Tech-staffing startup thinks it's time for temp workers to know the score

July 22 2015, by Matt Day, The Seattle Times

The technology boom that has generated a flood of engineering jobs in cities like Seattle also means a boost to a related part of the economy: vendors and temporary workers.

But the scale of that impact is for the most part hidden from view, as is much of everything else in this little known but hugely important corner of the technology universe.

One Seattle company is trying to change that.

Concordis, a technology-staffing startup, makes a point of telling its workers what it's pocketing for their services. Employees also receive a cut of the firm's revenue in the form of quarterly checks.

Neither practice is common in the information-technology contracting business, the network of hundreds of suppliers of labor that help the likes of Microsoft, Amazon.com and Starbucks function. Though precise data are hard to come by, estimates from trade groups show that the business of placing temporary technology workers is at least a billion-dollar industry that employs tens of thousands of people in Washington state.

The tech sector in particular has for decades relied on such outside-hired, frequently temporary help for everything from setting up conference rooms to administrative tasks and front-line software coding. As one Microsoft engineering manager put it: "We use vendors for

things that are less essential for us - where it's just work."

Those vendors range from $200-an-hour consultants working for multinational advisory giants McKinsey and Deloitte to international outsourcing companies and a web of specialists in areas from video design to software testing.

The model occasionally comes under fire, including last year when software-translation contractors on Microsoft's campus voted to form a union after their employer refused requests for paid time off. A few months later, Microsoft ordered all of its contractors to provide 15 days of paid time off a year. Meanwhile, unions have tried to pressure Amazon to improve working conditions among its security contractors in Seattle.

Among the other complaints voiced by workers is that the system can put employees at odds with their employers.

One contract employee, who, like many who agreed to speak for this story didn't want to be identified for fear of angering potential employers, said the system can leave employees fending for themselves.

"Who's looking out for you?" she said. "It's supposed to be your employer, but when your employer is a contractor who's in it for themselves, you're on your own."

Say a typical technology company needs to hire a software developer to work on a new product but doesn't want to take on a full-time employee for what could prove to be a temporary effort. The company turns to any of the dozens of firms locally that bill themselves as expert in finding and managing tech talent, and agrees on an hourly fee the contractor will be paid for the employee's time.

The contracting company, in turn, recruits employees and negotiates their wage. The lower a wage the contractor can persuade the employee to accept, the higher the contractor's own profit.

Recruiters say that gap - or markup, in industry parlance - can range from 20 percent to more than 100 percent above what the worker makes. The software developer could be taking home $30 an hour in wages, while the staffing firm that employs her receives an additional $30.

That gap pays the contracting company's operating costs and taxes, and sometimes employee training. The balance is profit.

RATE A SECRET

Many technology-staffing firms treat their employees' bill rate as a closely guarded secret.

A Seattle-area software developer, who has worked for a half dozen contractors, says the only time he was informed of his bill rate was when his recruiter accidentally copied him on an email about his contract.

Another contractor was negotiating pay terms for a posting at Microsoft earlier this year when he found out from a Microsoft employee that his firm was demanding more than twice his pay in exchange for his services. At the same time, the company was asking him to take a pay cut.

"The whole secrecy thing bothered me," said the contractor, now a Concordis employee. "And it bothered me much more after I knew what they were taking. I didn't know any better."

Others say there's no ethical reason a firm should disclose its bill rate to employees.

Many contract workers simply don't ask about their rates, said Tamara West, a technology worker who has bounced between full-time and contract work. "If (the contracting firm) is going to train you in skills a company needs, that's fine."

Contracting, she said, tends to appeal to people who like to feel in control of their destinies and work on different projects rather than spend a career winding their way through one company.

Necia Dallas, on the other hand, said many staffing firms refuse to have a conversation about their employees' markup. They "make a cottage industry out of making stuff up," said Dallas, a contractor who manages creative projects in Web design. "It's exploitative, predatory." Concordis' approach, she said, "is more transparent, more honest."

MISTRUST COMMON

Brad Coulter, who co-founded Concordis and earlier helped build another Seattle consulting firm, said mistrust is common in the industry. "There's always a negotiation going on," he said. "The problem with that is conflict of interest. The recruiter trying to fill the position is paid to pay the person they're recruiting as little as possible."

Concordis is trying to take that out of the model. The company takes a flat markup fee - 20 to 25 percent, depending on how the job opportunity came up - and discloses all the figures to its employees and the hiring company.

The result, Concordis' trio of founders hope, is a system that breeds happier, more motivated employees who do better work for the firm's customers. Concordis, which opened its doors in January 2014, offers health insurance, a match of some retirement-account contributions, and paid holiday and vacation time off. Those benefits are more common,

though not ubiquitous, in the industry.

For staffing firms that don't disclose their rates to employees, most say it's because that's the way it's always been done.

"The exception to the rule are the folks that are transparent with those markups," said Randy Burton, a recruiting manager with Mactus Group, which doesn't disclose bill rates. "At the end of the day, we're a business, we have to be profitable. As long as we're providing everyone involved a fair deal, why should it really matter?"

Brian Jacobsen, general manager of the Slalom technology consultancy in Seattle, said his firm tends to place employees in project management or consulting functions, people who typically are aware of the terms of the deal.

"For those who don't know (their rate), it's not because we've hidden it," Jacobsen said. "We've found the more transparent we are, the more people like it. Companies that use a black-box approach will find themselves at a disadvantage."

Brad Castoro, the lead recruiter for Concordis, says the transparent approach has made his job easier.

"Even before meeting (potential recruits), people are like 'Wow, this is great. I don't have to come in with my guns blazing,'" Castoro said. "You can have a conversation about career trajectory, not a bill rate. What is the candidate interested in doing? What do they want to do next?"

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Citation: Tech-staffing startup thinks it's time for temp workers to know the score (2015, July

22) retrieved 24 April 2024 from https://phys.org/news/2015-07-tech-staffing-startup-temp-workers-score.html