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# How Labor Organizations Can Address Pay Imbalances for 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 who have responsibilities similar to those of full-time employees but are employed by staffing agencies. While these contractors work in core functions such as engineering, design, and research, they miss out on certain forms of compensation and benefits and incur additional costs such as job instability. This pay disparity exacerbates social inequities, since contract workers are more likely to be racial and gender minorities than their full-time counterparts.

We recommend that tech unions and labor organizers advocate for a more equitable compensation strategy for contractors that accounts for the hidden costs of contract work. As employee activism at technology companies has increased in recent years, organized labor has a greater opportunity to affect not only policies at individual companies but also how the tech industry prepares for the future of 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. We also ask labor organizers to use the Contractor [Pay Gap Calculator](#) to better quantify existing gaps at tech companies in order to advocate for a more equitable compensation strategy.



## **BACKGROUND**

Hiring white-collar workers through hiring agencies is a growing business trend, especially in Silicon Valley. In 2018, contract workers at Google outnumbered direct employees for the first time in the company's 20-year history.<sup>1</sup> Once viewed as a trend mainly among blue-collar roles, the outsourcing of full-time white-collar (also referred to as “professional services”) roles has grown substantially. In 2016, economists Lawrence Katz and Alan Krueger found that workers in jobs with higher wages were more likely to have their services contracted out than those with lower wages, over the previous two decades.<sup>2</sup>

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. Although data about subcontracted work are historically opaque, several studies have shown a consistent trend of contracted workers making less than their full-time counterparts despite doing the same type of work.<sup>3</sup> In 2016, a University of California, Santa Cruz paper found that “white-collar workers employed in contracting industries earn an average of 35% less than their counterparts who are directly hired.”<sup>4</sup> Similarly, in May 2019, a Recode analysis of self-reported salaries at Google found the median income for contractors to be 30% less than for full-time employees.<sup>5</sup>

Beyond salary and hourly pay, there are other material differences in full-time and contractor compensation that diminish contractors' economic livelihoods. While Silicon Valley is well-known for industry-leading benefits like parental leave, child care, and healthcare, the agencies they use to hire contractors do not need to provide those services, leading to significantly higher out-of-pocket costs.<sup>6</sup> In addition, Silicon Valley companies hire contractors for fixed-length contracts, some as short as a few months, which leads to job instability for the workers.<sup>7</sup> This difference in job security was particularly highlighted during the COVID-19 pandemic. For example, when Airbnb laid off both full-time and contractor employees in April 2020, contractors received 7% of the severance pay of their full-time counterparts — 1 week versus 14 weeks.<sup>8</sup>



The principle of “compensation equity” means that individuals who do the same work should be paid the same. The Equal Pay Act, the federal government’s definitive law governing equal pay, “requires that men and women in the same workplace be given equal pay for equal work. The jobs need not be identical, but they must be substantially equal.”<sup>9</sup> California’s Equal Pay Act builds on the concept by adding race and ethnicity as protected classes; it “prohibits an employer from paying its employees less than employees of the opposite sex, or of another race, or of another ethnicity for substantially similar work.”<sup>10</sup> As white-collar contracting continues to rise, we are asking technology companies to apply the same principle to contract workers who are doing “core business” alongside full-time colleagues.

### **RECOMMENDATIONS**

Unions at technology companies are a nascent but growing force for thought leadership and employee clout. As employee activism at tech companies has increased over the years, unions represent a unique manifestation of collective worker power. As interest in unions from both white-collar and blue-collar workers grows – a survey conducted in 2021 by Protocol in partnership with Morning Consult showed that half of all tech workers were interested in joining a union – unions are in a unique position to advocate for the interests common to both groups.<sup>11</sup>

Similarly, grassroots labor rights organizations such as Game Workers Unite and Tech Workers Coalition have also grown as important stakeholders in the tech labor movement, with thousands of members across hundreds of companies, unifying full-time, subcontractor, and independent contract workers. Their efforts have ranged from supporting formal unionization efforts to individual campaigns advocating for specific changes in working conditions.<sup>12</sup>



Labor organizations should support contract workers in their efforts to obtain equal compensation for several reasons:

▶ **Full-time workers are increasingly interested in supporting contractor efforts.**

While some have seen employee organizing as focused on self-interest, an analysis of employee activism in tech companies showed that white-collar workers are primarily focused on “external concerns,” that is, issues that were “not directly applicable to a worker’s ability to earn a livelihood,” such as social justice and corporate social responsibility.<sup>13</sup> In the past few years, full-time workers at Google/Alphabet and Facebook/Meta led initiatives that secured higher standard benefits for their contractor colleagues.<sup>14</sup> In addition, industry organizers such as the Campaign to Organize Digital Employees (CODE-CWA) and Game Workers United have made solidarity across full-time and contract workers a priority in their strategy and communications.<sup>15</sup>

▶ **Contractor solidarity allows technology unions to expand their organizational clout.**

As contractor employment continues to grow faster than full-time roles, prioritizing contractor-related pay and equity issues is strategically important for labor organizers to expand their base. One model is the Alphabet Workers Union, a members-only union that does not seek collective bargaining rights but includes both full-time workers and contractors.<sup>16</sup> Unions made up of only full-time employees can also benefit from advocating for the interests of their contractor partners outside the union by creating a larger coalition for solidarity campaigns, such as petitions, walkouts, and legislative measures.

For those reasons, unions and labor groups at technology companies should prioritize equitable compensation for contractors as a key issue in their organizing efforts, and advocate for a more equitable compensation strategy for contractors that account for the hidden costs of contract work, including missed monetary compensation, unequal benefits, and job instability.



### **For National Union Leadership**

National union organizers who help tech workers start local chapters at individual technology companies, such as CODE-CWA, can play a significant role in the strategic direction of how unions integrate and advocate for equal pay across full-time and contract workers. More specifically, national union leaders should take the following steps.

#### ***1) Educate new organizers on how to integrate contractors into their union organizing efforts***

Depending on the company, its makeup of full-time and contract workers, and other unique circumstances, unions may take on different models that affect their ability to include contractors into their formal bargaining efforts. Union organizers should prioritize educational content in the training process that educates potential new members on how and why contract workers can fit into different union models, whether the organization is a majority union of full-time workers or a minority union consisting of both full-time and contract workers.

#### ***2) Promote full-time/contractor pay equity as a formal campaign issue for new and existing unions***

Union organizers should prioritize contractor pay equity by sharing educational and sample advocacy materials. To support new union chapters, these should be added to their new chapter toolkits. For existing union chapters, these materials should be shared through marketing and educational campaigns, such as a monthly newsletter.

### **For Tech Labor Organizers**

Tech labor organizers, from industry organizations like Tech Workers Coalition and Game Workers Unite to informal worker groups at individual companies, have a unique role to support workers who already are working in solidarity to influence company policies.

In particular, tech labor organizers can help increase transparency about the pay equity gap between full-time and contract workers by:

- ▶ Helping evaluate the state of full-time and contractor pay at specific tech organizations through the use of a salary survey;

- ▶ Sharing the [Contractor Pay Gap Calculator](#) we have created; and
- ▶ Disseminating educational content to assist workers in developing campaigns to advocate for this issue.

For the above recommendations, see our [Contractor Equal Pay Operational Plan](#) for more details on how to evaluate the state of full-time and contractor pay at organizations and implement advocacy plans at individual companies, as well as sample education and petition materials.



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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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