

Temping Out the Federal Government

By Chris Schwartz and Laura Padin

Since taking office, President Donald Trump has waged a war on federal workers. The record-long government shutdown, which left hundreds of thousands of workers without pay, is only the latest in a long line of examples. In May 2018, he attempted to roll back civil service protections and chip away at the rights of unions that represent federal workers through a series of executive orders,¹ and then added a fourth order freezing civilian workers' pay for 2019.²

A federal court struck down most key provisions of the executive orders aimed at federal unions,³ and Congress may still pass a federal pay raise,⁴ but Trump's actions have taken a toll nonetheless. He has been slow to fill many top agency posts or to replace federal workers lost through turnover.⁵ In one especially dramatic example, officials at the Veterans Administration announced that 1 in 10 jobs at the agency have gone unfilled.⁶ These failures appear to be a deliberate effort to shrink the federal government and the important services it provides without going through the legislative process.

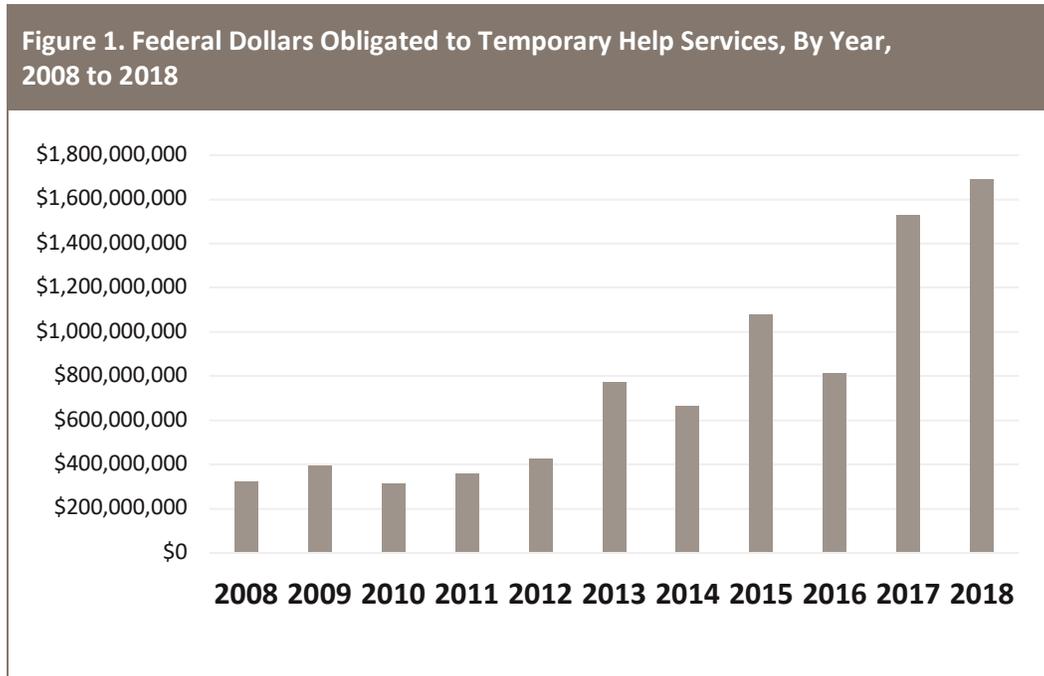
Outsourcing government work to temporary staffing agencies degrades the quality of those jobs and reduces accountability for the quality of the work.

One part of the story that has not yet been told, however, is the Trump administration's heavy reliance on outsourcing government work to temporary help services agencies. The term "temporary" is often a misnomer because many of the positions outsourced to these agencies are not short-term. Although temporary staffing agencies have traditionally provided employers with flexibility during short-term or unexpected increases in labor demand, some employers—including the federal government, as discussed below—are increasingly offloading permanent positions in their workforce to temporary staffing agencies.

This policy brief describes the sharp increase in federal spending on temporary help services under the Trump administration. The data suggests that, rather than decreasing the size of government as Republican administrations frequently claim they will do, the Trump administration and its allies in Congress are merely outsourcing government work to temporary staffing agencies, which degrades the quality of those jobs and reduces accountability over the quality of that work. This outsourcing also takes the delivery of traditionally public interest services—such as social insurance programs—from non-profit government agencies and places it with private for-profit entities, which too often means that making money, not delivering quality services, is the paramount goal.

Since President Trump took office, federal spending on temporary help services has more than doubled

In 2018, the federal government obligated \$1.7 billion for temporary help service contracts—a fivefold increase from the \$323 million obligated in 2008 (**Figure 1**). Over this period, the federal government obligated a total of \$8.4 billion for temporary help services, according to contracting data compiled from USASpending.gov. By far, the largest increase came in the past two years, when spending jumped from \$812 million in 2016 to \$1.7 billion in 2018.



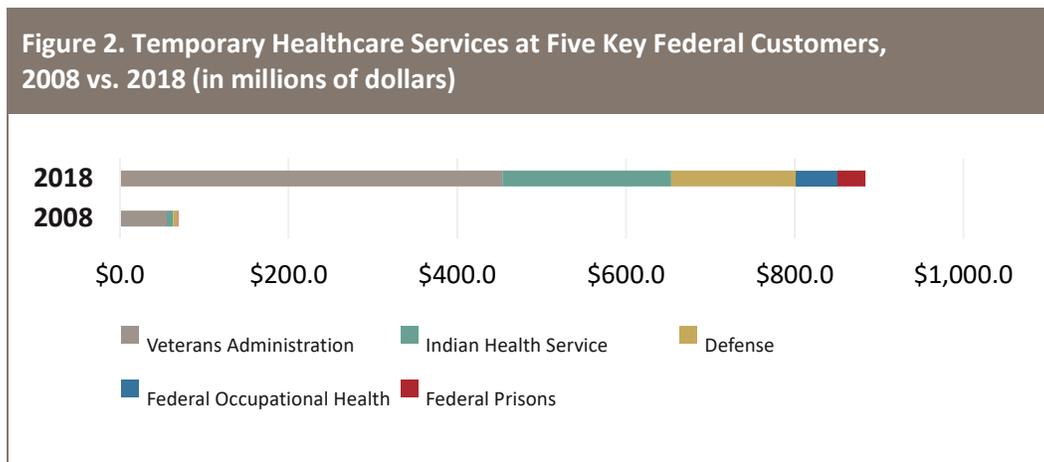
Increased healthcare outsourcing is the largest driver

The Trump administration’s desire to privatize government-provided healthcare services is the largest factor driving increased use of temporary help services. This is especially true at five agencies: the Veterans Administration (VA), the Indian Health Service (IHS), the Department of Defense, the Bureau of Prisons, and the Federal Occupational Health clinics. These contracts cover the full spectrum of medical professions: *locum tenens* doctors (traveling physicians who fill long-term vacancies), traveling and contract nurses, pharmacists, dentists, physical and occupational therapists, social workers, medical billing, and numerous medical technicians and support positions.

Healthcare-related temporary help service contracts for these five entities totaled \$884 million in 2018, accounting for 47 percent of all federal temporary help contracts for that year. That is a dramatic jump from 2008, when similar contracts for these five agencies totaled just \$69.3 million (**Figure 2**). That increase—totaling \$814.7 million—represents 59 percent of all new federal temporary help contracts in the past decade.

It appears that the increased spending on temporary help services is due to a set of deliberate decisions to outsource medical staffing to private companies. In the private sector,

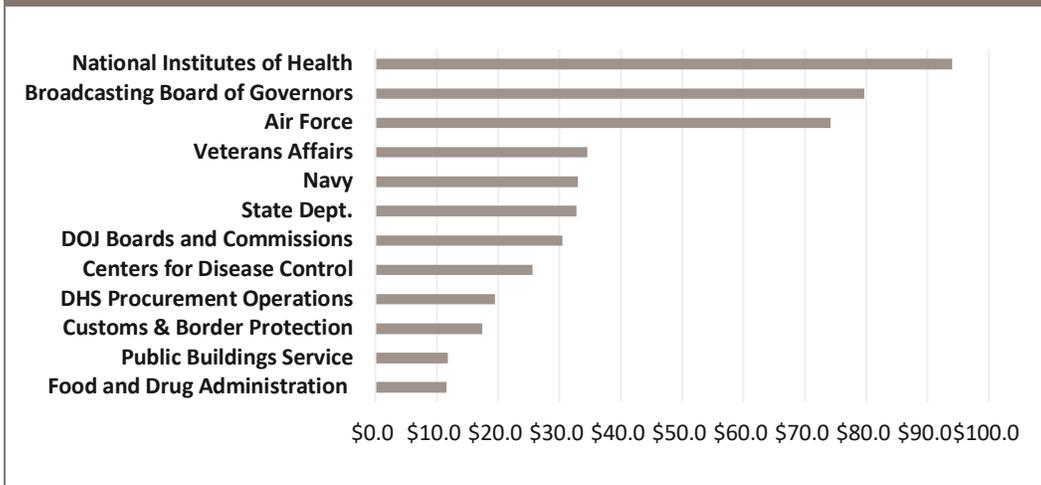
permanent jobs lost during the Great Recession were frequently replaced with so-called “temporary” jobs once the economy recovered. Something similar is happening in the federal government. At the VA and IHS, where provider vacancies are a problem, the agencies have chosen to fill the positions with “perma-temps” rather than seeking out more lasting, stable solutions. Elsewhere in the government, well-intentioned efforts to improve efficiency have provided an opening for those who favor large-scale outsourcing. Take, for example, the Defense Health Agency (DHA), which was created in October 2013 to centralize health services for active-duty military previously provided by each branch of the armed services. In October 2017, less than a year after the Trump administration took office, the Department of Defense selected 36 companies for a five-year, \$7.5 billion contract to provide temporary healthcare staffing to the DHA.⁷



Other federal agencies also rely on outsourced temporary help

While healthcare contracts account for 59 percent of the increase in temporary help spending from 2008 to 2018, that still leaves a significant increase (about \$563 million) in other types of temporary contracts. In fact, the use of temporary help services appears to be on the rise across the federal government. At 100 of the 149 federal agencies and sub-agencies for which we have data, there has been an increase in the amount obligated for temporary help services between 2008 and 2018. Even excluding healthcare-related temporary help contracts,⁸ 12 federal agencies show increases of at least \$10 million between 2008 and 2018 (**Figure 3**).

Figure 3. Largest Increases in Non-Healthcare Temporary Help Contracts, 2008 vs. 2018 (in millions of dollars)



Outsourcing work to temporary help services can worsen the quality of services without reducing costs

By increasingly relying on temporary workers to perform critical public services, federal agencies are losing out on the increased skill and efficiency that come with longtime experience on the job. Furthermore, those workers with a desire for public service who are motivated by a commitment to their communities and their country are not able to put those values to practice in direct federal employment.

The U.S. Government Accountability Office (GAO) has highlighted the risks inherent in using temporary help service firms twice in the past year. In August 2018, a GAO report on the Indian Health Service found that “temporary providers are more costly than salaried employees and can interrupt patients’ continuity of care,” and that the agency lacks adequate data on the cost and number of its temporary help providers.⁹ An October 2018 GAO report on the Department of Defense’s plan to transfer many healthcare services to the Defense Health Agency found the plan lacking details on how the increased reliance on contractors would help achieve program efficiencies.¹⁰ In other words, contracting out these critical public health services to temporary agencies not only has the potential to hurt patients but also may cost more to public revenue than hiring government employees to perform these services.

Outsourcing work to temporary help agencies is bad news for workers

When the federal government outsources its work to contractors, workers suffer as well. According to a 2013 report that interviewed more than 500 workers in federally contracted jobs in military uniform manufacturing, food services, retail services, janitorial services, and port trucking, 74 percent of the workers earned less than \$10 per hour. Only 26 percent reported receiving paid sick days, and only 11 percent reported receiving employer-provided health insurance. In fact, more than half of the workers reported that they received no benefits at all.¹¹

Outsourcing work to a particular type of contractor—temporary help services agencies—further degrades pay and working conditions. According to BLS data, full-time temporary help agency workers earn 41 percent less than do workers in standard work arrangements. Fully 53.4 percent of workers in standard arrangements receive an employer-provided health insurance benefit, compared to only 12.8 percent of temporary help agency workers. And while 46.3 percent of workers in standard arrangements are covered by an employer-provided pension plan, only 6.6 percent of temporary help agency workers are.¹²

Illegal employment practices—such as wage theft—are common in the temporary help services sector. In September 2018, for example, Loyal Source Government Services LLC—the second-largest federal temporary help contractor—was fined \$574,989 after an investigation by the U.S. Department of Labor’s Wage and Hour Division found the company made improper paycheck deductions on 4,047 employees. The \$10-per-paycheck deductions, which were for “administration of employee health and welfare benefits,” violated the Service Contract Act.¹³ The company is reported to have revenues of nearly \$147 million and a 573 percent growth rate over the past three years.¹⁴

In sum, while contracting out, in general, degrades wages and working conditions, temporary help services is a particularly “low road” form of contracting that leads to even worse outcomes for workers.

Recommendations

Temporary help service contracts need accountability. We recommend the federal government do the following to ensure that temporary help service contractors compensate their workers fairly, comply with all labor and employment laws, and provide real value to the federal government:

- 1) Institute annual reviews of all temporary help service contracts that analyze the costs and benefits of each contract relative to federal insourcing to determine whether each contract should be renewed;
- 2) Require federal agencies to report, on an annual basis, data on the temporary agencies with which they have contracted, including the names of the temporary help service agencies, the amount awarded for each contract (including wage rates and all markups or fees paid to the contractor), the number of temporary workers employed through each agency, the average duration for which temporary workers were employed for a given job, the demographics of the temporary workforce, and complaints about the services provided by temporary help service agencies.
- 3) Enact living wage and prevailing wage protections and require certain benefits—such as paid sick and vacation leave and employer-sponsored health insurance—for workers assigned to temporary help service contracts to ensure that these contracts produce well-paying jobs with strong benefits and do not simply replace good-paying government jobs with low-road contractor jobs; and
- 4) Institute a legal compliance review system that routinely audits temporary help service contracts to ensure compliance with workplace laws and living wage and benefits requirements and makes those audits available to the public.

Endnotes

- ¹ Lisa Rein, “Trump takes aim at federal bureaucracy with new executive orders rolling back civil-service protections,” *Washington Post*, May 25, 2018, https://www.washingtonpost.com/politics/trump-takes-aim-at-federal-bureaucracy-with-new-executive-orders-altering-civil-service-protections/2018/05/25/3ed8bf84-6055-11e8-9ee3-49d6d4814c4c_story.html?utm_term=.585326da762f.
- ² Eric Yoder, “Trump orders pay freeze for federal workers,” *Washington Post*, December 29, 2018, https://www.washingtonpost.com/politics/2018/12/29/trump-orders-pay-freeze-federal-workers/?utm_term=.e26261f0e3f2.
- ³ Noam Scheiber, “Trump’s Power to Fire Federal Workers Curtailed by Judge,” *New York Times*, August 25, 2018.
- ⁴ Yoder, *op. cit.*
- ⁵ “Hundreds of top government jobs under Trump are unfilled. So who’s running things?,” PBS News Hour, January 20, 2018, <https://www.pbs.org/newshour/show/hundreds-of-top-government-jobs-under-trump-are-unfilled-so-whos-running-things>.
- ⁶ Leo Shane III, “VA officials say one in 10 department jobs is unfilled,” *Military Times*, September 4, 2018, <https://www.militarytimes.com/veterans/2018/09/04/one-in-10-va-jobs-is-unfilled-leaving-gaps-in-veterans-services/>.
- ⁷ DHA picks 36 small firms for \$7.5B health care staffing contract,” *Washington Technology*, October 24, 2017, <https://washingtontechnology.com/articles/2017/10/24/dha-staffing-contract.aspx>.
- ⁸ These figures exclude direct provision of healthcare services, but include health-related research support, such as the work done by the temporary help firms employed by NIH and the CDC. Figures for the Air Force, VA, and Navy exclude contracts for healthcare services, but include other temporary help contracts for administrative and logistics support unrelated to healthcare.
- ⁹ Jessica Farb, “Indian Health Service: Agency Faces Ongoing Challenges Filling Provider Vacancies,” U.S. Government Accountability Office, August 2018, <https://www.gao.gov/assets/700/693940.pdf>.
- ¹⁰ Brenda S. Farrell, “Defense Health Care: DOD Should Demonstrate How Its Plan to Transfer the Administration of Military Treatment Facilities Will Improve Efficiency,” U.S. Government Accountability Office, October 2018, <https://www.gao.gov/assets/700/695157.pdf>.
- ¹¹ Anastasia Christman, Amy Masciola, Robert Masciola, Shelley Sperry & Paul Soon, “Take the Low Road: How the Federal Government Promotes Poverty Wages Through its Contracting Policies,” National Employment Law Project, July 2013, <https://s27147.pcdn.co/wp-content/uploads/2015/03/NELP-Taking-Low-Road-Federal-Contracting.pdf>.
- ¹² National Employment Law Project, “America’s Nonstandard Workforce Faces Wage, Benefit Penalties, According to U.S. Data,” June 7, 2018, <https://www.nelp.org/news-releases/americas-nonstandard-workforce-faces-wage-benefit-penalties-according-us-data/>.
- ¹³ “Orlando staffing firm to pay workers for improper payroll deductions,” *Orlando Business Journal*, Sept. 10, 2018, <https://www.bizjournals.com/orlando/news/2018/09/10/orlando-staffing-firm-to-pay-workers-for-improper.html>.
- ¹⁴ Rapid growth preceded federal raid at Loyal Source,” *Orlando Sentinel*, August 8, 2018, <https://www.orlandosentinel.com/business/brinkmann-on-business/os-bz-government-staffing-raid-20170809-story.html>.

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