

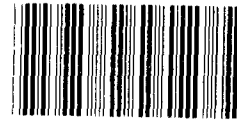
GAO

Fact Sheet for the Chairman,
Subcommittee on Civil Service,
Post Office and General Services,
Committee on Governmental Affairs,
United States Senate

June 1986

FEDERAL WORKFORCE

Views on Need to Offer Health Insurance to Temporary Employees



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United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-219740

June 4, 1986

The Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
Post Office and General Services
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This is in response to your letter of April 30, 1985, requesting information on several federal personnel management issues. One of the issues, which this report addresses, concerns the question of whether health benefits should be offered to federal temporary employees. We plan to address the other issues in separate reports.

By regulation, employees serving under temporary appointments are generally excluded from enrolling in the federal employee health insurance program. The government employed an average of 251,000 temporary employees each month during fiscal year 1985; about 153,000 of these employees worked full-time schedules. In January 1985, the Office of Personnel Management (OPM) expanded agencies' authority to employ temporary workers.

We obtained information on private sector practices from employee benefits consultants, business and nonprofit groups, national retailers, and companies that specialize in providing temporary help. We obtained views from five federal employee unions on offering health insurance to temporaries. We also interviewed officials at three federal agencies which employ a large number of temporary employees, and officials at OPM, which administers the health insurance program. Our work was performed from July 1985 to April 1986. Our findings are discussed in detail in the appendix to this fact sheet.

We found that the prevailing practice in the private sector is not to offer health insurance to temporary employees. Moreover, we found little support in federal agencies for extending health insurance to these employees. The generally expressed opinion was that temporary employees usually have health insurance under another family member's plan and that few temporary employees would elect to pay for the

benefits. Both federal and private employers said there was little need to offer the benefit as a recruiting or retention tool.


Two of the five unions we contacted believed that temporary employees should have the same benefits as other employees. Another, which was precluded by its bargaining agreement from representing temporary employees, felt that temporaries should be offered health insurance if they were allowed to become union members. The other unions were not in favor of providing this benefit to temporary employees.

As a result of the expanded temporary appointment authority, the number of temporary employees is increasing. We did not attempt to determine what effect this might have on temporary employees' need for health insurance.

The cost of offering health insurance to temporary employees is difficult to estimate because of the uncertainty about how many employees would enroll. However, the government's share of health insurance premiums for its permanent workforce averaged \$1,123 for each enrolled employee in fiscal year 1985.

As arranged with your office, copies of this fact sheet are being sent to the Director, OPM; the Secretary of Agriculture; the Secretary of the Navy; the Postmaster General; and other interested parties upon request. If you have any questions, please contact me at 275-6204.

Sincerely yours,


Rosslyn S. Kleeman
Senior Associate Director

INFORMATION ON PROVIDING HEALTH
INSURANCE TO TEMPORARY EMPLOYEES

The federal civilian workforce averaged about 2.9 million employees each month during fiscal year 1985. About 90 percent had permanent appointments, that is, jobs that were expected to continue with no time limit. About 10 percent (251,000) had temporary appointments. Temporary employees generally supplement the permanent workforce during peak workperiods and are appointed for a limited period, usually less than a year. About 153,000 of the temporary workforce in 1985 worked full time, the remainder worked part time or intermittent schedules.

Generally, permanent employees are eligible for all benefits. Temporary employees are eligible for annual and sick leave, paid holidays, social security, Medicare, unemployment compensation, and workers compensation. They are not covered by the civil service retirement system, federal employees' group life and health insurance, or the severance pay program. Permanent employees hired after December 31, 1983, also participate in social security.

Health coverage is available to permanent employees through about 300 plans of varying cost, benefits, and geographic coverage. Premiums are shared between the employees and the government, with the government, on the average, assuming 60 percent of the premiums, or about \$1,123 a year.

Private sector practice

To determine health insurance practices in the private sector, we initially contacted 14 associations, business groups, and management and benefits consultants who have expertise or interest in personnel management and employee compensation. They informed us that it was not prevailing practice among private sector firms to provide health insurance to temporary employees. We subsequently interviewed officials from three national retailers and five temporary help service firms to ascertain their practices. The retailers did not provide health insurance to their temporaries. The retailers did, however, offer it to their permanent employees, and contributed between 75 and 80 percent of the health insurance premiums.

Representatives of the retailers said that, because health insurance is one of their most costly fringe benefits, providing it to temporary employees would significantly increase their labor costs. The representatives were also concerned that high medical risk people or individuals whose family members had medical problems could seek temporary employment for the

specific purpose of obtaining health insurance benefits (termed "adverse selection" by the insurance industry), which would further increase labor costs. They added that they have no difficulty in recruiting for temporary positions and thus do not need to offer health insurance as an employment incentive. They told us that many of their temporary employees are students, housewives, people with other employment, and retirees whose main interest is acquiring extra income. They said that temporary employees do not ordinarily need health insurance because they are often insured under their parents' or spouses' plans, or are covered under a plan with their permanent or former employers.

Four of five temporary help firms that we contacted offered a health insurance plan to their employees. Two of the four firms paid half of the premiums, and they required employees to be on the payroll for 350 to 400 hours of work before being eligible for the benefit. Employees paid all of the premiums for health insurance in the other two firms. These employers felt that offering health benefits enabled them to attract and retain quality employees. In this respect, some of these employees could be considered to be permanent employees of the temporary help firms. In any case, enrollment in the plans was low, with 10 percent participation in one firm and 3 percent in another. Participation data was not readily available for the firms which paid half the premiums. As with the retailers, officials of the temporary help firms said their employees seldom join the plans because they are already covered under the plan of another family member or the employees did not want to incur the cost of health insurance.

Agency views

We interviewed officials of the Navy, the Postal Service and the Forest Service of the Department of Agriculture because these agencies employed large numbers of temporary employees. These officials advised us that they were able to meet their temporary staffing requirements without offering health insurance and that such a benefit was not needed as a recruiting or retention tool.

Union views

Two of the five federal employee unions that we contacted were in favor of offering health benefits to temporary employees. From the standpoint of equity, they believed that temporary employees should have the same benefits as others. Two others opposed health insurance for temporaries because of the cost and the risk of adverse selection. A fifth union said

it would be in favor if temporary employees were included in its bargaining unit and the union could therefore represent them.

Expanded appointment authority

In January 1985, OPM granted agencies authority to make temporary competitive service appointments with limited exceptions in positions at GS-12 and below for up to 1 year and to extend those appointments up to a year at a time up to a total of 4 years. Before January 1985, the authority to extend appointments beyond 1 year generally applied to positions at GS-7 and below, and the extension beyond 1 year could only be for up to 1 additional year.

Since the expanded temporary appointment authority went into effect, the number of temporary appointments and extensions has increased, including appointments at grade GS-8 to GS-12. It was not within the scope of this study to determine if agencies are using temporary appointments in situations where permanent appointments would be more appropriate. If in the future this does occur, and the temporary and permanent workforces become more alike because of the expanded appointment authority, the need to grant benefits to temporary employees may need to be re-examined.

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