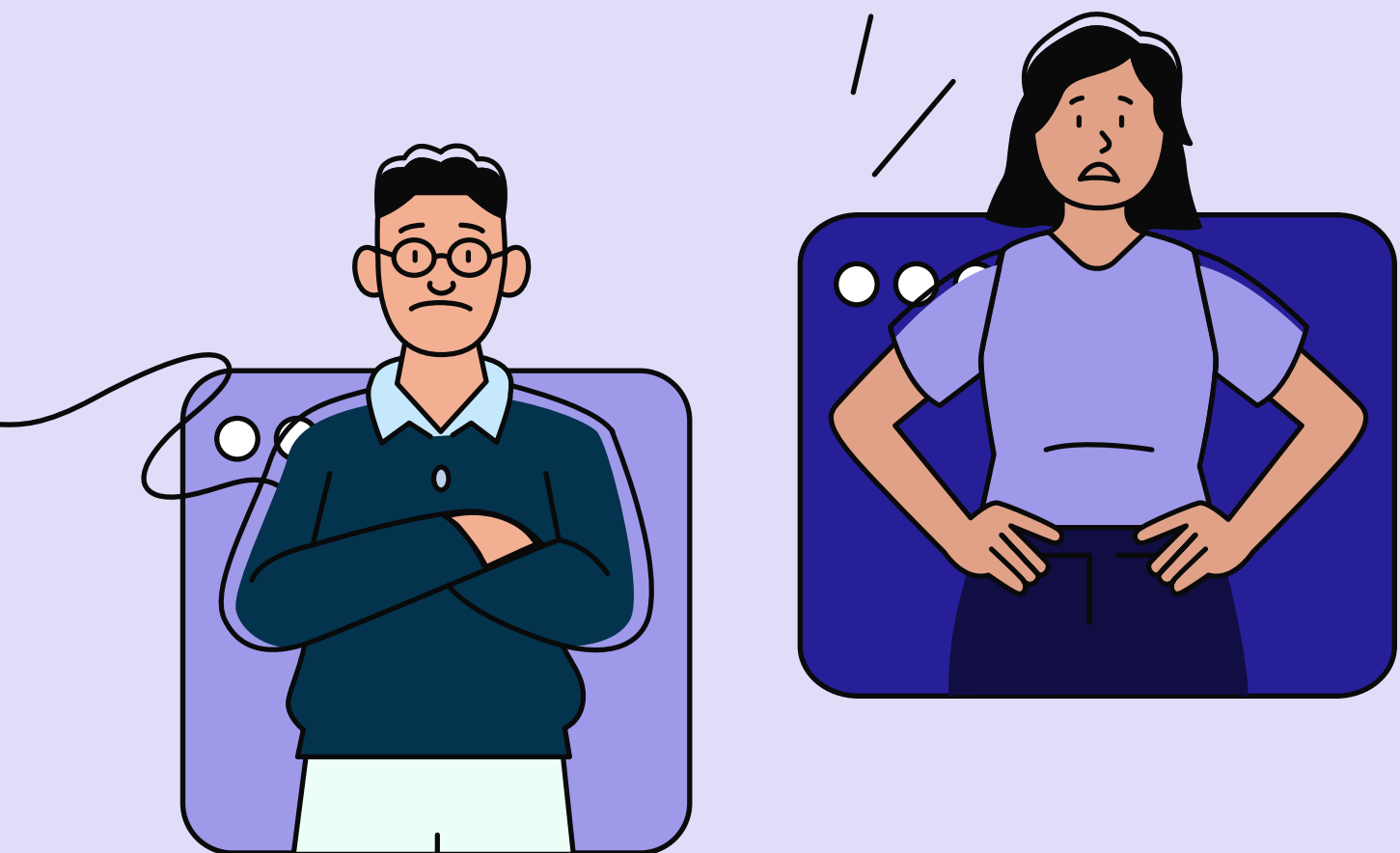


Do Your Contractors Hate Working for You?

What companies get wrong, and how the best companies build the happiest contract workforces

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Introduction

Companies set out to build contract workforces to make themselves nimble at deploying labor for their business. Creating and running a contract workforce program is a challenge, involving a huge number of distracting operational and administrative issues related to managing vendors and workers.

One thing that's often overlooked is making sure that contractors have a good work experience, but it's critically important. Ultimately the point of a contract workforce is to produce valuable work, and people are significantly more productive when they feel well-treated.

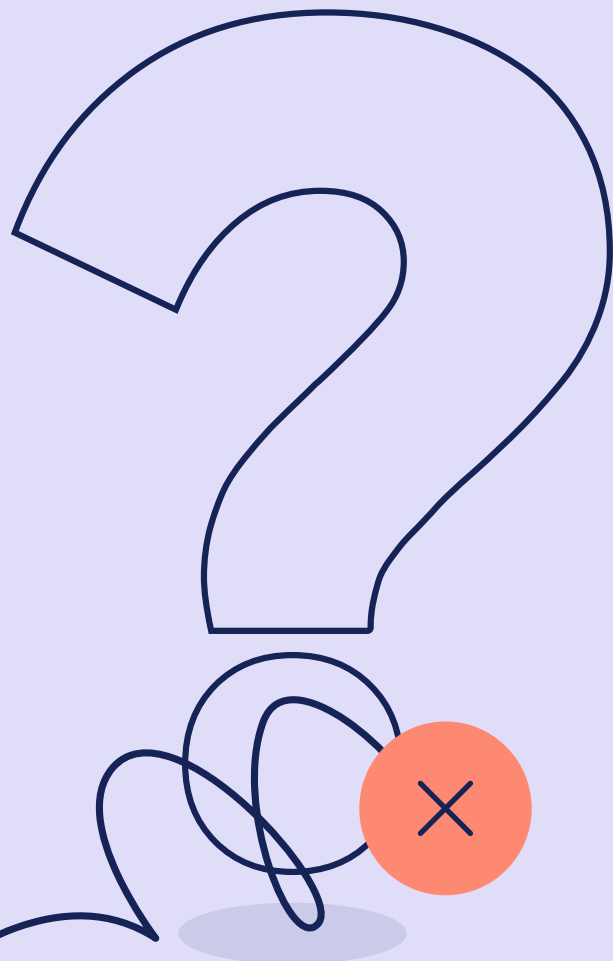
Worker happiness is hard to measure, and the rot - in the form of low morale, low productivity, and low retention - usually sets in long before a company notices. Companies need to be intentional as early as possible about setting their workforces up to be happy and productive as a result.

What It's Like to Be a Contractor

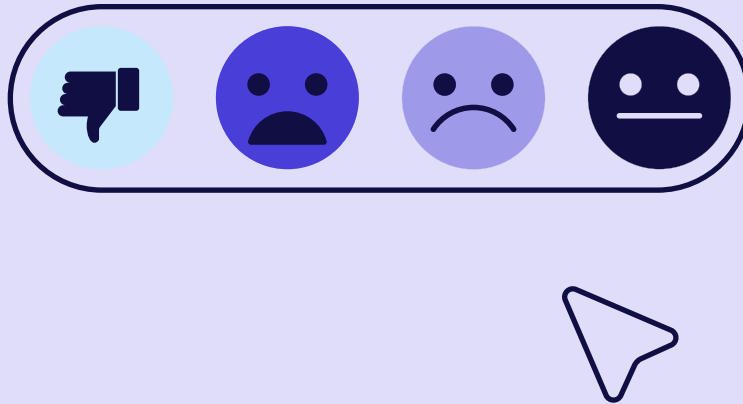
**"The worst experience
of my life"**

From day one, a contractor is made to feel like a second-class citizen. Whatever amazing offerings a company has for its employees, they usually don't apply to contractors at all. Contractors usually get low-quality healthcare, no 401k, and little time off. Yet they work alongside, and report to, the company's own employees whose benefits are far better. They're excluded from employee engagement initiatives, performance feedback, and bonuses. At one company, a contractor told us how they are constantly told that they're not even allowed in the company cafeteria with everyone else.

Contractors often recognize that their arrangement is more transactional than a traditional employment relationship. Yet it's galling to be treated so differently from folks who feel like peers in most other ways.



Contractors are not fundamentally different from permanent employees. They want to be paid well, they want meaningful and interesting work, they want to grow professionally, and they want constructive feedback.



Contractors by and large have a mediocre work experience because of the incentives baked in. Companies often assume that because staffing firms are the employers of record, that they don't need to think about the contractor employment experience. But the reality is that staffing firms won't treat workers well unless they're forced to by the client who's paying them - treating employees well costs money, and the incentives need to be explicitly set for a staffing company to care. More importantly, companies have more responsibilities than they realize in setting up workers for success.

What Most Companies Get Wrong

1. Taking zero ownership over the worker's day-to-day experience

A worker's experience is largely defined by their manager, to such an extent that two-thirds of workers would rather have a new manager than a pay increase. Agencies typically don't manage workers directly, so they can't control this essential part of the employment experience. But when it comes to ensuring that managers are good - thoughtful, proactive, compassionate, and engaged - too often companies put far less effort into their contractors than their permanent employees.

2. Assuming agencies have it covered with employment policies and compensation

Companies should know their staffing firms offerings: benefits, compensation, and policies like paid time-off and holidays. They should know whether staffing firms are just following the statutory minimums or are going above and beyond to give workers a good experience. Companies should develop their own independent ideas of what the right offerings are, and push staffing firms to level-up if their packages seem stingy. Most companies don't know, and some aren't even aware of what contractors are paid.



Holidays

PTO

Pay Rates

Benefits



3. Not holding agencies accountable

Companies are usually focused on saving money and getting roles filled. They should but don't signal to staffing firms that they care about the worker experience, and state that it will be a factor in evaluating agency performance. Companies often don't know if the workers are having a bad experience because they don't engage with them.

4. Being too stingy

Agency benefits are mostly terrible. Most agencies don't offer real health insurance - just a Minimum Essential Coverage (MEC) plan. They'll offer the minimum legally allowable sick leave (which in most states is no more than a week per year) and no vacation. If you're a contract worker with benefits like these, you will be looking for a new job as soon as possible.

When agencies do this, they save themselves money. The company may also save money, but neither agency nor company will get value out of their workforce whose productivity is stifled by low morale and high turnover. Companies have to choose agencies that treat workers decently, and pressure them to up their offerings when they're lacking.

5. Worrying too much about co-employment

Co-employment is the bogeyman of the staffing industry. Contingent workforce program managers live in fear of legal action that determines that contingent workers are actually employees of the company, which can carry big penalties. Unfortunately, co-employment is sometimes cited as a reason to take a hands-off approach to the contract worker experience, for getting involved means risking being confused for the employer.

This fear is driven partly by confusion. Many co-employment risks arise from improper classification of 1099s. If you're using an agency that serves as the W2 employer it's quite clear who the employer is. The best way to mitigate employment risks is to make sure that administration of employment is done directly by the staffing firm. But that doesn't mean ignoring or choosing to not exert pressure on the staffing firm.



W2

1099



Case Study:



How Toyota Research Institute Created One of the Happiest and Best-Performing Contract Workforces in the World

88.9% Contractor NPS Score	240% Average Tenure Increase	97.8% Contracts Completed
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Toyota Research Institute (TRI) required consistent access to candidates with specialized skill sets, particularly those with experience working in the autonomous vehicle, robotics, artificial intelligence, and UX Research spaces. The range and specialization of the skill sets needed in contract roles made it impossible for a single agency to consistently source the candidates they needed.

A poor contractor employment experience created turnover.

Despite an amazing culture and excellent internal employee engagement, TRI's contingent workforce had turnover issues. Lack of transparency from their agency partners resulted in uneven pay, benefits, and PTO for contractors. Contractors working in the same role, on the same team, had different pay rates, wildly different benefits options, and access to little or no paid time off. This created poor morale amongst contractors and furthered challenges for managers.

How TRI fixed it and achieved a 88.9 NPS score.

Toyota Research Institute created a vastly improved employment experience, reduced turnover, increased their average contract length to 17 months, and achieved an outstanding 88.9 NPS score amongst contractors.

TRI made changes to its workforces by shifting workers to HireArt. In theory, TRI could have accomplished the same thing by working directly with agencies to configure improved employment policies for contract workers, assuming the agencies were capable of supporting the changes, but HireArt made it easy.

What took place were the following key changes:

Set up policies that were worker-friendly but cost-effective.

Using HireArt's HRIS for contractors, TRI was able to configure thoughtful policies that left the team feeling well-treated:

- Two weeks of PTO increasing to four after one year
- California-style overtime for teams with mixed CA and non-CA employees
- Contributions of \$120/month to employee healthcare

Levelized pay across workers.

TRI utilized HireArt to gain visibility into pay across their workforce. They set up standardized pay packages that felt fair, benchmarked to the industry, with raises built in at the one-year mark.

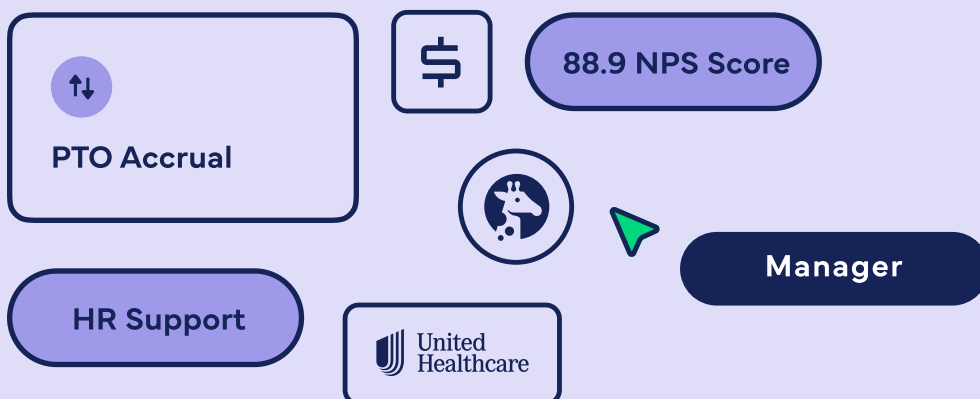
Provided formal feedback to contractors.

HireArt began conducting bi-annual performance reviews of contractors through its platform, and delivered the feedback to workers. It also surveyed the workers and provided feedback to their managers.

Provided excellent HR support.

As a standard part of HireArt's offering, TRI relied on HireArt to provide quick and knowledgeable HR support for any employment question or issue.

As a result of these changes, TRI had a highly productive and happy workforce - with an 88.9 NPS score (compared to the staffing agency average of 20).



Conclusion

The staffing industry today seems resigned to a mediocre contract worker experience. But there are simple and effective ways to fix it, in return for which companies see better employee commitment, retention, and productivity.



HireArt is a contract workforce operating system that lets companies source, employ, and manage top-performing contract workforces. We provide our clients with the tools and visibility needed to easily manage their contract workforce and staffing vendors in a single seamless, instantly-deployable platform.

To learn more or to schedule a discovery call, visit HireArt.com