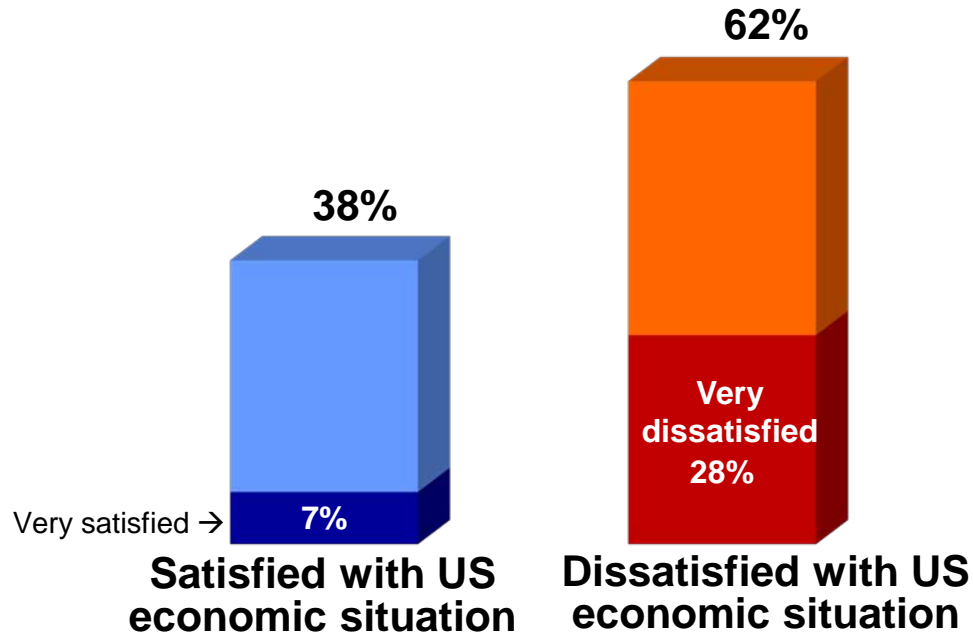
**National Employment
Law Project**

Contracting Out: *Strategic Message Research*

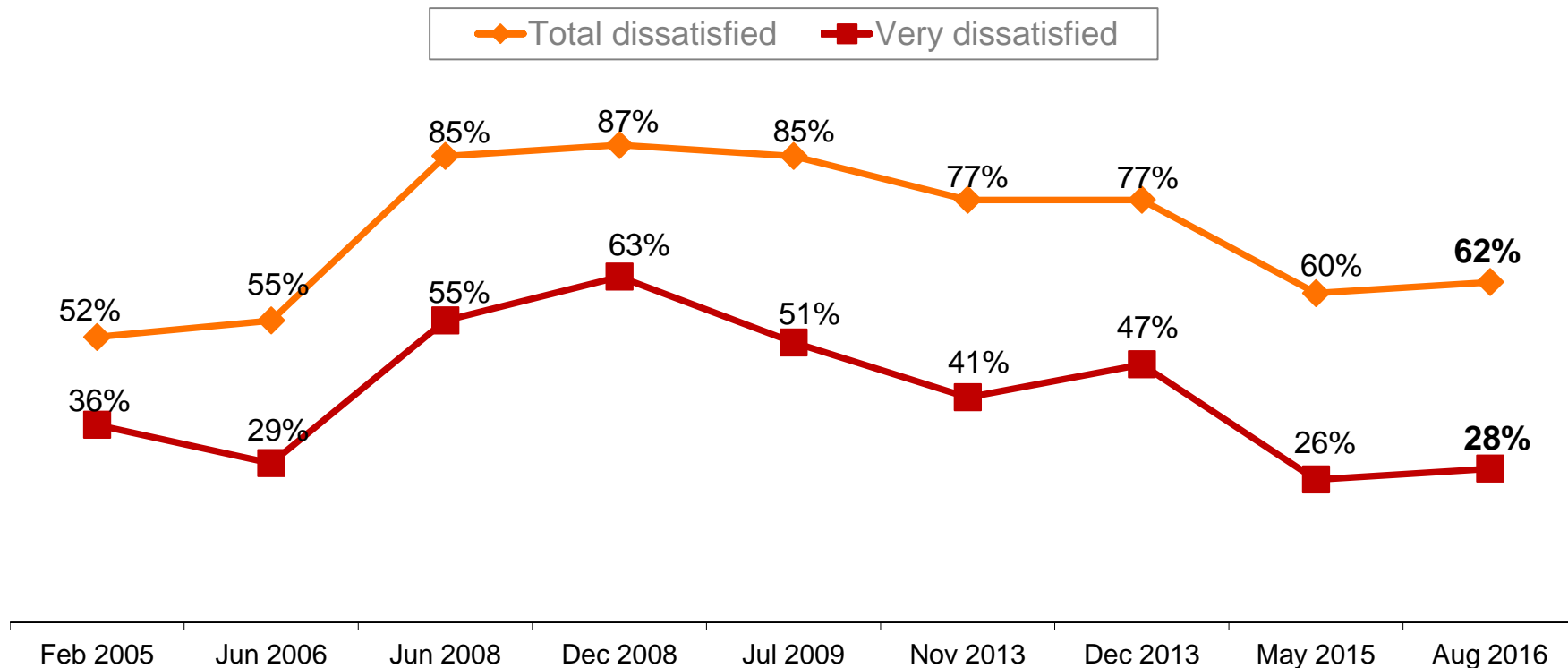


Key findings from a survey among 1,000 voters nationwide conducted August 17 – 23, 2016

Majority Are Dissatisfied with Economy

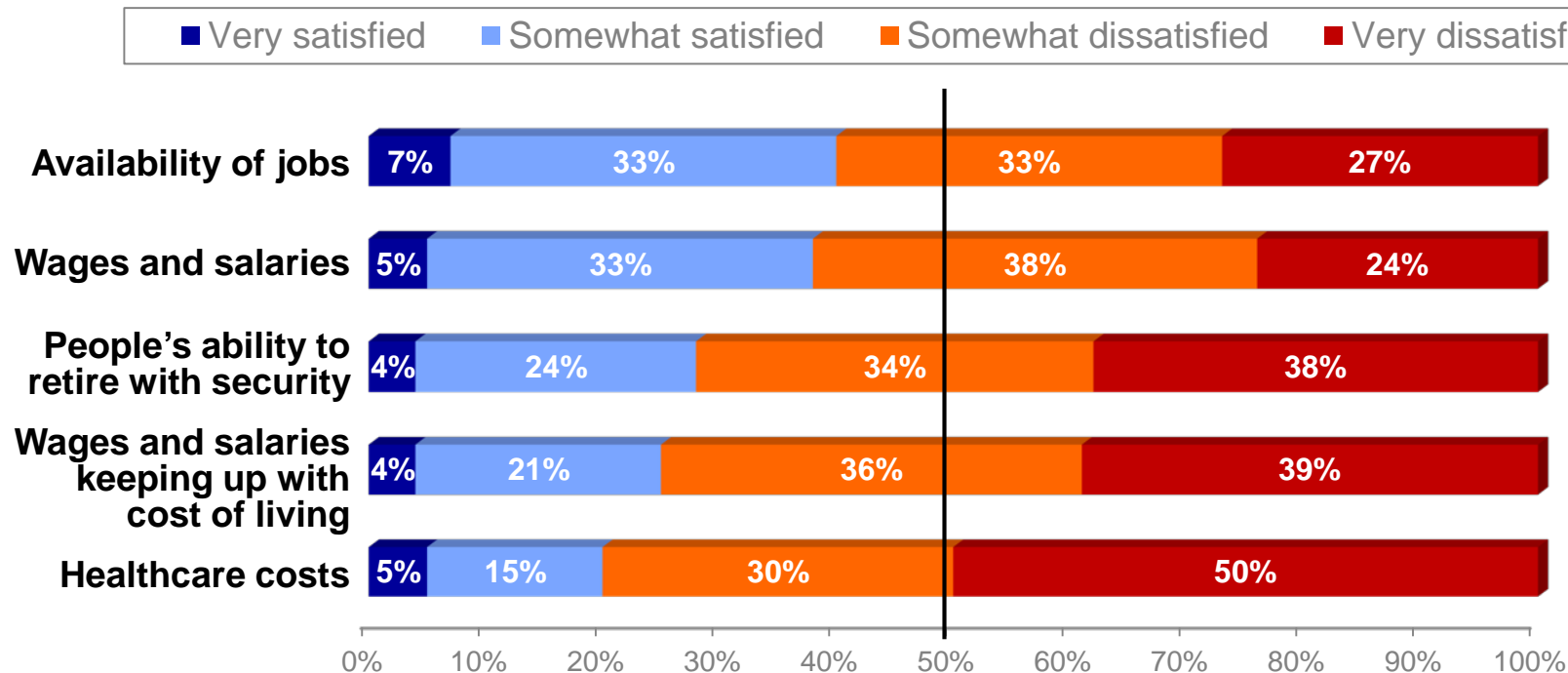


But Economic Dissatisfaction Has Declined



Key Challenges: Keeping up with Cost of Living, Retirement Security

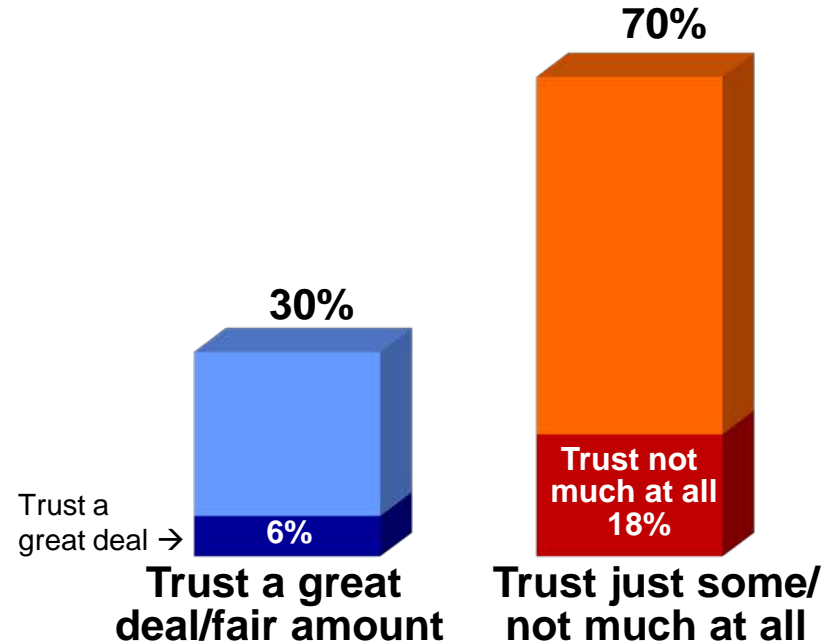
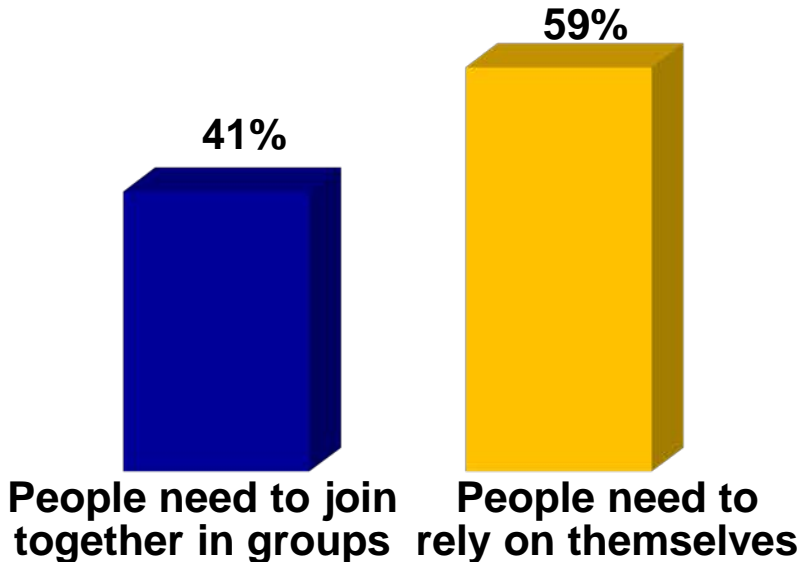
Satisfaction with specific aspects of economic situation



Voters Believe in Self-Reliance but Have Low Trust in Employers to Be Fair

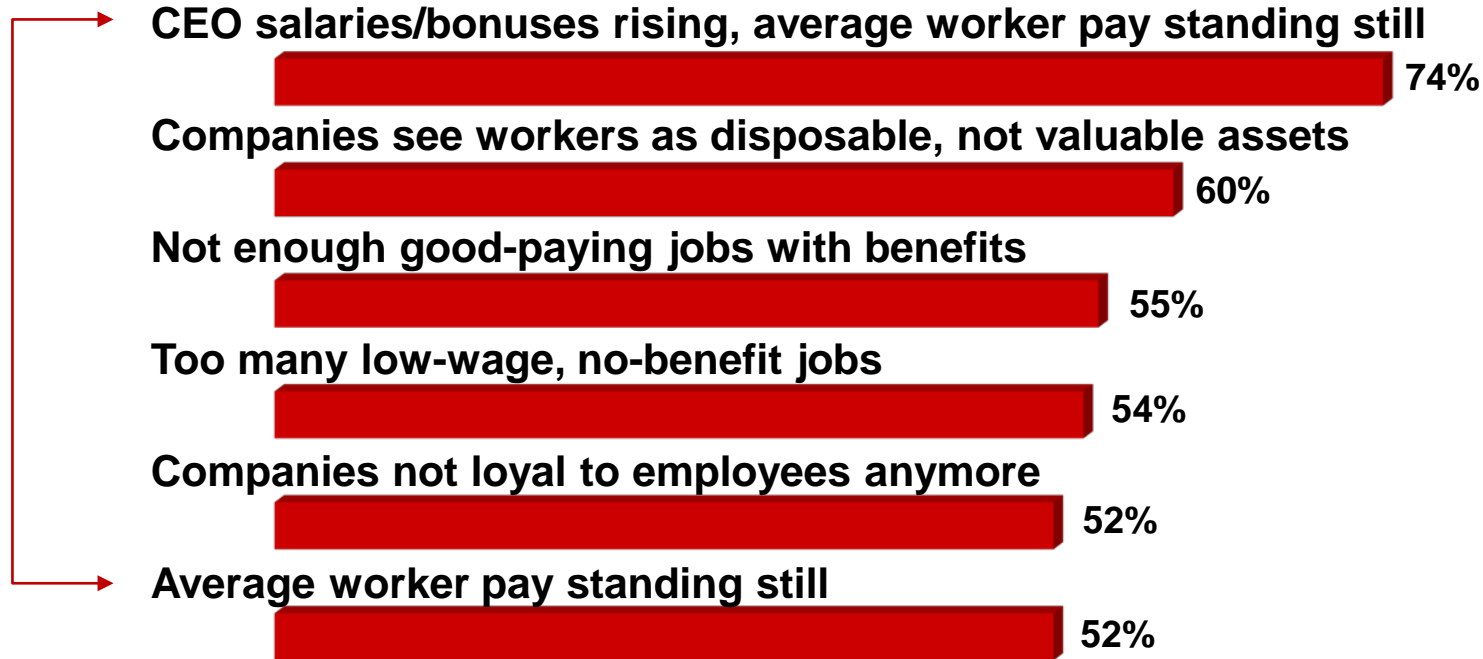
To improve their situation at work and get what they want:

Generally speaking, how much do you trust employers to treat their employees fairly?



Economic Concerns: CEO Compensation, Disposable Workers

Proportions who rate each as a serious problem related to jobs/employment today*



*8-10 ratings on a zero-to-ten scale, 10 = extremely serious problem

Voters Quick to See Contracting as Bad Change

■ Very bad change in workplace over past few years ■ Mostly bad change

Companies eliminating permanent jobs, using workers from temp or staffing agencies



Companies eliminating permanent jobs, using subcontractors



More people working as long-term temps rather than permanent employees



Companies contracting out work to other companies rather than hiring people directly



More people working through temp/staffing agencies rather than hired directly



Key Distinction: Change Initiated by Workers or Employers?

■ Very bad change in workplace over past few years ■ Mostly bad change

Companies hiring more people as independent contractors, instead of as employees



More people working as independent contractors, instead of as employees



Fewer people able to work for the same company for many years



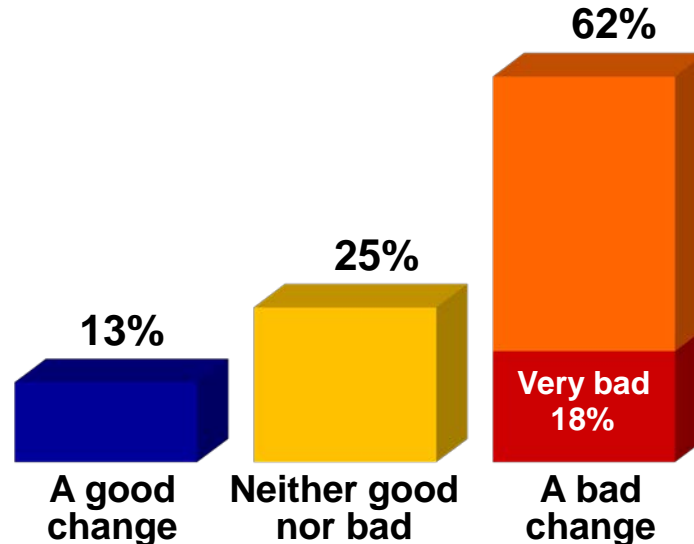
People working in many more jobs over their careers



HIRING WORKERS AS INDEPENDENT CONTRACTORS

Negative View of Shift from Direct Employment to Independent Contractor Status

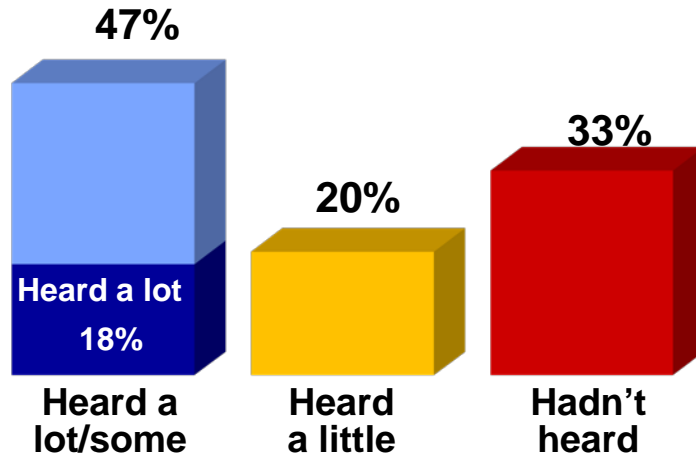
An increasing number of companies today hire workers as independent contractors, rather than as employees of the firm. In the past 10 years, the proportion of workers employed as independent contractors has grown substantially.



By 78% to 12% voters feel workers are better off as direct employees than as independent contractors.

About Half of Voters Familiar with Misclassification Problem

In some cases, companies have classified workers as independent contractors when legally they should be considered employees. That means the company does not have to pay minimum wage to workers, provide benefits, or make payroll deductions like Social Security or Medicare contributions for those workers. Prior to taking this survey, had you heard about this?

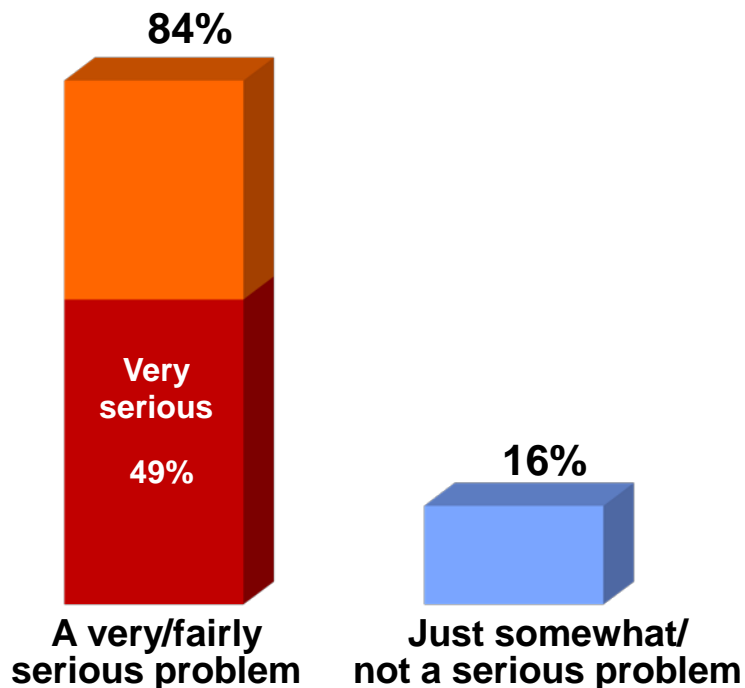


Heard a lot/some

Men	54%
Women	41%
Age 18 to 34	46%
Age 35 to 49	45%
Age 50 to 64	48%
Age 65/older	48%
High school grad/less	39%
Some college	49%
College graduates	54%
Postgrad education	53%
Democrats	49%
Independents	53%
Republicans	41%

Misclassification Seen as Serious Problem

Misclassifying workers as independent contractors is:



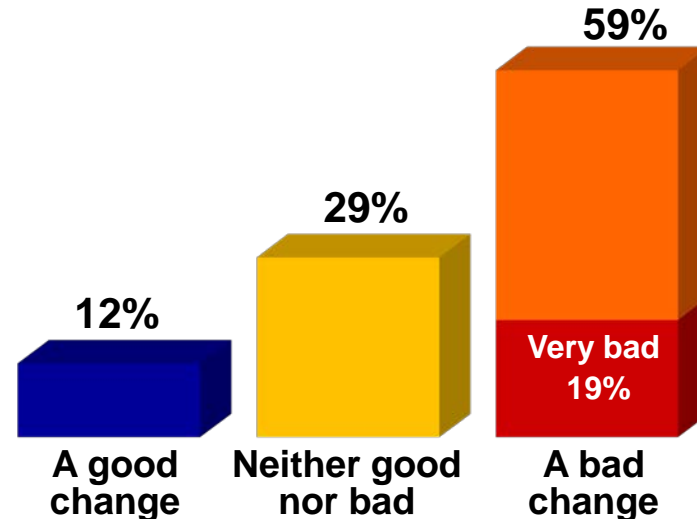
Very serious problem

Heard a lot/some	52%
Heard less	46%
Men	45%
Women	52%
Age 18 to 34	43%
Age 35 to 49	49%
Age 50 to 64	54%
Age 65/older	49%
High school grad/less	48%
Some college	50%
College graduates	49%
Postgrad education	49%

CONTRACTING OUT WORK

Negative View of Shift from Direct Employment to Contracting Out

Increasingly, companies that need work done hire a temp or staffing agency or subcontracting firm to supply workers, instead of directly hiring employees. For example, many workers in hotels today are employed by a subcontracting firm that provides food services or housekeeping, not by the hotel. In the past 10 years, the proportion of workers working for a contract firm has tripled.



View of Shift to Contracting Out

Proportions saying the shift to contracting out is a bad change

All voters	59%	Whites	61%
Men	61%	African Americans	47%
Women	57%	Hispanics	57%
Age 18 to 34	45%	Democrats	59%
Age 35 to 49	56%	Independents	61%
Age 50 to 64	67%	Republicans	58%
Age 65/older	70%	Satisfied with US economy	54%
Income under \$40K	50%	Dissatisfied with US economy	62%
Income \$40K to \$75K	62%	Trust employers:	
Income over \$75K	64%	A great deal/quite a bit	37%
High school grad/less	56%	Just some/not much	68%
Some college	55%	Initial independent contracting opinion:	
College graduates	65%	Total bad change	80%
Postgrad education	66%	Total good/no change	25%

Top Volunteered Concerns about Contracting Out

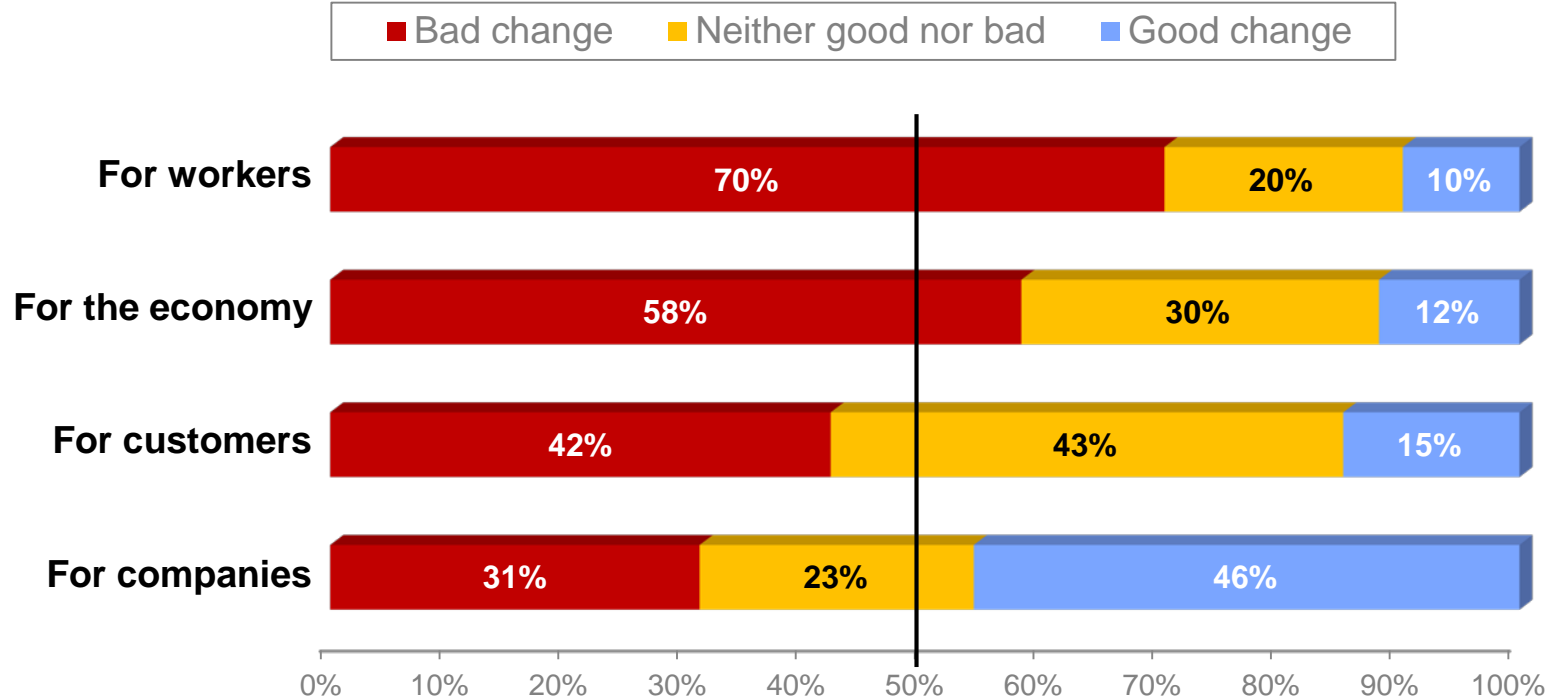
*Why do you feel that companies using temp agencies and contract workers, rather than hiring permanent employees, is a bad change?**

Effort to reduce benefits; workers get no benefits, no health benefits/medical insurance; employers get out of paying benefits	43%
No job security, no long-term job security, no stability; workers are disposable	22%
Hurts workers, lack of concern for workers, no loyalty toward workers, bad for workers' morale	20%
Lower salaries, lower pay, lower hourly wage	14%
Employer saves money by not hiring permanent employees, it is cheaper	6%

* Among the 59% of voters who say contracting out is a bad change

Contracting Out Seen As Bad for Workers, Economy

Perceived impact of shift from direct hiring to contracting out



Valid Reasons to Use Subcontractors

■ Good reason for companies to use temp/staffing agencies/subcontractors ■ Bad reason

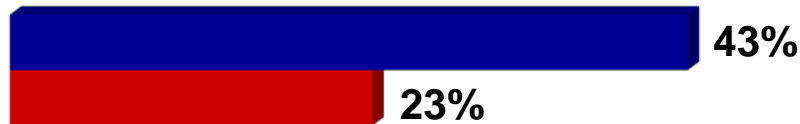
Fill short-term need for workers, such as during Christmas shopping season



Try out potential employee temporarily before hiring him/her full time



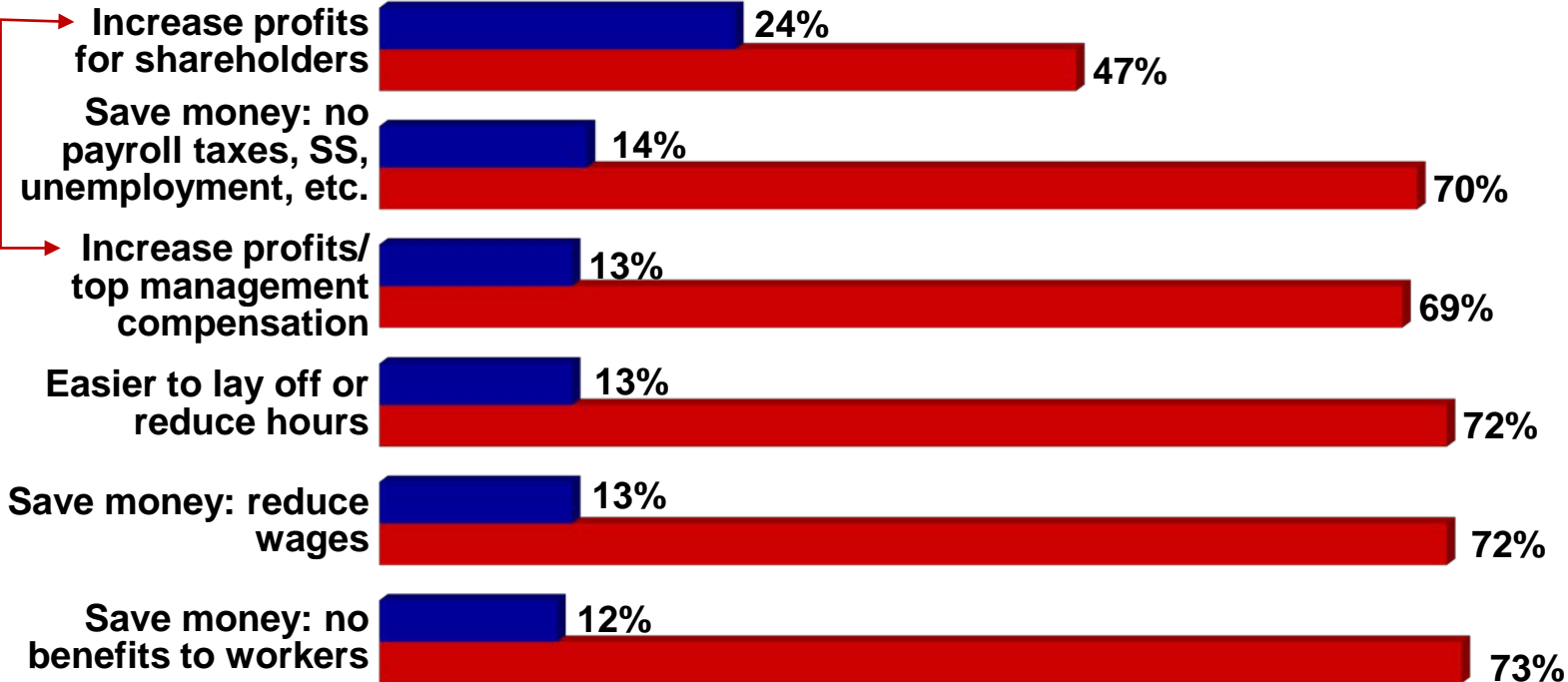
Perform tasks outside the company's core business



Bad Reasons to Use Subcontractors

■ Good reason for companies to use temp/staffing agencies/subcontractors

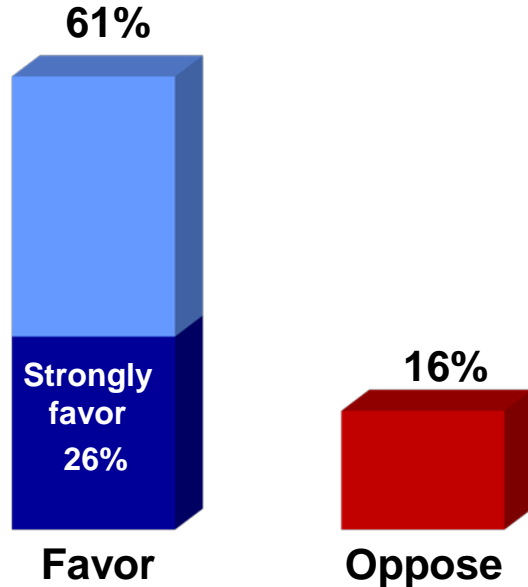
■ Bad reason



POLICIES TO ADDRESS CONTRACTING OUT

Three in Five Support Laws Limiting Contracting Out

Support for laws making it harder for companies to use staffing agencies, independent contractors, and subcontractors rather than hire direct employees



	Strongly favor	Total favor
Men	24%	60%
Women	26%	62%
Age 18 to 34	23%	62%
Age 35 to 49	22%	55%
Age 50 to 64	31%	65%
Age 65/older	25%	60%
High school grad/less	26%	56%
Some college	26%	63%
College graduates	23%	63%
Postgrad education	28%	64%
Democrats	30%	65%
Independents	23%	60%
Republicans	22%	57%
Initial subcontracting opinion:		
Bad	35%	73%
Good/no change	12%	43%

Stronger Support for Policies Addressing Misclassification and Subcontracting

■ Strongly favor ■ Somewhat favor ■ Oppose

Make it harder for companies to classify workers as independent contractors, and increase fines and penalties for companies that misclassify employees as independent contractors



Allow workers to hold lead companies legally responsible if their subcontractors fail to pay Social Security taxes, unemployment insurance contributions, or workers' compensation contributions, or fail to pay workers their legally earned wages



Support for Specific Policy Responses

Proportions who strongly or somewhat favor each

	Total favor	Strongly favor
Require lead company to provide in-person safety training , comparable to that for full-time employees, for temporary/contract workers before they start dangerous jobs	80%	53%
Eliminate loopholes in job definitions allowing companies to avoid paying benefits by “classifying” employees as independent contractors to avoid certain responsibilities and costs	74%	51%
Require companies to offer existing part-time employees additional hours of work before using subcontractors, temporary services, or staffing agencies to do work for the business	74%	38%
Require companies with both direct employees and contract workers doing similar jobs to ensure equal pay and benefits for equal work	73%	43%
Require that once a company has used a temp worker for six months, it must offer the option of taking a permanent position	71%	43%

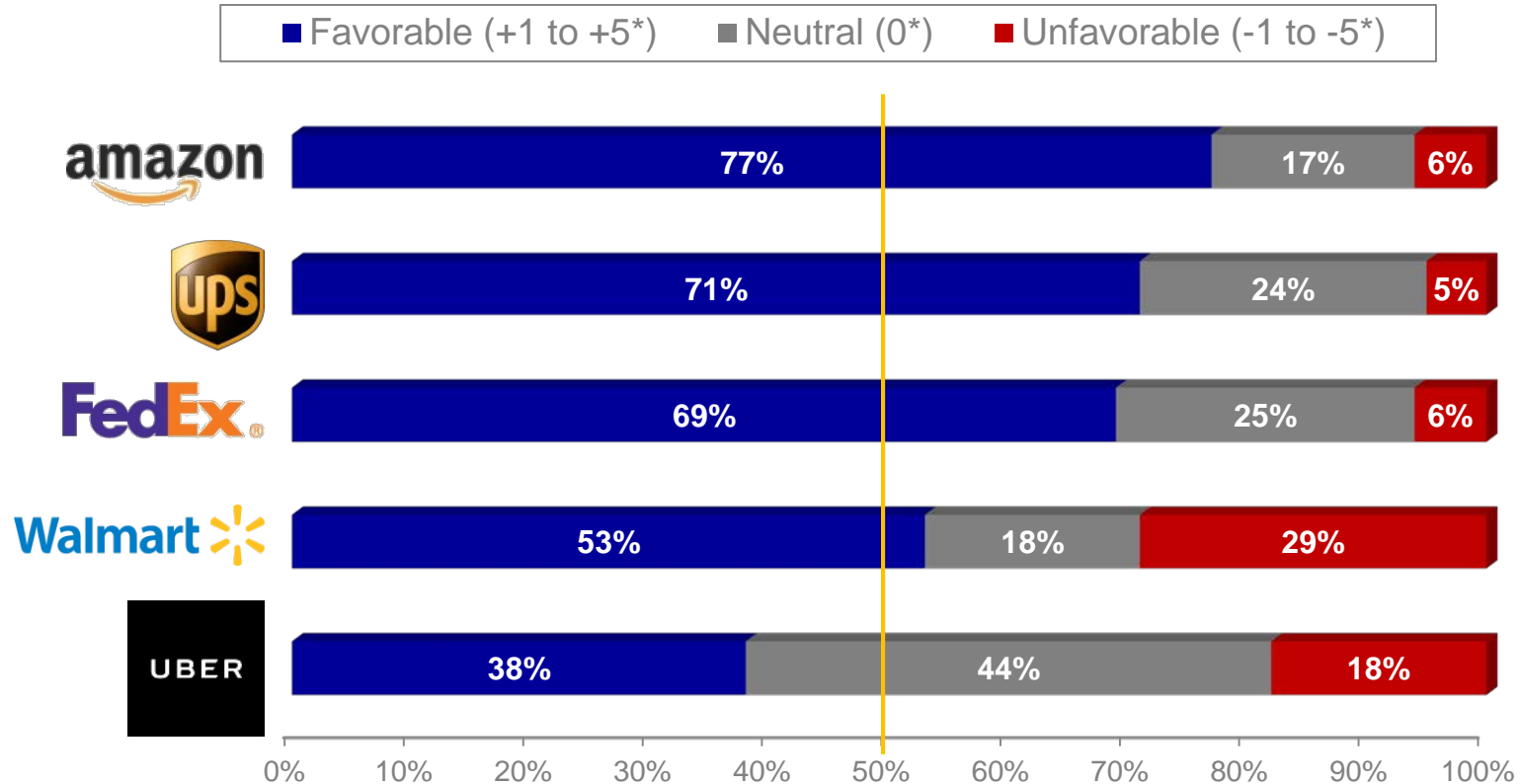
Support for Specific Policy Responses

Proportions who strongly or somewhat favor each

	Total favor	Strongly favor
Require companies that eliminate permanent jobs and then rehire former employees as contract workers to pay them the same wage and provide the same benefits as they did prior to the layoff and rehire	65%	45%
Require companies that eliminate permanent jobs and then rehire employees as contract workers to give them a notice explaining that they are doing so, and detailing what conditions of work will change as the relationship changes	63%	41%
Require companies that use contract workers to pay half the Social Security payroll taxes for workers treated as independent contractors , as they do for regular employees	62%	33%
Restrict the use of temporary or contract workers for hazardous jobs	59%	32%
Give companies that don't contract out work priority for receiving public contracts	58%	29%
Prevent employers from including "non-compete" clauses in workers' contracts that prevent workers from taking other jobs in the same field	56%	29%

MESSAGE TESTING

View of Major Contracting Firms



Ratings on a -5 to +5 scale, -5 = have very unfavorable feelings toward them, +5 = have very favorable feelings toward them

Contracting Example

*Proportions who have a VERY NEGATIVE reaction to each
(-4 to -5 ratings on a +5 to -5 scale)*

Alaska®

Alaska Airlines uses a subcontractor to provide ramp service. The subcontractor pays workers \$10.77 an hour, while workers who work directly for airlines earn more than \$15 an hour, on average.

34%



Alaska®

*Ramp service workers employed by Alaska Airlines earned more than \$15 an hour, on average. Then in 2005, the airline **terminated** hundreds of these workers, and outsourced the work to a subcontractor. The **laid-off workers were invited to reapply** for the same positions, but at \$10.77 an hour.*

47%



Contracting Example

*Proportions who have a VERY NEGATIVE reaction to each
(-4 to -5 ratings on a +5 to -5 scale)*



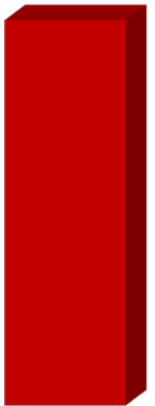
When you stay at a Hyatt hotel these days, the housekeepers who clean your room are not actually employed by Hyatt. Instead, Hyatt has contracted out this work to a cleaning company.

26%



*When you stay at a Hyatt hotel these days, the housekeepers who clean your room are not actually employed by Hyatt, but instead by a subcontractor. Housekeepers **used to make \$15 per hour with benefits** working directly for Hyatt, but now housekeepers employed by the subcontractor are paid **\$8 per hour with no benefits**.*

48%



Contracting Example

*Proportions who have a VERY NEGATIVE reaction to each
(-4 to -5 ratings on a +5 to -5 scale)*



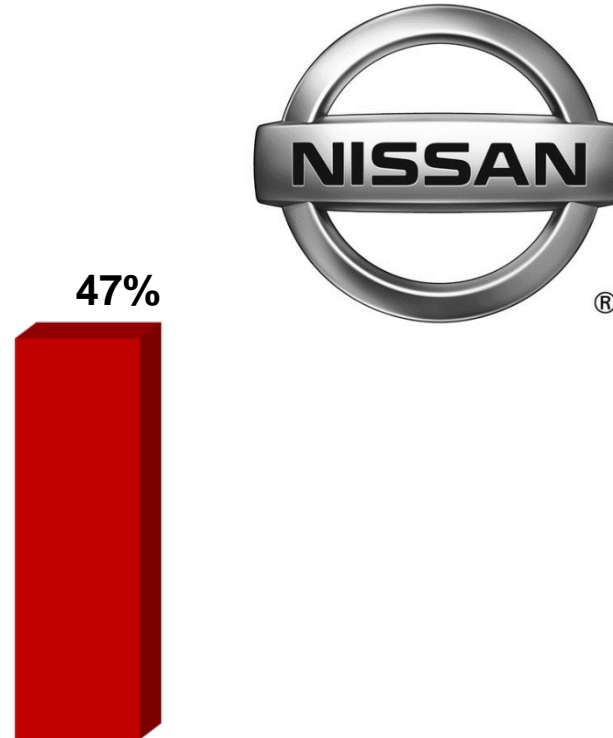
FedEx classifies its drivers who deliver packages as independent contractors, while UPS hires drivers as employees. The average full-time driver at FedEx makes nearly \$18 dollars less an hour in wages and benefits than a person doing the same job at UPS.



Contracting Example

*Proportions who have a VERY NEGATIVE reaction to each
(-4 to -5 ratings on a +5 to -5 scale)*

*Nissan's U.S. plants use contract workers that some describe as **"perma-temps."** These workers are employed by a staffing agency and work alongside Nissan employees on the assembly line, doing the same work, but are paid about half what Nissan employees earn and do not receive benefits such as long-term disability coverage. Many of these workers hope they will earn a permanent position, but Nissan hires only a small fraction of them directly, so many work on the factory floor, but are employed by a staffing agency for years.*



Contracting Examples

*Proportions who have a VERY NEGATIVE reaction to each
(-4 to -5 ratings on a +5 to -5 scale)*



Wal-Mart uses a large subcontractor to run its warehouse operations. That company and others that it subcontracted with required workers to be at work without pay several hours before their shift and didn't pay them the minimum wage. In total, the company paid the workers \$21 million for wages claimed.

57%



Amazon uses subcontractors to run some of its warehousing facilities, often placed in semi-rural/suburban areas where jobs are scarce. Some work in freezing conditions, others in warehouses that are so hot workers faint on the job. While the workers move Amazon goods in Amazon warehouses, the company says that they are only employed by the staffing firms.

32%



Contracting Example

*Proportions who have a VERY NEGATIVE reaction to each
(-4 to -5 ratings on a +5 to -5 scale)*



The transportation company Uber classifies its drivers as independent contractors. As a result, Uber pays no Social Security, unemployment insurance, or workers' compensation taxes, and says it is not subject to labor laws like the minimum wage.



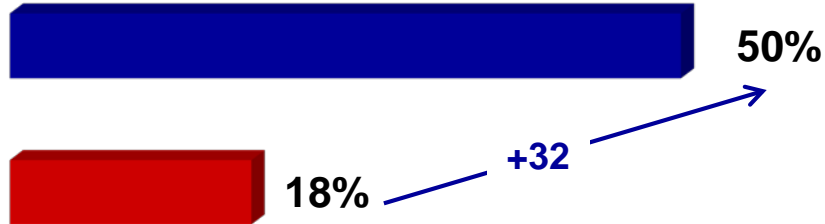
The transportation company Uber classifies its drivers as independent contractors. As a result, Uber pays no Social Security, unemployment insurance, or workers' compensation taxes. Some drivers have reported earning as little as \$3 an hour, but Uber says it is not subject to labor laws like the minimum wage.



Shortage of Good Jobs is Best Response to “Workers Have Choice” Argument

In each pair, with which statement do you agree more?

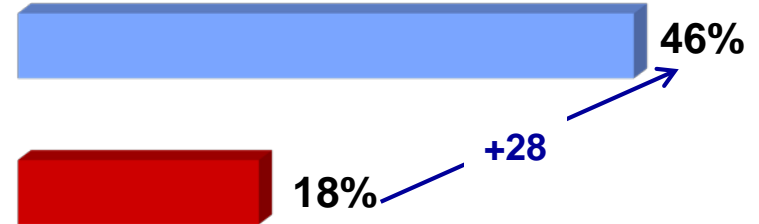
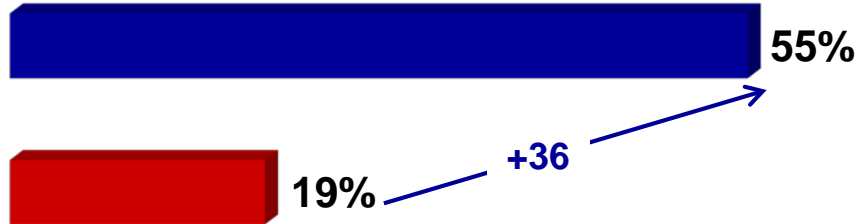
- **Workers know what they are agreeing to** when they are hired through staffing or temp agencies or as an independent contractor. **If they are unhappy** with their working conditions, **they should quit and find another job.** *(same in both pairs)*
- **It is difficult to find a good job, and workers often have no choice** but to accept a position through a temp or staffing agency or subcontractor or as an independent contractor **when the alternative is no job at all.**
- **Companies often give workers no choice** about working as an independent contractor or for a subcontractor. **They refuse to offer direct employment,** in some cases even after a worker has done a good job for months or years.



Positive Jobs Message Stronger than Preventing Companies from Replacing Jobs

In each pair, with which statement do you agree more?

- **If we let government tell companies how to make their hiring decisions** and which firms they can do business with, it will do more harm than good by **reducing innovation, hurting job creation, and weakening our economy.** *(same in both pairs)*
- **We need rules that encourage companies to be responsible**, by creating good, permanent jobs with fair wages, benefits, and safe working conditions. That will **put more money in workers' pockets, and help our economy grow.**
- **We need to prevent** greedy companies from replacing permanent jobs with subcontracted jobs and independent contractors, which **reduces workers' wages, benefits, job security, and safety on the job.**



Top Concerns about Contracting Out

Proportions who rate each as a very serious concern about contracting out*

- 50%** When companies outsource work to low-wage contractors it can undermine public **safety**. For example, contractors working on a Verizon phone line dug into a gas line, causing an **explosion that destroyed homes and injured four people**.
- 48%** Many contract workers receive public assistance, at taxpayer expense, because **their wages are so low and they receive no benefits**. According to one study, temporary workers were twice as likely as non-temporary workers to live in poverty, receive food stamps, and be on Medicaid.
- 47%** When companies outsource work to low-wage contractors it can undermine public **health**. For example, Taylor Farms, a supplier to Chipotle that is partly staffed by temp workers, has had to be recalled for possible contamination with **E. coli and salmonella**.
- 46%** Workers in subcontracted jobs earn **22% less** than the average wage in their industry.

*9-10 ratings on a zero-to-ten scale, 10 = extremely serious concern

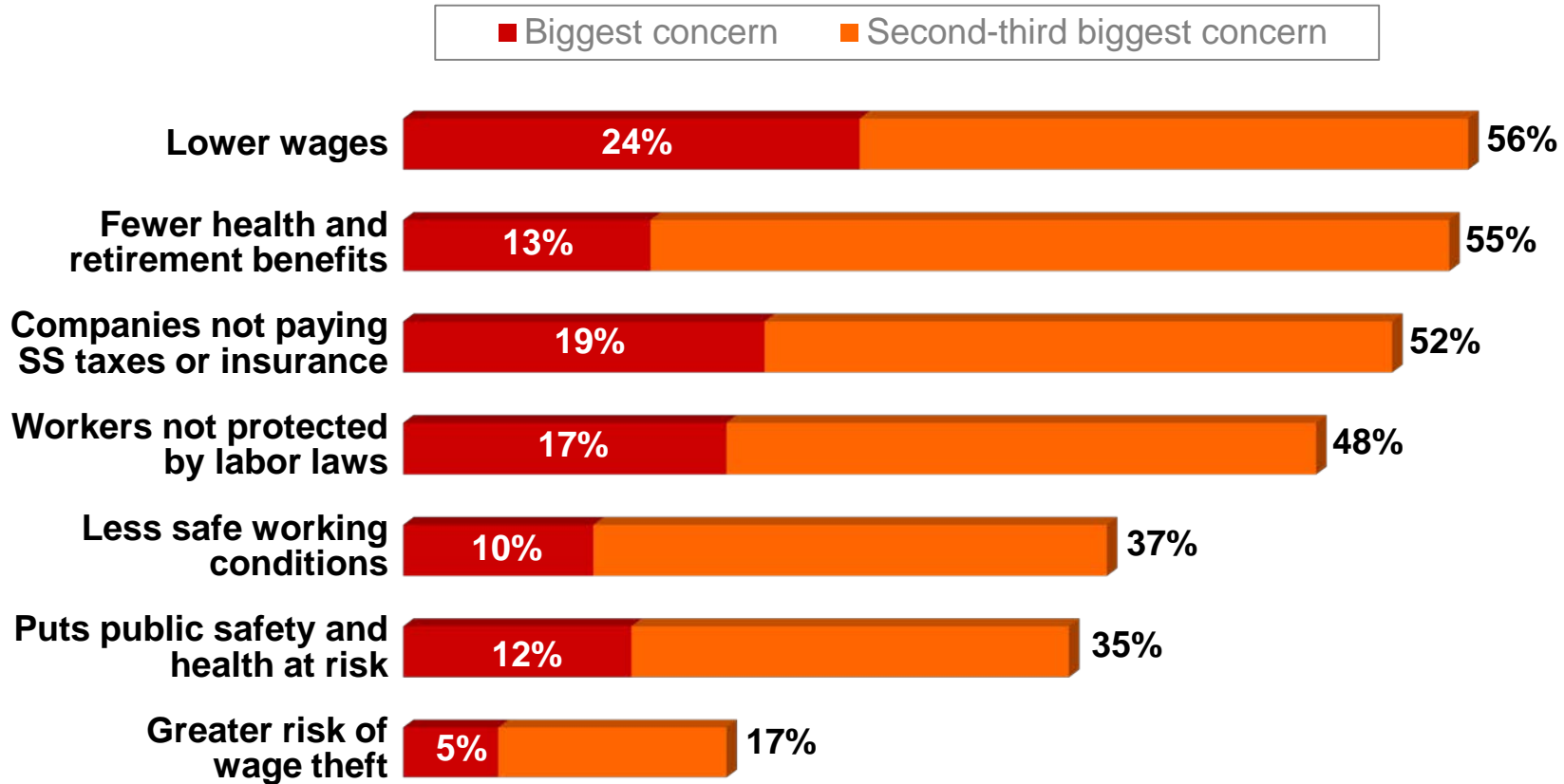
Concerns about Use of Independent Contractors

Proportions who rate each as a very serious concern about using independent contractors*

- 53%** When workers are illegally misclassified as independent contractors, they are **not covered by minimum wage, overtime, health and safety, or workers' compensation** regulations, and are **not eligible for unemployment** insurance.
- 52%** By using workers misclassified as independent contractors, **companies shift risks and costs onto the worker**. Independent contractors receive **no workers' compensation or disability** benefits if they are injured on the job, have **no right to the minimum wage**, and **no unemployment benefits** if they are laid off.
- 50%** Companies misclassifying workers as "independent contractors" **reduce or eliminate workers' future Social Security** retirement benefits and often means they are **not covered by workers' compensation or unemployment insurance**.
- 47%** Workers hired as independent contractors are **not covered by minimum wage, overtime, health and safety, or workers' compensation** regulations, and are **not eligible for unemployment** insurance.
- 47%** Companies misclassifying workers as "independent contractors" **costs federal and state government billions in unpaid payroll taxes and insurance premiums**.

*9-10 ratings on a zero-to-ten scale, 10 = extremely serious concern

Ranking Concerns about Contracting Out



Naming the Shift away from Direct Employment

This describes the shift away from direct permanent jobs very/fairly well:

CONTRACTING OUT 72%

SUBCONTRACTING 67%

DOWNSOURCING 53%

This does the best/second-best job of raising concerns about the situation:

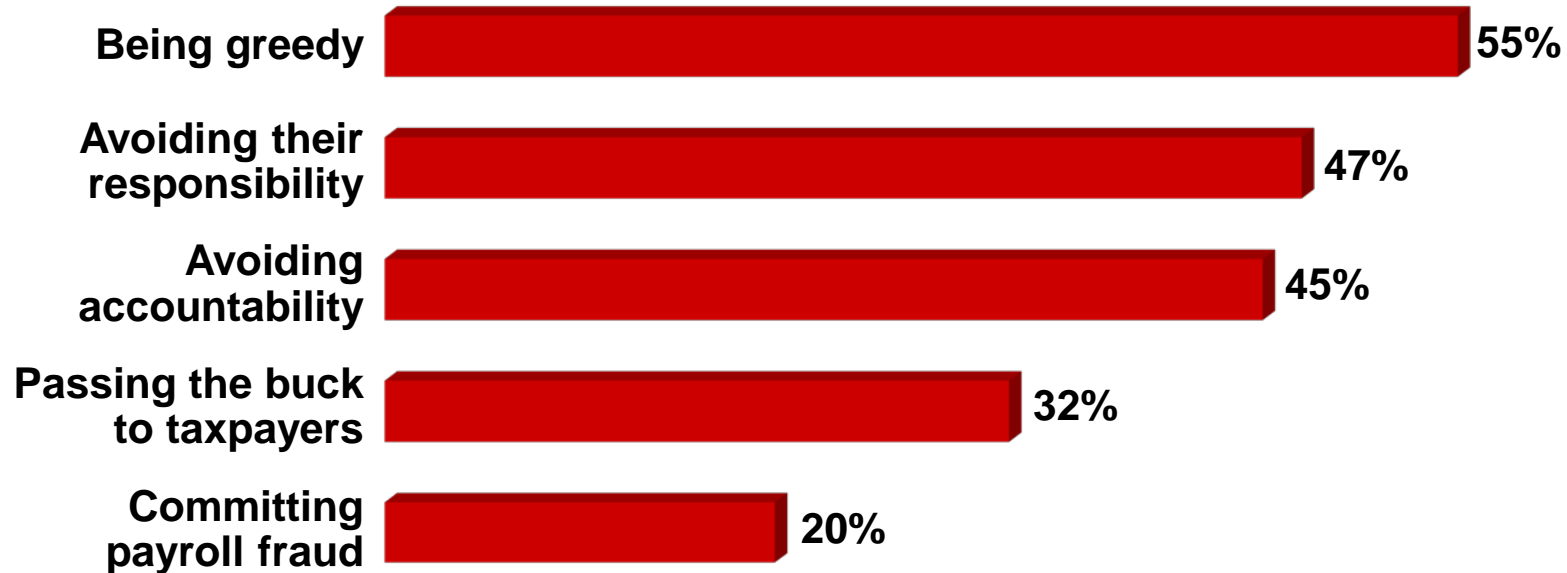
CONTRACTING OUT 79%

SUBCONTRACTING 61%

DOWNSOURCING 60%

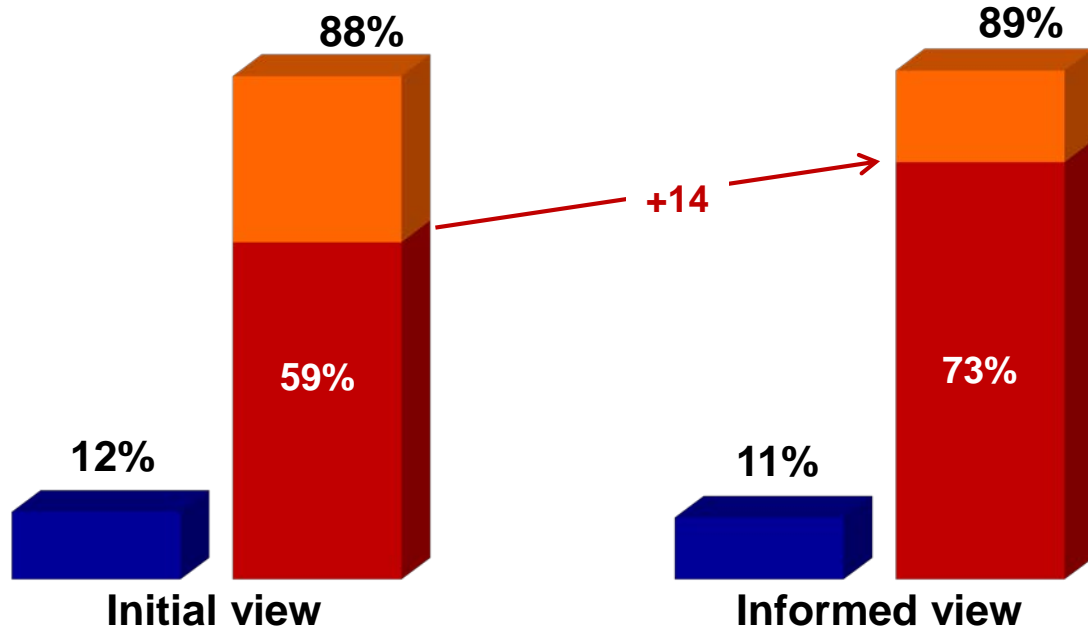
What Are Corporations Doing?

Proportions selecting each as the best/second-best description of the behavior of companies that subcontract work when they should be hiring permanent employees



Concern About Contracting Rises After Information

This shift from direct hiring to using temp agencies and subcontracting firms is:

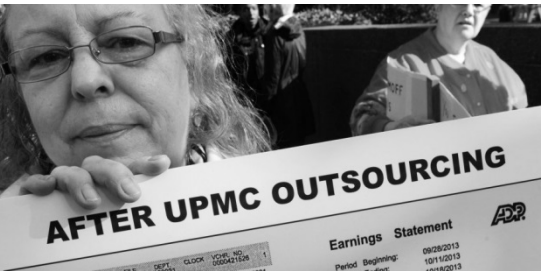


Voter support for laws that make it harder for companies to contract out increases modestly after information, from 61% to 65%. Strong support rises from 26% to 34%.

NELP

**National Employment
Law Project**

Contracting Out: *Strategic Message Research*



Key findings from a survey among 1,000 voters nationwide conducted August 17 – 23, 2016