



ASPEN TECH
POLICY HUB

PROJECT



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Equal Pay for Contractors

Addressing the hidden compensation imbalances in contract work

EXECUTIVE SUMMARY

The tech sector, an industry known for high wages and generous benefits, has accelerated its use of professional services contract workers that have similar responsibilities as full-time employees but who are employed by staffing agencies. While these contractors are employed in core functions such as engineering, design, and research, they miss out on different forms of compensation and benefits and incur additional costs such as job instability. This pay disparity exacerbates social inequities, since contracted workers are more likely to be racial and gender minorities than their full-time counterparts. To promote greater social equity, increase their hiring competitiveness and worker productivity, and reduce reputational and regulatory risk, companies should adopt a compensation strategy for professional services contractors that accounts for the hidden costs of contract work.



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THE PROBLEM

Hiring professional services workers through outsourced, agency-hired workforces is a growing business trend, especially in Silicon Valley. Contract workers miss out on many formal forms of compensation and face additional job challenges that affect their financial and personal well-being, such as job instability and uncertain career advancement. By maintaining pay disparities between full-time and contract workers, companies extend social inequities that are incongruent with their stated values, reduce their hiring competitiveness and worker productivity, and risk reputational and regulatory harm.



As the future of work evolves, how workers are employed may change, but the principle of equity and fairness must persist.

THE SOLUTION

Subcontracted workers who are performing work that is substantially similar to that of full-time employees should be compensated equitably. This project recommends that companies use the Contractor Pay Gap Calculator to better understand the ways their pay strategies for full-time and contractor workers may lead to hidden gaps in compensation, and update their pay strategies to fulfill the spirit of equal pay for equal work. We recommend that labor organizers prioritize full-time/contract worker solidarity across their local chapter organizing and formalize pay equity as a campaign issue. And we ask both to use the Contractor Pay Gap Calculator to better understand pay disparities at their companies and advocate for a more equitable compensation strategy.

For more information about this proposal, see: 1) a [policy brief for companies](#) explaining the hidden costs of contract work; 2) the [Contractor Fair Pay Calculator](#), which allows hiring managers to determine how much they should be paying contractors, and includes an [operational plan](#) to help companies bridge compensation gaps; 3) a [policy brief for unions and labor groups](#); and 4) an [operational plan](#) with sample materials to help employee groups advocate for change.

ABOUT THE HUB

The Aspen Tech Policy Hub is a Bay Area policy incubator, training a new generation of tech policy entrepreneurs. We take tech experts, teach them the policy process, and support them in creating outside-the-box solutions to society's problems.

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