Managing Independent Contractor and Project Worker Relations

Managing Transformations in Work, Organizations, & Society

Today’s Guest:
Sara Horowitz, Executive Director, Working Today
Overview & Objectives

• Clarifying the Facts: Terminology; Trends, Myths & Reality in “Non-Standard” Work

• Explore What’s Needed to Make Project Work Successful—to individuals, firms, & the economy

• What new Labor Market Institutions are Needed to Support this Form of Work?

• Apply the Lessons—What do we need to do to manage this new form of work?
What’s at Stake Here?

• **Standard Job:**
  – Steady wages & benefits; careers, training, security, retirement savings, social interaction

• **Project Work: Two Contrasting Views**
  – Risky, unsteady, and less protected
  – Innovative, autonomous, flexible, rewarding,--efficient response to changing labor markets and organizational forms

• **Poses major policy and institutional design challenges:**
  – Who is the employer?
  – How will traditional labor market functions be performed such as job matching, training, health and safety management, voice and representation, health insurance, savings…
Types of “Nonstandard” Work

• The “Standard” – Long term full-time work with single employer = 70%
• Part-Time = 17% and stable for two decades
• Temporary Help from Agencies = 2-3% growing
• Independent Contractors = 7% steady
• On-call; day laborers & others = 1-2%

• Meaningless Term: “Contingent Worker”
Trends & Projections

• High Growth in 1980s-mid 90s: 15-30% per year
  – Business Services (Temporary Help Agencies)
  – Professional Services growing most rapidly
  – Specialized Sub-contracting Firms (Solectron)
  – Manpower: “The largest U.S. Employer”

• 1995-Present: slower growth: 10-15% per year

• 2001: Staffing Industry = $140 Billion
Future Trends?

• Michael Dertouzos: Potential for 40% of the labor force “IT can be done anywhere…”

• Tom Malone & Rob Laubacher: The Dawn of the E-Lance Economy
  “By changing the way work is done, electronic networks may lead to a new kind of economy centered on the individual.”
Driving Forces

• Demand Side:
  – Variability in Product Demand
  – Availability of Lower Cost Labor
  – Need for Specialized Knowledge & Skill
  – Avoidance of Taxes, Unions, or Liabilities?
  – Case in Point: Contract Workers in Petrochemicals

• Supply Side: Desire for Flexibility; Autonomy & Independence; High Income

• Technological Enablers: Web as a search & matching engine and network building device
## Consequences: Workers

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<thead>
<tr>
<th>Outcomes</th>
<th>ICs</th>
<th>Temps</th>
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<tbody>
<tr>
<td>Job Satisfaction</td>
<td>Higher</td>
<td>Lower</td>
</tr>
<tr>
<td>Preferences</td>
<td>Independent job preferred: 84%</td>
<td>Standard job preferred: 60%</td>
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<tr>
<td>Wages</td>
<td>High Variance</td>
<td>Lower</td>
</tr>
<tr>
<td>Fringes</td>
<td>Purchase or spouse covered</td>
<td>Fewer: 26% health; 10% pensions</td>
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<tr>
<td>Hours</td>
<td>Men: Longer</td>
<td>Fewer; more part-time</td>
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<td>Women: Shorter</td>
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Consequences: Firms

• Performance on Demand
• Avoidance of Fixed Costs
• Measurable, Observable Cost Savings--yes
• Performance: Quality; Productivity--Varies
• Employee Commitment--Varies
• Relationship across the Boundary??

Bottom Line: Depends on how well project and “permanent” interactions are managed
Consequences: Labor Market Functions & Institutions

- Ambiguity over “Who is the Employer?”
  - Case: Contractors & Safety in Petrochemicals
- Training through project assignments
- Individuals need time for job search & training
- New Associations: Working Today; E-Lance Guilds; Informal Ethnic and Other Networks…
Key Labor Market Functions

Who, or What Institutions will Perform…

- Job Search & Recruitment—the matching process
- Training and Development—the learning process
- Supervision—the managing process
- Mobility—the career process
- Compensation & Savings—the income security system
- Representation—the advocacy and voice process
Today’s Expert

Sara Horowitz
Executive Director of
Working Today
Discussion Questions

• What are the biggest challenges you face in managing contract/project workers in your unit today, or in your past experience?
• Your predictions: In the next 5 years, will there be more, less, about the same amount of project/contractor work in your unit?
• What changes are needed to better manage project/contract work in your organization?
• Is project work for you?
  – If you have done this type of work in the past, how would you describe your experiences?
  – Do you see this type of work in your future? Why or Why Not?
Action Assignment

• Identify a 2-3 people in your organization whose work has shifted from more traditional employment relationships to part time or other new arrangements (also consider interviewing 1-2 supervisors who are supervising people who are working in part time or other new arrangements)

  – Interview them to identify aspects of the shift that they find advantageous and aspects of the shift that they find problematic
  – Surface preliminary implications for your organization
Summary Points

- Project Work is Here to Stay--will be an important part of the labor market--but probably not as big as some predict
- Rapid growth of New Intermediaries
- Cyclical--higher variance in outcomes
- Outcomes Vary Widely Across types, business cycle,
- Requires New Management Systems, Public Policies, & New Labor Market Institutions