Permanent Job Proves An Elusive Dream

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Phillip Hicks had loaded his rusting pickup and was heading to work one afternoon last year when his tearful daughter called from a pay phone. She had been pulled over for speeding, she told her father, and worse, she was driving with a suspended license. The police had impounded her car and left her by the side of a dusty highway.

To most workers at the sprawling Toyota plant where Hicks works, the detour to pick up his daughter would be a headache, no doubt. To Hicks, 40, it was considerably more. He called his employer to say he would be late for the swing shift. But since Hicks is a temporary worker, his daughter's brush with the law became a permanent blemish on an already shaky employment record. Temps are allowed only three days off a year, and Hicks was coming up against that.

"They told me I had an attendance problem," he sighed wearily, his soft mountain accent revealing his roots in coal country to the east.

Hicks is among the ranks of what economists call the "contingent" workforce, the vast and growing pool of workers tenuously employed in jobs that once were stable enough to support a family. In a single generation, "contingent employment arrangements" have begun to transform the world of work, not only for temp workers, but also for those in traditional jobs who are competing with a tier of employees receiving lower pay and few, if any, benefits.

The rise of that workforce has become another factor undermining the type of middle-wage jobs, paying about the national average of $17 per hour and carrying health and retirement benefits, that have kept the nation's middle-class standard of living so widely available.

Hicks has spent four years as a temp worker building cars for Toyota Motor Corp., making manifolds and dashboards for Camrys, Avalons and Solaras sold all over the United States. He works alongside full-fledged Toyota employees who earn twice his salary, plus health and retirement benefits.

When Toyota announced it would be coming to Georgetown, Ky., in 1985, it promised to invest $800 million in the community and employ thousands, with thousands more jobs coming through its suppliers. By 1997, the plant exceeded all expectations, with 7,689 full-time workers, a payroll over $470 million, and a ripple effect creating more than 34,000 other jobs in the Bluegrass state.
But by 2000, Toyota was carefully controlling any additions to the workforce. When Hicks left his family in Knott County, Ky., to seek work at the plant 140 miles away, the only door left open was through a temporary agency, Manpower Inc. At $12.60 an hour, the job would not even let him afford the $199-a-week health insurance premium for his family of five. But Hicks said Manpower assured him that after a year -- two at the outside -- he would be on Toyota's payroll, earning $24.20 an hour, with health insurance, a dental plan, retirement benefits, incentive pay, the works.

"I could stand on my head for a year or two for a $20-an-hour job with benefits," he shrugged.

The increasing use of temps "is part of the diminished and inferior wages and fringe benefits you see in all the new jobs that are becoming available," said William B. Gould IV, a labor law professor at Stanford University and former chairman of the National Labor Relations Board.

The government does not have up-to-date figures for the size of the entire contingent workforce, which includes temps, independent contractors, on-call workers and contract company workers. In 2001, the Labor Department classified 16.2 million people -- as much as 12.1 percent of the labor force -- as contingent workers.

It does track one slice of that workforce: temporary workers. Since January 2002, the nation added 369,000 temp positions, about half of the private-sector jobs created during that stretch. Temporary jobs accounted for one-third of the 96,000 jobs added to the economy in September. In 1982, there were 417,000 workers classified as temporary help. Today, there are more than 2.5 million, according to Labor Department data.

That is about equal to the number of manufacturing jobs lost in the past decade. Barrie Peterson, associate director of Seton Hall University's Institute on Work in South Orange, N.J., said that as many as half of those lost manufacturing positions may have been converted to temporary employment.

The change can be abrupt. At A&E Service Co., a small auto-parts assembler in Chicago, employees were told on July 15 that the firm "will no longer hold general labor employees on its payroll. All general labor employees that choose to work at A&E Service Company, LLC must be employed by Elite Staffing effective immediately." On the announcement, workers were asked to check a box accepting or declining the new temporary employment, then sign and date the form.

Temps no longer fit the stereotype of the secretary filling in for a day or two. Jobs categorized as precision production, repair, craftsmanship, operations, fabrications and labor now account for 30.7 percent of all temp jobs, nudging out clerical and administrative support, which represent 29.5 percent of the temporary army.

Peterson calls it "the perma-temping shell game," part of a broader effort by employers to convert sectors of their workforce to temps.
Satisfaction with the arrangement varies. About 83 percent of independent contractors in the Labor Department survey said they were satisfied. By contrast, about 44 percent of temps and 52 percent of contingent workers said they were not satisfied.

The impact of the temp trend on the American middle class can hardly be overstated. As the Federal Reserve Bank of Chicago noted in a paper last year, temporary workers "receive much lower wages than permanent workers, although they frequently perform the same tasks as permanent staff members." An analysis by Harvard University economist Lawrence F. Katz and Princeton University economist Alan B. Krueger found that states with the highest concentration of temps experienced the lowest wage growth of the 1990s.

Toyota executives say they use temporary workers as a buffer, to insulate their full-time staff from the ups and downs of consumer demand. Since it opened in 1988, through two recessions, the Georgetown plant has never laid off an employee, said Daniel Sieger, manager of media relations for Toyota Motor Manufacturing in North America.

Even without layoffs, however, the plant's full-time staff has declined by 706 positions from the 7,787 employees it had in 2000, according to Toyota. Over that time, the temp workforce dipped from 409 in 2000 to 301 in 2002, then rose to 425 late this summer.

Toyota managers say they will try to hire all of their long-term temporaries by the end of the year or in early 2005, after they see how many Toyota workers accept an early retirement package. Forty-seven temps were hired in late September. The management move came after The Washington Post spent a week in Kentucky examining the temporary employment issue at the Georgetown plant. Before September's hires, it had been two years since the plant hired a full-time "team member," Toyota managers said, a period during which the plant shed 240 full-time positions. Temporary employment during that time rose by 124.

"Certainly the long-term temporary issue is one that we regret," said Pete Gritton, the plant's vice president of administration and human relations. "We never intended to have those people in here for four years or whatever as temporary."

Temporary employment is an increasingly important issue for unions. The expansive labor contract reached between the United Auto Workers and Ford Motor Co. in September 2003 includes six pages of rules governing the use of temps. Under the agreement, Ford can bring on a temporary worker for a maximum of 89 days, after which the worker must be hired or dismissed. Most temps can only work two days a week, as well as "premium" days such as holidays.

Just 62 miles west of the Toyota plant, the UAW made a stand at Ford's Kentucky Truck Plant, refusing even to countenance 89-day temps.

"It's a big, big deal," said Mike Stewart, the UAW's building chairman at the plant in Louisville. "Any time you get this kind of [compensation] divide, it just means less
people making less money who can't afford your product. We will always keep temps to a minimum."

The use of temporary workers appears to be most pervasive in plants owned by foreign companies, which tend to locate in states where laws make union organizing difficult, said Susan N. Houseman, a researcher at the independent W.E. Upjohn Institute for Employment Research in Kalamazoo, Mich. One Japanese auto parts plant estimated that a 5 percentage point reduction in the share of temps in the workforce would increase total labor costs by $1 million over a year, an Upjohn study found.

At BMW’s auto plant near Greenville, S.C., about 175 temporary workers supplement a production workforce of 3,500, keeping the assembly line churning out Z-4 roadsters and X-5 sport utility vehicles for the U.S. and global market through lunch hour and break times, said Robert M. Hitt, a spokesman for BMW Manufacturing.

At Faurecia S.A., a BMW supplier in nearby Fountain Inn, S.C., about a third of the workers making door panels, consoles and dashboards for the Z-4 are temps, said Campbell Manning of Palmetto Staffing Group Inc., the temporary employment agency that staffs the French auto parts supplier.

"They don't hire permanent," she said. "After 90 working days, they used to roll onto the payroll. Now they just keep them as long-term temps."

Palmetto Staffing charges Faurecia a flat $12-an-hour for each of its temps. If Faurecia hired its own permanent workers, expenses for workers compensation insurance, unemployment insurance and other demands would add $4 to $5 onto a $9-an-hour wage. Benefits would add more.

Even the temps cannot argue with the logic of hiring a lower-cost workforce. "I don't really blame Toyota," said Roy Biddle, who went to work at the Georgetown plant at the same time Phil Hicks did, nearly four years ago, with similar assurances that he would land a full-time job after a year. "The law's the law, and they're just doing what they can do under the law."

To temper expectations, Toyota last year implemented a new policy capping temporary employment at two years. After that period, workers must leave, but can reapply in six months. If hired again, a worker starts at the entry wage of $12.60 an hour, compared with more than $14 per hour if they have been there for a few years.

About 160 long-term temporaries, like Biddle and Hicks, were grandfathered in and allowed to stay indefinitely.

Nancy Johnson, director of the Center for Labor Education and Research at the University of Kentucky, said that because of the new policy, temps now cycle from one plant to another, working at Toyota, then at nearby E.D. Bullard Co., making fire helmets, then perhaps at an auto parts supplier before heading back to Toyota.
At the Kentucky State Cabinet for Health and Family Services' community office in Georgetown, social workers say more Toyota temps are applying for state aid to cover food costs and medical bills.

"It's the traditional Japanese model that people talked about in the '80s," Johnson said. "Toyota never lays people off, sure, but the temps are absorbing the financial swings of all these companies, and they're doing it at a price."

Rick Hesterberg, a plant spokesman, noted that $12 to $14 an hour in central Kentucky compares favorably to wages even for some permanent jobs. "These people still make good money," he said of the temps. "It's nothing to snuff your nose at, at least in this part of the country."

But many Toyota temps say their problems go beyond money. Indeed, life seems always on the edge of disaster, where even rewards -- the small gift bag of cookie cutters or the "Star Performer" T-shirts that are given out to temps -- seem more like petty humiliations. In February, a Toyota temp posted an anonymous "discussion" paper in the assembly-line men's rooms, pleading "the 'E' word, 'E' for exploitation."

"There are temps at [Toyota] who have been here for 3 years, some approaching 4 years, many waiting for the permanent job offer," the essay reads. Toyota "is exploiting their patience, their economic status, their work ethic, their work contribution, their reliability, their health, their safety."

Chris, a graduate of Western Kentucky University, once interned at Toyota during college, doing computer-aided design and drafting. He spoke on condition that his last name would not be used. Even with a degree and an internship on his résumé, he, too, was steered to Manpower as the only door into Toyota. But unlike the other temps, he figured his temporary stint would quickly lead not just to the factory floor, but to the white-collar suites.

Now, after four years, he frets that his wife wants a second child but he's not sure how they'll pay for the insurance.

"These people are making extreme sacrifices, working second shift, no benefits, low pay," fumed Matt Roberts, 31, a full-time Toyota worker since 1997. "It's a disgrace to the American dream. That's what it is."

For years, the United Auto Workers has tried to unionize the Toyota plant, to no avail. Recently, the use of temps has become a major issue. For full-time workers, the temps present a quandary. On the one hand, the full-time workers may see the temps as Toyota does, a buffer protecting their jobs. The more low-paid workers there are at the plant, the more profitable the company will be, and the less likely to resort to layoffs, suggested David Cole, director of the Center for Automotive Research in Ann Arbor, Mich. A union might threaten that buffer by demanding that temps be brought on full-time or dismissed.
"The temps may help keep the union out," Cole said. "It's in the selfish, vested interest of the full-time workers to keep more temps."

But some Toyota workers do not see it that way. Several full-time employees said the growing presence of temps at the plant is holding back their wage gains, while limiting their movement in the plant. Some employees say they have been stuck working nights because any open day-shift positions are quickly filled by temps.

"If you break down, they've got a new guy waiting at the door," said Roberts, who with his wife, another Toyota worker, clears a six-figure income. "You're creating a tug of war. There's no protection for either side."

In Georgetown, the divisions can show up in strange, some say demoralizing, ways.

Toyota is famous for the "kaizen" -- continuous improvement -- checks that it pays to workers who come up with suggestions that save money. Earlier this year, Hicks and Chris helped devise a change that cut two jobs from their small quadrant of the assembly line. The change meant more work for everyone, but it was more efficient. Toyota rewarded the idea by sending out $500 checks to every member of the team, every full-time member, that is.

The two temps who came up with the suggestion got nothing. Their group leader did feel bad. He gave each of them a $25 gift certificate to the Toyota company store.

Then a full-time worker slipped them both $50.

"You guys got us this money," Chris recalled him saying. "Sorry I can't give you more."