



Highlights of [GAO-06-656](#), a report to the Ranking Minority Member, Committee on Health, Education, Labor, and Pensions, U.S. Senate

## Why GAO Did This Study

Millions of U.S. workers participate in “contingent” employment, such as temporary or part-time work, and not in permanent or full-time jobs. The Department of Labor (DOL) enforces several labor laws to protect these and other workers, including the Fair Labor Standards Act (FLSA), which provides minimum wage, overtime pay, and child labor protections. In June 2000, GAO reported that contingent workers lagged behind standard full-time workers in terms of income, benefits, and workforce protections, and that some employees do not receive worker protections because employers misclassified them as independent contractors. GAO was asked to update this report by describing (1) the size and nature of the contingent workforce, (2) the benefits and workforce protections provided to contingent workers, and (3) the actions that DOL takes to detect and address employee misclassification. We analyzed DOL survey data on contingent workers and interviewed DOL officials.

## What GAO Recommends

GAO recommends that DOL (1) provide additional contact information to facilitate the reporting of possible misclassification complaints, and (2) evaluate the extent to which misclassification cases found through FLSA investigations are referred to other agencies and take action to improve as needed. DOL generally agreed with both recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-656](http://www.gao.gov/cgi-bin/getrpt?GAO-06-656).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert E. Robertson at (202) 512-7215 or [robertsonr@gao.gov](mailto:robertsonr@gao.gov).

## EMPLOYMENT ARRANGEMENTS

### Improved Outreach Could Help Ensure Proper Worker Classification

#### What GAO Found

Contingent workers constituted a relatively constant proportion of the total workforce from 1995 through 2005 and had diverse characteristics. While the population of the contingent workforce grew by an estimated 3 million workers during this time period, the proportion of contingent workers in the total workforce remained relatively constant at about 31 percent. In 2005, there were about 42.6 million contingent workers in the workforce. Contingent workers vary in terms of their demographic characteristics, industries, and occupations. For example, on average, contingent workers range in age from about 35 years for one category of temporary workers to about 48 years for self-employed workers. In addition, contingent workers are employed in a wide range of industries and occupations, including the services industry, construction, and retail trade.

A smaller proportion of contingent workers than of standard full-time workers has health insurance or pension benefits, or is protected by key workforce protection laws, including laws designed to ensure proper pay and safe, healthy, and nondiscriminatory workplaces. While 72 percent of standard full-time workers received employer-provided health insurance in 2005, the proportion of contingent workers who received employer-provided health insurance ranged from 9 to 50 percent, depending on the category of contingent worker. With regard to pension benefits, 76 percent of standard full-time workers reported working for an employer who offered a pension, whereas 17 to 56 percent of contingent workers reported working for an employer who offered a pension. One reason that contingent workers are less likely to receive protections is that some laws contain requirements that exclude certain categories of contingent workers.

DOL detects and addresses misclassification of employees by investigating complaints, but does not always forward misclassification cases to other federal and state agencies. Some workers do not receive worker protections to which they are entitled because employers misclassify them as independent contractors—a category of contingent workers excluded from many protections—when they should be classified as employees. DOL investigators detect and address employee misclassification primarily when responding to FLSA minimum wage and overtime pay complaints. DOL investigators examine whether a worker is an employee or an independent contractor to determine coverage under FLSA. DOL relies heavily on complaints from workers to enforce FLSA, but the FLSA workplace poster does not contain any information on employment classification or provide a telephone number for individuals to register complaints. Misclassification of employees may contribute to an FLSA violation or may violate laws enforced by other agencies, such as tax laws. DOL procedures require officials to share information with other federal and state agencies whenever investigators find possible violations of other laws. However, the district offices we contacted vary in how often they forward misclassification as a possible violation of other agencies' laws.