

COPYRIGHT NOTICE:

**Stephen R. Barley and Gideon Kunda:
Gurus, Hired Guns, and Warm Bodies**

is published by Princeton University Press and copyrighted, © 2004, by Princeton University Press. All rights reserved. No part of this book may be reproduced in any form by any electronic or mechanical means (including photocopying, recording, or information storage and retrieval) without permission in writing from the publisher, except for reading and browsing via the World Wide Web. Users are not permitted to mount this file on any network servers.

For COURSE PACK and other PERMISSIONS, refer to entry on previous page. For more information, send e-mail to permissions@pupress.princeton.edu

Chapter 1

UNLIKELY REBELS

ITINERANT EXPERTS

Clothed in a light blue T-shirt and chinos, Kent Cox revealed nothing to suggest that he was in the vanguard of an employment revolt that was spreading quietly across America's industrial landscape.¹ Kent had no obvious tattoos or piercings. He carried no union card. He was not out to change the world. His passions were for code, ballroom dancing, and science fiction, not for politics—especially not for politics of the organizational sort. His short, dusty blond hair was only slightly ruffled, and his wire-rims suggested nothing more than intelligence. Had you seen him that day sitting across from us in a Chinese restaurant in downtown Mountain View in the heart of Silicon Valley, you might not have given him a second glance, so well did he blend in with the other techies who frequent the establishment in search of noonday egg rolls and sweet-and-sour soup. If you had noticed a difference between Kent and the rest, it would have been in the minutiae: he entered the restaurant alone, not as a member of a pack, and his T-shirt bore no company logo.

On the other hand, if you were a programmer who had been in the Silicon Valley long enough, you might have recognized Kent, at least by name, as a guru of sorts. Firms on the cutting edge of high technology eagerly sought Kent's expertise as a software developer. At thirty-six, he had already worked for a "who's who" of companies, some of which are household names across America; others are famous only among the technogensia. Kent's six-figure income was testimony to his talent. Yet, by some people's measure, he had not been gainfully employed in nearly a decade, if being gainfully employed means being permanently employed. Since 1989 Kent had worked only as an independent contractor, a "hired gun" as they are sometimes called, moving from firm to firm every six to eight months in search of another challenge.

¹ Because a number of people appear repeatedly over the course of our narrative, we provide a "Cast of Characters" in the appendix, to which readers may turn if they need a reminder of the individual's affiliation, role, occupation, and involvement with contracting. In this way we avoid the awkwardness of introducing our informants more than once in the course of our telling.

At sixteen, when most of his peers were still entranced by the dancing phosphorescence of Space Invaders, Kent began programming. He enrolled in Cal Poly a year later, where he majored in computer science. Hearing no scholarly calling, Kent took several years off to write code. “I was an indifferent student,” he admitted. “I was only motivated to program.” After eventually graduating in the mid-1980s, he programmed for his father’s start-up for several years, and in 1989 he went to work as a full-time developer for Sun Microsystems. After a year of eighty-hour weeks, Kent “burned out,” left Sun, and took an eight-month vacation to, as he put it, “put my head back together.” He realized he didn’t want another full-time job. Indeed, he was ambivalent about work in general. But in 1990 a friend convinced him to join a software project as a contractor. From then on Kent was never permanently employed, yet he had worked continuously on a stream of projects that ranged from building device drivers for printers and digital cameras to developing applications for the Web. He attributed his success not only to his skills but also to his reputation in the technical community. “My career,” he explained, “has been not so much getting hired to do the same thing, but getting hired by people I know who can’t find someone they need to fill a particular niche, so they hire someone they think can learn to do it.”

Like many experienced contractors, Kent found work through colleagues, friends, and acquaintances. “When you want to get work,” he explained, “the key is to make sure everybody you know knows you’re looking. Just call all of your friends and say, ‘Hey, I’m looking and one of ‘em will say, ‘Oh we need somebody to do IO [input-output].’ NEC came through somebody I danced with.² Her husband was doing contracting for them. You get contracts anywhere. Anyone you know is a potential contract. One of my friends gets a lot of his jobs through church.” Kent was currently charging \$90 an hour for his services and working thirty hours a week. He could have worked more, but he preferred to use the rest of his time to surf, read, and write his own software.

At the time we met Kent, he had just run up against one of the catch-22s of being a hired gun. He had contracted to provide guidance to a project team supposedly composed of “crack engineers.” But, he explained, “I have not meshed well with this team. Most of them are on their first or second project. I’m more like on my twenty-fifth, and that gives you a very different perspective. I did some egregious political blundering in the beginning when I pointed out things that were going to be problems in three months. They did become problems, but I was asking for trouble because they couldn’t see what was coming. I’ve gotten back into everybody’s good graces, but it’s been a strain. This is the first time

² NEC was a company for whom Kent had contracted.

I've really had this problem because I'd been working for a long time with people who have a similar level of experience as me."

Kent's only regret about having worked so long as a contractor was the proverbial Silicon Valley story of opportunity lost: "One of the hardest things is watching people regularly get rich. I turned down a job at Netscape because I wanted to contract.³ I mean, I turned down a job offer from Netscape the month before they went public! I decided not to apply when they moved to Mountain View even though I was doing Web development at the time. That's the one that hurts. Of course, I had no idea at the time that Netscape was going to do that. I keep reminding myself of that when I start feeling really stupid."

Earlier in the year, Kent had founded the first Java users' group in the Valley, which he described as a platform for advancing as a contractor. "I've decided that I should probably think about moving to the next level," he confided, "where people are hiring you as a name rather than just hiring you as a warm body or a coder. Stenogram has the guy that wrote the book on Microsoft mail's API [application program interface] on retainer. We tried to get the guy that wrote the book on programming for Microsoft on retainer as well. That sort of public recognition was one of the reasons I started the users' group and that also means that people contact me. Java people send me mail. Microsoft invites me up to Redmond to look at things. I just figured it was a way of putting myself in the way of job opportunities." In fact, we were introduced to Kent precisely because our contacts told us that he was central in the emerging network of Java programmers.

If Kent Cox was an unlikely foot soldier in an employment revolt, Yolanda Turner, a well-dressed, fifty-two-year-old African-American woman with three grown children and an infectious laugh, was even less likely. Yolanda had lived her entire life in and around Los Angeles. In 1982, at the age of thirty-six, Yolanda decided to pursue a bachelor's degree in film at Pomona College after raising her children as a single mother. Four years later, she graduated and worked a number of temporary clerical jobs before landing a full-time job, first at UCLA and then at Rockdyne, as an administrative assistant. Had Yolanda's story ended here, she might have served as a classic example of how difficult it is for older African-American women to rise above socioeconomic and racial barriers, even with a degree from a prestigious college. But Yolanda's supervisor at Rockdyne noticed her interest in PCs and paid for her to take courses in hardware and software. Before long, she became an in-house expert who informally assisted and coached her coworkers when their

³ From today's perspective, Kent's decision not to go to work for Netscape does not appear as bad as it did at the time.

computers went out of whack. Gradually, Yolanda began to spend most of her time fixing workstations and tweaking software, even though she was still employed as a secretary. Six years later in 1995, and still employed as an administrative assistant, Yolanda submitted her résumé to an online job board and landed a contract as a workstation technician at an IBM subsidiary. Since then Yolanda had worked exclusively as a contractor, moving over time from workstation maintenance to systems administration and then on to quality assurance and testing.

Unlike Kent Cox, who relied on his extensive network, Yolanda secured her positions solely through staffing agencies that served as brokers between her and the clients who bought her services. These agencies had sprung up in the 1980s and 1990s to take advantage of firms' lack of information about contractors and contractors' lack of information about job openings. Most, but not all, modeled themselves after temporary help agencies. In return for locating positions, deducting payroll taxes, and occasionally offering access to health insurance, agencies added a markup of approximately 30 percent to 40 percent to Yolanda's hourly pay of \$35 per hour. Yolanda didn't much like the markup, which she considered excessive, but she accepted it as the way the game was played. When we met Yolanda in 1998, she was working forty- to fifty-hour weeks for an annual income of about \$87,000. Being a morning person, Yolanda typically arrived at work at 6:00 A.M. and left at 2:30 in the afternoon. Often, she worked part of Saturday or Sunday as well. Yolanda's contracts typically lasted between three and six months, and since 1995 her total "downtime"—the time in between contracts—amounted to less than two weeks. When asked why she had forsaken permanent employment, Yolanda left no doubt about her motives: "Significantly more pay! Significantly more independence! And, you don't get immersed in the political environment that goes on in companies. I like the independence. I like being able to move around and see how different companies do things. In most cases you make a significantly higher salary than you do as a full-timer." Yolanda estimated that she typically made \$10 to \$15 more an hour than permanent employees doing the same work. When she first started contracting, however, this was not the case: "I used to do work on the side fixing people's computers and I was charging \$15 an hour and I thought, 'I'm doing pretty good.' Then, I met a girl who was charging \$65 an hour and I said, 'Wait a minute. What's wrong with this picture?' So, I started charging more and getting it. To make it as a contractor," she advised, "you need to know what the market is and what your skills are worth." Yolanda did this, in part, by talking with other contractors and, in part, by subscribing to *Contract Professional*, a monthly magazine targeted at contractors.

Yolanda had mastered the art of staying current. At the time we spoke

with her, she was learning SAP with the goal of becoming an SAP consultant within three years.⁴ She had chosen SAP because “it’s very lucrative, and that’s what I’m focusing on: money.” In addition to buying and reading technical books and surfing the Web for more up-to-date information, Yolanda maintained her own home computer lab. “I have a full system at home. I’ve got two computer systems and two different types of modems. I’ve got a scanner and two printers and a little digital camera. So, I have all the equipment I need to learn something, if I need to know it.” Yolanda chose her contracts for their learning potential. “I don’t have a lot of time to read,” she reported, “so while I’m working on this product—and it’s a product that’s in SAP—I’m learning as I go along. I’m pretty familiar with about three of the modules right now. And in some cases,” she added, laughing, “more familiar than some of the people who are the SAP consultants there.”

At first glance Julian Stoke could not have been more different from Yolanda Turner. Julian was a corpulent white man with thinning hair and horn-rims. To call him disheveled would have been an understatement. He wore wrinkled chinos, running shoes, and a short-sleeved plaid shirt whose tails had sneaked out on both sides of his pants, revealing twin triangles of pale white skin. A devout Mormon, Julian was the father of seven children ranging from seven to twenty-four years of age. Although Julian was part of the same movement in which Kent and Yolanda had enlisted, his story was different.

After graduating from Brigham Young University in 1974 with a self-designed bachelor’s degree in computational linguistics, Julian moved with his wife and first child to the Silicon Valley to be near his parents. Within a year he was working full-time for The Gap, where he climbed the ladder over the next five years from programmer to third-level technical manager. He was working fifty- to sixty-hour weeks and like Kent Cox finally reached the point where he burned out. But rather than take time off, Julian wended his way through three more permanent positions in rapid succession until he finally landed at Citicorp in 1981 as a systems programmer. Before his probationary period ended, however, he was fired.

“They quit me!” Julian explained as if still reeling from incredulity twenty years later. “The irony was that the manager of the group was a contractor. He came to me one day and said, ‘You don’t fit in with our

⁴ SAP is the most widely used inter-enterprise software program developed and marketed by the German firm of the same name. Inter-enterprise software is a class of programs that integrate data across a variety of application areas including finance, human resources, customer relationships, supply chain management, forecasting, and so on. It is a kind of one-stop software platform for firms.

group.’ I said, ‘Right, I agree with you. You are not the same kind of people that I am.’ He said, ‘We will have to let you go.’ I said, ‘Well, have I done something wrong? You don’t like my work?’ and he said, ‘No, you just don’t fit in.’”

After looking for work unsuccessfully for “quite a while,” Julian cast his lot in with a friend, an independent contractor with whom he had worked at The Gap. Like Yolanda and Kent, Julian found the lure of money and autonomy hard to resist. “I am not ordinarily a ‘live-on-the-edge’ sort of guy, but I was really intrigued by several aspects of contracting: the money, the mobility, and the professionalism.” For most of the 1980s, Julian sold his services as a VM system programmer to an array of clients in the Bay Area through his friend’s business.⁵ But in 1988 the business collapsed and his friend absconded with three thousand of Julian’s dollars. Julian then took his first contract through a broker and had since worked exclusively through staffing agencies. “Once burned, twice shy,” he explained.

Over the years, Julian had become savvy about dealing with agencies. “Every broker tells you, ‘You have a career with us, and when we are done with this assignment, we’ll find you another. You’re a valued member of our team.’ But what it really comes down to is that if they have no openings, there is no commitment to you.” To cope with uncertainty and the lack of commitment, and to increase his chances of finding work when he needed it, Julian had learned to work with many agencies simultaneously. Although he did not like it, he accepted their markup—usually around 40 percent, he told us—as an unavoidable fact of the contracting life. Several years earlier, Julian had gone through a trying period without health insurance. At one point he was even forced to fall back on the charity of the Mormon Church to help cover steep medical bills incurred after his son was injured in a road accident. Julian subsequently took a permanent job for a year, largely to qualify for the HMO, which he was able to retain at his own expense once he returned to contracting.

Unlike Kent and Yolanda, Julian’s career as a “warm body” had been rocky. Since 1988, he had moved between contracting and permanent employment on four occasions. Although he had seen little downtime, he had been fired on three occasions, once from two separate contracts simultaneously. When we met Julian, he was making \$55 an hour, working over sixty hours a week (not including the time he spent keeping his skills up-to-date), and having difficulty making ends meet. He blamed his financial difficulties on old debts, on a wife who was unable to work, and on being “bad with money,” especially credit cards. Julian had not taken

⁵ VM (virtual machine) is an operating system for IBM mainframes.

a vacation in years. With such wages, “It’s a huge temptation to work every hour of the day,” he admitted.

Julian, like Kent, was involved in a professional community. But whereas Kent’s was formally organized, Julian’s existed loosely on the Web. “Do you know about the IRC?” Julian asked in response to our question about professional relationships. “That’s one of the major types of chat rooms, where you get online to talk and make friends. I have one group of professional people I get on with every once in a while. That is one of the tools of problem solving. When you can’t find the answer to a technical problem in the manuals, the next best thing is use a bulletin board. I subscribe to about ten of them. I go on and put out my question, ‘Why is this happening? How do I get around this?’ I get answers all the time. Chat has changed the face of contracting in recent years, because when people in a company have problems they ask the contractor, whom they see as a guru, their mentor.”

Although Julian’s wife had misgivings about contracting and periodically urged him to “get a real job,” Julian was reluctant to do so. His last few contracts had gone well, and he had doubts about his ability to hold down a permanent job. The opportunities to learn new technologies were plentiful. And, like Kent, Julian saw himself as an expert, a systems programmer who saved his clients from themselves. “We contractors have a superiority, a superciliousness,” he confided. “We sometimes get the impression that we are doing the real work, that we are going the distance. These other guys go home at five and we stay until eight. But we always know that there will come a day when we sign our project over to somebody and it is no longer our problem. It’s theirs.”

Despite their many differences, Julian, Yolanda, and Kent had one thing in common: all had made a conscious decision to step outside the mainstream of employment. They had questioned and then jettisoned, at least for the time being, the vision to which their parents and society had taught them to aspire: the safe haven of a permanent job. Like most of us, they had been told that with a college education they could get a “good job,” a code word for going to work full-time for a reputable employer. In the absence of a major recession and in return for loyalty and hard work, employers would reward them with a good salary, health insurance, promotions, and perhaps most important, reasonable expectations for long-term security. In the end, they’d retire at sixty-five with a pension, a gold watch, and some savings.

At least initially, like most Americans their age, all three had reason to believe in the bargain. They were, after all, technical professionals whom employers historically valued more highly than most other kinds of employees. But for reasons ranging from being laid off to longing for a less hectic lifestyle, each had decided to bet on his or her skills and forgo full-

time work, even though all believed they could have secured a permanent job had they so desired. Each knowingly entered a world of work that demanded they change employers two to three times a year and adopt a notion of security based on their continued ability to market their expertise to a portfolio of buyers. In short, they had left behind the familiarity of traditional employment for the uncertainty of a more fluid labor market. None seemed to regret their choice.

Kent, Yolanda, and Julian are what we call technical contractors. They sometimes even called themselves contractors (or consultants), although they usually introduced themselves by their occupation: software developer, technical writer, multimedia developer, systems programmer, and so on. As contractors, they possessed skills and knowledge similar to those of the full-time engineers, software developers, and technical writers with whom they worked. They performed similar tasks and worked in the same firms as the full-timers. Yet, even though they worked at the cutting edge of the postindustrial revolution, the mode of their employment resembled that of craftsmen in the Middle Ages, especially the stonemasons who built the great cathedrals of Europe.⁶

Stonemasonry was, and still is, the queen of the crafts. Although we don't think of stonemasons as high-tech workers, in medieval Europe they were. Shaping artful and well-engineered Gothic cathedrals from hand-hewn stone was a significant technical achievement requiring expertise that took years to master. For this reason, stonemasons were in short supply and great demand. Building a cathedral was an expensive, multiyear project commissioned by the clergy and royalty of a city. Since most medieval cities were small, they needed and could only afford one cathedral. Accordingly, masons could expect to be gainfully employed in one place for no more than a few years. Because of this constraint, stonemasons worked as itinerant craftsmen, traveling from city to city throughout Europe, joining projects and leaving cathedrals in their wake. Like these artisans of old, technical contractors also ply their trade as "itinerant experts." Some, known in contracting circles as "nomads" or "road warriors," even move from city to city in search of projects, just as stonemasons did five centuries ago. Firms substitute for cities and projects for cathedrals.

In late 1997 when we set out to study technical contracting, we didn't think of ourselves as entering a world of itinerant experts. We certainly didn't think of contractors as social pioneers. Our goal was simply to understand how employment relations were changing at the dawn of the

⁶ Knoop and Jones (1967), Gimpel (1980), and Applebaum (1992) describe the work of medieval stonemasons and the organization of cathedral building in medieval Europe.

twenty-first century. We hoped to document the social dynamics of skilled “contingent labor,” a term economists and sociologists now use for an array of short-term arrangements including part-time work, temporary employment, self-employment, contracting, outsourcing, and home-based work. To be honest, if anything, we saw contingent work, in general, and possibly even contracting, as social problems indicative of corporate America’s willingness to abdicate its responsibility to employees in return for greater profits. Contingent employment seemed to bear a troubling resemblance to the *laissez-faire* capitalism of the late nineteenth century, which, in the name of individualism and the free market, spawned a plethora of exploitative practices.⁷ In our concern we were hardly alone.

THE UNRAVELING OF PERMANENT EMPLOYMENT

The foundations of the American system of employment were laid after the Great Depression. The system was conceptualized under the New Deal and then institutionalized in labor law and collective bargaining. Permanent employment was the system’s cornerstone. It hinged, in large measure, on a bargain struck between employers and employees. According to this bargain, as generations of workers grew to understand it, employers would fulfill legally and culturally prescribed obligations to employees. These included offering reasonable expectations for job security and benefits, such as health insurance and pension plans. In return, employees were expected to offer their loyalty and their best efforts.

By the end of the 1990s, many Americans feared that this bargain and the job security it brought were unraveling before their eyes.⁸ A number of interrelated developments contributed to the apprehension. The first, and most troubling, was “downsizing,” a bit of forked-tongue corporate-speak that came to replace the older and less Orwellian vocabulary of “layoffs.” Until the mid-1980s, everyone thought they understood layoffs. Layoffs were the bad luck that happened to blue-collar and clerical workers

⁷ *Laissez-faire* capitalism refers to the doctrine that economic systems function best when they are free of governmental interference. Having first been articulated by French scholars, John Stuart Mill, Adam Smith, and Jeremy Bentham took the doctrine of *laissez-faire* as the central tenet of classical economics and fused it with a doctrine of radical individualism. In the early twentieth century, *laissez-faire* practices were associated with the rise of monopolies and cycles of boom and bust. *Laissez-faire* principles still underwrite conservative economic doctrine in the United States and Great Britain. For a superb discussion of *laissez-faire* capitalism in the United States and Great Britain, see Bendix (1956).

⁸ Peter Cappelli, Paul Osterman, and Thomas Kochan have written extensively about the unraveling of the New Deal and its institutions (Kochan, Katz, and McKersie 1986; Cappelli et al. 1997; Cappelli 1999; Osterman 1996, 1999; Osterman et al. 2001).

whenever the economy headed south or a firm experienced financial trouble for other reasons. But no matter how bad things got for men and women with blue, pink, or no collars, most white-collared professionals and managers could assume that their jobs were relatively safe, even in hard times. It was partially for this reason that the Ozzie and Harriet generation of American parents exhorted their children to get a “good education.”

During the 1980s, the rules of the game seemed to change. For the first time in history, firms began to shed professional, technical, and managerial workers in large numbers. In fact, by the mid-1990s corporate downsizings were more likely to target managers and professionals than they were blue- and lower, white-collar workers.⁹ Even more perplexing to Middle America was that downsizings, unlike layoffs of the past, seemed independent of economic cycles. The top management of some firms publicly admitted to resorting to downsizing as a way of boosting their firms’ stock price.¹⁰ By the late 1990s, the consequences of the new rules of employment finally showed up in aggregate labor statistics: job tenure among white males had begun to fall for the first time since World War II.¹¹ Furthermore, despite a vibrant economy, people’s levels of trust in their employers sank as feelings of insecurity rose.¹² Even managers and professionals who had not yet been hit by downsizing were apprehensive.¹³ The business press and career coun-

⁹ Moore (1996), the American Management Association (1996), the *New York Times* (1996), and Farber (1997) provide discussions of and data on downsizing in the mid-1990s and its effects on workers. Academic research on downsizing has mushroomed over the last decade. Rousseau’s work (Rousseau 1995; Rousseau and Anton 1991) is particularly enlightening with respect to employees’ perceptions and expectations.

¹⁰ The most vocal and notorious champion of downsizing was Jack Welch, the CEO of General Electric. He was known among employees at GE as “Neutron Jack”: like the neutron bomb, Welch eliminated people and left the buildings intact.

¹¹ Until recently most economists found little evidence of a general decline in job security when measured as average job tenure (Diebold, Neumark, and Polsky 1997), but this may simply have reflected the fact that analyzable data lagged reality. In 1998, new data compiled by the Bureau of Labor Statistics (BLS) indicated for the first time that job tenure had declined among American men for all but the youngest and oldest age cohorts (Bureau of Labor Statistics 1998).

¹² For data on increasing feelings of insecurity and distrust of management during the 1990s despite stable levels of job satisfaction, see table 2.3 of the National Research Council’s (1999) *The Changing Nature of Work*.

¹³ Katherine Newman (1989) and Charles Heckscher (1995) insightfully document the stigma and fear felt by managerial and professional workers who were downsized in the 1980s and 1990s. Comparing the lot of blue-collar workers who had been laid off by the Singer company with the experiences of downsized managers led Newman to the conclusion that white-collar workers are more likely to experience depression, alcohol abuse and other personal problems. She argues that managers fare worse because their friends and family see being laid off as a personal failure. The friends and family of blue-collar workers understand that being downsized is simply something that firms do to people for economic gain.

selors began advising managers to treat security as an outdated pipe dream and to focus, instead, on “employability”—the attitudes, behaviors, experiences, and skills that would help them land the next job.¹⁴ The message was clear: in the future, a lot fewer people were going to be earning gold watches. Loyalty was passé and self-reliance was in vogue.

As if downsizing was not enough of a change, during the 1980s employers increasingly began moving jobs offshore to countries where labor was cheaper. In the name of economic agility, firms also began to outsource goods and services that they formerly provided for themselves. The logic of outsourcing dictated that it was often cheaper to buy goods and services from suppliers than it was to provide them internally. Finally, and for our purposes most important, employers began to make greater use of contingent workers—individuals hired, often through staffing agencies, for a limited period of time to perform a specific job. Although firms had long employed temporary workers for seasonal and short-term needs (for example, to staff retail stores at Christmas or to stand in for absent full-timers), during the late 1980s corporations began to view temporary labor as an extension of the broader strategy of outsourcing. Outsourcing labor made it easier for firms to shift their employment mix because contracted services were easier to terminate on short notice. Moreover, hiring contingent workers relieved managers of some of their more difficult tasks, such as worrying about thorny “people issues” or catering to the motivations and feelings of employees. Business strategists, such as Charles Handy, argued that flexibility was key to survival in a global economy. One way to enhance flexibility was to surround the firm’s core employees with a buffer of contingent workers who could be hired and fired at will.¹⁵ Business leaders were apparently convinced. How they went about accomplishing this vision, depended, to a great extent, on the laws that governed and regulated employment. The fact that Yolanda and Julian, like most technical contractors, found their jobs through staffing agencies was one upshot of the legal wrangling that ensued.

¹⁴ For a sense of the rhetoric of employability, see Bridges (1994), Carlin (1997), and Caulkin (1997).

¹⁵ Handy’s (1989) book, *The Age of Unreason*, was a best-seller. The academic literature indicates that firms frequently hire contractors for the reasons Handy promoted. For empirical evidence on firms’ motives for hiring contractors, see Mangum, Mayall, and Nelson (1985), Abraham (1988), Pfeffer and Baron (1988), Hakim (1990), Davis-Blake and Uzzi (1993), Abraham and Taylor (1996), Matusik and Hill (1998), and Kalleberg and Reynolds (1998).

THE LEGAL CONTEXT OF CONTINGENT WORK

American tax and employment law has long rested on two assumptions. The first is that people are either self-employed and, hence, work for themselves, or else they are employed by the organization for which they perform tasks. The second assumption is that people traditionally have one employer at a time, and even when they have more than one employer, as in the case of moonlighters, their relationship with each revolves around a separate and distinct task.¹⁶ Lawmakers have drawn on these notions to assign tax liabilities and responsibilities, to distribute and enforce workplace rights, and to secure the American system of social welfare.

U.S. law requires that employers pay employment taxes on every employee and that they also withhold the workers' employment taxes from the workers' paychecks. In short, employers serve as the government's tax collectors. Employment taxes include federal, state, and local income taxes, social security contributions, and federal unemployment tax. Under the Fair Labor Standards Act, employers must pay their workers at least the minimum wage and meet overtime obligations. Title VII of the Civil Rights Act forbids employers from discriminating against employees on the basis of race, gender, or creed. The Age Discrimination in Employment Act adds age to the list of forbidden discriminations, while the Americans with Disabilities Act extends protection to otherwise qualified employees with physical disabilities. The Family and Medical Leave Act guarantees people that they will have time for handling family and medical emergencies by requiring employers to grant employees up to twelve weeks of unpaid leave per year when such events occur. The Employment Retirement Security Act sets parameters for employee pension plans, including how much service is needed before an employee is vested. Finally, the National Labor Relations Act grants employees the right to organize and governs aspects of labor-management relations.

In short, employers have significant obligations to and for their employees under U.S. law. But employers incur none of these obligations when they use the services of an independent contractor. Independent contractors are considered self-employed persons, even if they are not incorporated as a business. Therefore, employers who wanted to outsource labor originally had significant incentives to make use of independent

¹⁶ Our discussion in this section draws heavily on Muhl's (2002) useful paper, "What Is an Employee?" Other useful sources on contracting's legal environment include Jenero and Spognardi (1995), Everett, Spindle, and Turman (1995), Fox (1997), Carnevale, Jennings, and Eisenmann (1998), and Zeigler (2001).

contractors, because doing so absolved them from a series of costs and obligations. From the perspective of the federal government, however, any shift from traditional employment to the use of independent contractors represented a potential loss of taxes. It also undermined the law's primary mechanism for redressing discrimination and ensuring the welfare of the labor force.¹⁷ For this reason, the law allows the government, especially the Internal Revenue Service (IRS), to prosecute and seek damages from employers who try to avoid their legal duties. The law also allows workers to seek compensation and additional damages when they believe that a firm has classed them as an independent contractor to avoid paying appropriate wages and benefits.

During the 1980s, employing technical contractors became popular as firms discovered that they could reduce labor costs by substituting independent contractors for employees. In some cases, firms actually dismissed former employees and then rehired them as independent contractors. In other instances, firms hired people who were clearly independent contractors, but then treated them as permanent employees. For instance, firms might deny contractors' rights to the intellectual property they created (which is illegal) or demand that they work exclusively for the firm as a condition of employment. Microsoft became legendary for employing "permatemps," although substituting independent contractors for employees was widespread among high-technology firms.

Prior to 1990, Microsoft routinely hired a large number of independent contractors, many of whom were former employees. Microsoft required the freelancers to sign agreements stating that they were independent contractors, not employees, and that nothing about the agreement could be construed as implying an employee-employer relationship. Despite the agreement, Microsoft made no distinction between contractors and full-time employees, except that the former were hired for specific projects. Contractors worked the same hours as full-timers at the same locations and were supervised by the same managers in the same way. Yet, Microsoft did not pay the contractors' employment taxes and refused to allow the contractors to participate in the company's pension and stock plans.

Concerned that firms like Microsoft were using independent contractors as a way to avoid taxes, in 1987 the IRS announced a new test by which it would decide whether a worker qualified as an independent contractor.¹⁸ The test, based on a common-law definition of employment,

¹⁷ Because independent contractors are required to pay both the employer's and the employee's portion of all employment taxes, replacing an employee with an independent contractor should not reduce the government's total tax income. However, it is more difficult to monitor the compliance of independent contractors than it is to monitor employers.

¹⁸ Revenue Ruling [87-41, 1987-1 CB 296].

rapidly became known in contracting circles as the IRS's "twenty-question rule."¹⁹ Table 1.1 displays the twenty questions and the responses that the IRS expected of an independent contractor.²⁰ Although the IRS held that the answer to no single question was sufficient to grant or deny the status of independent contractor, long-term contractors like Julian Stoke agreed that after 1987, it became increasingly risky to proclaim oneself an independent without being incorporated.

In 1989, the IRS used the twenty-question rule to go after Microsoft. In a highly publicized ruling, the IRS found that Microsoft had illegally misclassified workers as independent contractors to avoid payroll taxes. Microsoft accepted the IRS's ruling, paid a stiff penalty, and subsequently converted some of its contractors to employees while dismissing many others. Feeling cheated, those whom Microsoft dismissed filed a class action suit (*Vizcaino v. Microsoft*) claiming that they were entitled to participate in Microsoft's pension and stock plans because Microsoft had treated them as employees, not as contractors. The case moved quickly from state to federal court, where Microsoft initially won the case, but the plaintiffs appealed. In 1995, the U.S. Court of Appeals for the Ninth Circuit reversed the lower court's decision, finding in favor of the plaintiffs. The court held that because Microsoft had treated the contractors as employees, they were entitled to pension funds and stock options. Microsoft managed to delay final settlement until 1999, when the Ninth Circuit Court brought the case to a close by ordering Microsoft to distribute nearly \$9.7 million among eight thousand to twelve thousand people.²¹

The IRS's decision to prosecute Microsoft and the Ninth Circuit Court's ruling sent a shock wave throughout the high-technology industry. Firms suddenly became wary of hiring independent contractors. To avoid the possibility of finding themselves in conflict with the IRS or in violation of employment law, lawyers advised firms to insist that even incorporated contractors work through staffing agencies, which would serve as the contractors' "employer-of-record." The changes in how firms approached contracting benefited the staffing industry, which grew in leaps and bounds along with the demand for contractors.

¹⁹ A common-law definition of employee pivots on the notion of agency, "which, in an employment context, consists of a relationship wherein one person (the employee) acts for or represents another (the employer) by the employer's authority" (Muhl 2002, 5).

²⁰ It is important to understand that circumstances dictate whether any question is applicable. The IRS treats no question as sufficient for identifying an independent contractor. Nor does the IRS demand that an individual be able to answer all questions in the expected way before granting the status of an independent contractor. Instead, the IRS uses the twenty questions as a general guideline for classifying the facts of a case.

²¹ The text of the Ninth Circuit Court's final ruling can be found at www.techlawjournal.com/courts/vizcaino/19990512.htm.

TABLE 1.1
The IRS's "Twenty Questions" for Distinguishing between Employees and
Independent Contractors

<i>Question</i>	<i>Response Indicating an Independent Contractor</i>
Must the worker follow the company's instructions about when, where, and how to work?	No
Does the company provide the worker with training?	No
Are the worker's services integral to the business?	No
Can the worker subcontract the work to someone else?	Yes
Does the company hire, supervise, and pay the worker's assistants?	No
Is the worker employed for an extended, continuous period?	No
Does the company set the worker's hours?	No
Must the worker work full-time for the company?	No
Does the worker perform his or her services on the company's premises?	No
Must the worker perform services in an order or sequence set by the company?	No
Must the worker submit oral or written reports to the company as part of his or her evaluation?	No
Is the worker paid by the hour, week, or month?	No
Does the company pay the worker's business or traveling expenses?	No
Does the company furnish significant tools, materials, and equipment?	No
Does the company have the right to fire the worker?	No
Can the worker quit without incurring a liability to the company?	No
Does the worker have a significant investment in tools or facilities?	Yes
Can the worker realize a profit or loss as a result of his or her services?	Yes
Does the worker provide substantial services to multiple companies at one time?	Yes
Does the worker regularly advertise or make his or her services available to the general public?	Yes

ESTIMATING THE SIZE OF THE CONTINGENT WORKFORCE

By 1997, when we began our study, contractors like Kent, Yolanda, and Julian made up a significant proportion of the technical workforce. The exact percentage, however, was hard to establish because data were scarce. Then, as now, most analysts lumped technical contractors together with other contingent workers, and estimates of the contingent labor force varied widely. The most liberal suggested that up to 30 percent of Americans were contingently employed.²² The Bureau of Labor Statistics (BLS) offered a potentially more reliable and certainly more conservative estimate. According to their calculations, the percentage of Americans who worked contingently between 1995 and 1999 stood at 13.3 percent.²³

But even the BLS tabulated data in ways that made it difficult to estimate the number of technical contractors. Technical contractors were spread over several of the BLS's categories of contingent workers. People like Kent Cox, who worked for themselves and who might or might not be incorporated, were counted as "independent contractors." Yolanda Turner and Julian Stoke, who found work through staffing agencies, would have appeared as "employees of temporary service firms." Still other contractors, who were assigned to clients by consulting and outsourcing firms, would have been labeled "workers provided by contract firms." To muddy the waters even further, incorporated contractors who

²² To arrive at such a high percentage, analysts count part-time work and all self-employed people as contingent workers, an assumption that seems difficult to justify (Dillon 1987; Belous 1989; Kalleberg et al. 1997). Most part-time workers, for example, are permanently employed; they simply work less than forty hours a week.

²³ See Polivka (1996a, 1996b) and Cohany (1996). Under its least restricted definition, the BLS defined the contingent workforce as the sum of (a) all wage and salary workers who "do not expect their employment to last," except for those who planned to leave their jobs for personal reasons; (b) all "self employed (both the incorporated and the unincorporated) and independent contractors who expect to be and had been in their present assignment for less than 1 year"; and (c) temporary help and contract workers who "expected to work for the customers to whom they were assigned for one year or less" (Cohany et al. 1998, 43–44). The BLS repeated its assessment of the contingent workforce in the February 1997 and February 1999 supplements to the Current Population Survey. The number of workers in the BLS's broadest definition of contingent labor declined by 0.5 percent between 1995 and 1997 and then stayed the same between 1997 and 1999. The percentage of Americans in each of the four alternative employment relations (independent contracting, on-call workers, temporary help agency workers, and workers provided by contract firms) largely remained constant except for a slight fall of 0.4 percent in independent contractors (Hipple 2001). Since three data points do not make a trend, it is difficult to determine whether the decline represents random variation or an actual shift away from contingent labor. The BLS's data also cannot tell us whether contingent labor increased prior to 1995, even though most commentators contend that it did.

identified themselves as self-employed individuals escaped being categorized as contingent workers entirely. Nevertheless, the BLS data provide a sense of technical contracting's scope.

In 1997, roughly 20 percent of all independent contractors were professional or technical workers, the two occupational categories into which most technical contractors fell.²⁴ Professional and technical occupations accounted for 12 percent of all temporary help placements and 27 percent of the workers provided by contract firms. In fact, 23 percent of all contingent workers held professional and technical occupations in 1997. Drawing on the 1995 BLS data, Roberta Spalter-Roth and her colleagues estimated that 13.5 percent of all professionals in the United States either worked through staffing agencies, were independent contractors, or were self-employed.²⁵ Depending on whom one believes, in the late 1990s contractors may have accounted for 15 to 30 percent of the technical workforce in the Silicon Valley.²⁶ Technical contractors were also common in other cities. In fact, they comprised the majority of some occupations—for instance, multimedia designers in New York City.²⁷

Although most commentators believed that contingent work and technical contracting had grown exponentially during the 1980s and 1990s, lack of data also hampered estimates of growth. Before 1995 even the Bureau of Labor Statistics did not collect information on the size of the contingent workforce. In the absence of data on trends in contingent employment, most analysts used data on the growth of the temporary service industry as a proxy for the spread of contingent employment. These data show two indisputable trends. First, the temporary service industry has grown spectacularly over the last two decades. Between 1986 and 1996, employment in temporary services grew 10.3 percent, while total employment grew only 1.7 percent.²⁸ Second, the distribution of contingent work changed. Between 1991 and 1996, the percentage of the temporary service industry's payroll represented by office, clerical, and medical work fell, while the industrial, technical, and professional segments expanded.²⁹ Clinton reported that between 1983 and 1995, the percentage of programmers who found work through the business services industry grew from 24 percent to 40 percent.³⁰ The percentage of

²⁴ Cohany (1998).

²⁵ Spalter-Roth et al. (1997).

²⁶ Benner (1996).

²⁷ Batt et al. (2001).

²⁸ U.S. Department of Commerce (1997).

²⁹ Staffing Industry Report (1997).

³⁰ See Clinton (1997). The business services industry is broader than the temporary services industry. It includes not only the temporary services industry but also firms that specialize in providing outsourced services.

similarly employed computer engineers, computer scientists, and systems analysts increased from 18 percent to 29 percent.

Thus, three conclusions seem reasonable on the basis of available data. By the end of the century, a significant proportion of Americans were contingently employed, the proportion had increased during the 1980s and 1990s, and technical professionals comprised a larger portion of the contingent labor force than in the past. The trend seemed clear. Like Kent, Yolanda, and Julian, more and more technical professionals were leaving the ranks of the permanently employed to work as itinerant experts. The question was how to make sense of the trend. There were two ready-made alternatives.

MAKING SENSE OF CONTINGENT WORK

In the early 1990s, contingent work began to attract the attention of sociologists, labor economists, and journalists. Most commentators focused on the reasons firms employed contingent workers and on the costs and benefits of doing so.³¹ Analysts who took the workers' perspective were fewer in number and fell into two opposing camps: the "institutionalists" and the advocates of "free agency."

The Institutional Perspective

The institutionalists were economists or sociologists who interpreted contingent work through a historical and social lens.³² They told a cautionary tale. From an institutional perspective, contingent work's expansion threatened the security of the workforce and the American system of social welfare, which was based on full-time employment. The institutionalists framed the threat from the perspective of dual labor market

³¹ We shall address why firms employ contractors in chapter 2. The research literature on firms' strategic reasons for employing contractors includes Abraham (1988), Abraham and Taylor (1996), Davis-Blake and Uzzi (1993), Harrison and Kelley (1993), Kalleberg and Schmidt (1996), Matusik and Hill (1998), Nollen and Axel (1998), Pfeffer and Baron (1988), and Rubin (1996).

³² "Institutional" and "institutionalist" are words with rich and thick meaning in the social sciences. We use the term "institutionalist" to refer to analysts who view markets as "socially embedded" and who ask how institutions shape labor markets. By "institutions" they typically mean not only laws and established organizations but also cultural norms and practices. Economists who study how social structures affect markets have historically been called "institutional economists." Osterman (1988), Parker (1994), Barker and Christiansen (1998), Cappelli et al. (1997), Carre and Joshi (1997), Kalleberg et al. (1997), and Smith (1998) are institutionalists who have written about contingent labor.

theory, the notion that industrial economies are composed of two sectors: “primary” and “secondary.”³³

Primary labor markets provide stable employment, career ladders, job security, high wages, and attractive benefit plans. Secondary labor markets are, by comparison, less stable and offer lower wages. Classic examples of secondary labor markets include farm labor, food service, and hospitality work. Research has shown that participants in secondary markets are more likely to be members of minority groups and to work for employers who provide meager benefits. Because scholars saw secondary markets as peripheral, they had historically treated them as a social problem to be addressed using existing institutions (for example, minimum wage laws), rather than as a fundamental threat to the system of employment.

Institutionalists warned that the growth of contingent work represented the spread of secondary labor into the economy’s core. Many feared that this development would undermine the well-being of American workers and their families.³⁴ Others warned that contingent work’s spread would increase demand for government assistance in a downturn and facilitate the oppression of minorities. Indeed, demographic studies consistently showed that most contingent workers made less money than full-time employees in the same occupation, that they were less likely to have access to health insurance and pension plans, and that in comparison to the full-time workers, women, African-Americans, and Hispanics comprised a larger percentage of the contingent work force.³⁵ Finally, some critics charged that the shift to contingent labor signaled an attempt to undermine unions.³⁶ In short, institutionalists saw the spread of contingent labor as an unraveling of the New Deal, and they urged policy makers to bolster existing institutions or search for new ones that would enhance security.

Anthropologists and sociologists who had done ethnographies of contingent work generally confirmed the institutionalists’ fears.³⁷ Their

³³ For extended discussions of dual labor market theory, see Berger and Piore (1980), Piore and Sable (1984), Osterman (1984), and Baron and Bielby (1984).

³⁴ For discussions of the negative social consequences of an expanding contingent workforce, see Dillon (1987), Osterman (1988), Martella (1991), Cohen and Haberfeld (1993), Hipple and Stewart (1996), Polivka (1996b), Christensen (1998), Barker (1998), Spalter-Roth and Hartmann (1998), Banigin (1998), and Houseman and Polivka (1999).

³⁵ See Spalter-Roth et al. (1997), Kalleberg et al. (1997), and Kalleberg, Reskin, and Hudson (2000) for demographic data on the contingent workforce.

³⁶ Aronowitz and DeFazio (1994) and Rifkin (1995) level charges of union busting.

³⁷ An ethnography is a study of a group of people in which the data are collected by some combination of participant observation and interviews. The ethnographer’s objective is usually to describe and depict the “native’s point of view,” the perspective of the people studied. Parker (1994), McAllister (1998), Rogers (1995, 2000), Henson (1996), and Smith (1998) have written important ethnographies of contingent work in clerical and industrial settings.

studies depicted the difficulties that clerical and light industrial “temps” encountered in a world geared to full-time employment. Informants in these studies reported being forced into temporary employment by downsizing and other circumstances that made it difficult to find full-time jobs.³⁸ Most complained of poor working conditions, low wages, and high work-related expenses. They spoke of disputes with clients and agencies over payment and hours, antagonism with permanent employees, continual insecurity and uncertainty, and a sense of exclusion, estrangement, and dissatisfaction with work.

The ethnographies reported few compensating advantages. Some temps claimed to enjoy the flexibility of scheduling their own work and the freedom to reject particularly unpleasant jobs. Others said they preferred to receive their compensation as “fast cash” rather than wait for a monthly paycheck. Still others reported obtaining satisfaction from knowing that their services were “really needed” by companies in crisis. But, in general, the ethnographic evidence indicated that at least among low-skilled workers, the disadvantages of “temping” outweighed its advantages.³⁹ It is significant that the institutionalists built their interpretation of contingent work without examining highly skilled workers.⁴⁰ In sharp contrast, commentators who wrote for the popular press largely built their interpretations by ignoring the low end. Unsurprisingly, they painted a considerably different picture of contracting.

The Free Agent Perspective

At the height of dot-com mania, “new economy” magazines like *Fast Company* and *Wired* began to lionize highly skilled contractors as “free agents,” the heroes and heroines of postindustrialism. Most of free agency’s advocates were (and continue to be) futurists, human resource consultants, and staffing industry experts who wrote for the general public.⁴¹ The “free agentees” agreed with the institutionalists on one point:

³⁸ Jurik (1998) is a notable exception in that only 20 percent of her self-employed home workers felt forced into their home businesses. Nevertheless, Jurik fixes on the perceptions of those 20 percent in assessing how home workers feel about their work arrangements.

³⁹ For exceptions, see Barker and Christensen (1998), Jurik (1998), Smith (2001), and Rogers (2000).

⁴⁰ Some institutionalists have suggested that the situation may be different for highly skilled contractors, but their data do not allow much exploration. This is largely because economists and industrial relations researchers have relied on aggregate data and random samples that are heavily weighted toward the responses of traditional temporary employees.

⁴¹ Free agency’s spokespersons include Bridges (1994, 1995), Pink (1998, 2001), Beck (1992), Caulkin (1997), Darby (1997), Reinhold (2001), and McGovern and Russell (2001). Although Bridges was the first to market with the idea, Pink coined the name and gained notoriety. Pink runs a Web page called “Free Agent Nation” (<http://www.freeagentnation.com>).

employment security and its supporting institutions were unraveling and their demise represented a breach of faith. Corporations had reneged on their part of a culturally well-understood bargain. But, unlike the institutionalists, free agency's spokespersons sang contracting's praises while advocating a kind of libertarian, anticorporate rebellion.

Authors of this ilk portrayed corporate life as stifling and petty. The corporate world, they claimed, forced people to play "politics" and subject themselves to the whims of incompetent managers for inadequate pay. Besides, they added, "jobs" and "careers" were outmoded inventions of the industrial revolution, designed for the benefit of employers. Daniel Pink, a former speechwriter for Secretary of Labor Robert Reich and the best-known advocate of free agency, wrote:

The old social contract didn't have a clause for introspection. It was much simpler than that. You gave loyalty. You got security. But now that the old contract has been repealed, people are examining both its basic terms and its implicit conditions. Free agents quickly realized that in the traditional world, they were silently accepting an architecture of work customs and social mores that should have crumbled long ago under the weight of its own absurdity. From infighting and office politics to bosses pitting employees against one another to colleagues who don't pull their weight, most workplaces are in dysfunction. Most people do want to work; they don't want to put up with brain-dead distractions.⁴²

Sometimes bordering on demagoguery, free agency's antiorganizational rhetoric reframed employment history. Firms had not simply broken the contract; the contract was terrible in the first place because it lulled employees into dependency. Traditional employment and the careers it offered were relics of corporate "paternalism" that encouraged employees to play the role of children and firms, the role of parent. Simon Caulkin, a journalist writing for the *San Francisco Examiner*, explained:

At the bottom, the trade of loyalty for security was unsustainable and exploitative. By tying their career and skills to one employer, employees sacrificed mobility and market value in return for a promise that couldn't be kept. By contrast, in the emerging new deal, the very mobility of career-independent employees provides a powerful incentive to companies to keep their promises—the most important of which . . . is to provide interesting, motivating work. Otherwise, those valuable staff members will leave. So the death of the security-loyalty contract has made room for a more durable and

⁴² Pink (1998, 132).

satisfying employment relationship—this time based on independence rather than the employer paternalism of the past.⁴³

Faced with the demise of traditional employment and the potential for firms to renege on their part of the bargain, advocates of free agency recommended that people turn the tables on companies by refusing to give loyalty and by embracing the shift to a skills-for-hire economy. The trick, they proposed, was to use the demise of traditional employment as an opportunity to set oneself free. They encouraged people to view themselves as free agents, to develop and market their own skills to the highest bidder, and to view themselves as a business, even when in a full-time job. Free agenteers, in short, promoted a postindustrial vision of economic individualism in which entrepreneurial workers would regain independence and recapture a portion of their surplus value.

To support their claims, free agenteers offered readers stories of contractors who vacationed when and where they chose, who telecommuted to work from exotic places, and who successfully integrated the demands of work and family. Although the heroes and heroines of these tales were usually professional and technical workers, proponents contended that all people could benefit by adopting a similar attitude to work. The central icon of the movement was the hero of the movie *Jerry Maguire*, who rejected a world of greed and unethical behavior for independence, wealth, and self-respect. Caught up in the revolutionary spirit, Pink and Warsaw even penned what they called a “Free Agent Declaration of Independence.”⁴⁴

The vehicle of the free agent’s independence was the market. In *Job Shift*, William Bridges promised, “In a market . . . people don’t have bosses. . . . There are no orders, no translation of signals from on high, no one sorting out the work into parcels. In a market one has customers, and the relationship between a supplier and a customer is fundamentally non-organizational. . . . One’s boss is really a major customer rather than an authority in the old sense.”⁴⁵ Of course, the irony that Bridges and others had trouble seeing was that freeing oneself from the chains of traditional employment meant catering to the same employers against whom one was rebelling.

Despite such inconsistencies, the advocates of free agency sketched an

⁴³ Caulkin (1997, 2).

⁴⁴ The “truths” that Pink and Warsaw (1997) claim to be “self-evident” are: “Who we are and what we do should not stand on opposite sides of a psychological divide. . . . Nothing is permanent. Security is an illusion. . . . The power to choose is the power to say no. . . . Fear has no place in Free Agent Nation. . . . The fun in work is the reason for work. . . . We’re on our own, but we’re not alone.”

⁴⁵ Bridges (1994, 64–65).

optimistic picture of contingent labor based on a rhetoric of free markets that challenged the institutionalists point by point. Free agents argued that contingency was a choice rather than a constraint; that it represented liberation rather than isolation; that it minimized uncertainty about employment while enhancing flexibility and personal control; that contractors made more money than permanent employees because they were paid at rates that reflected the real value of their skills; and that relying on one's skills led to self-actualization rather than estrangement.

Who to Believe?

As sociologists with a background in industrial relations and a taste for left-of-center politics, our initial response was to side with the institutionalists and to treat the rhetoric of market freedom with a healthy dose of disbelief, if not suspicion.⁴⁶ But as ethnographers, we believed that data should be allowed to speak for itself. No a priori formulations, no matter how elegant or consistent with their proponents' worldview, should be exempt from the requirement that they rest on solid empirical evidence. For us, evidence meant an empathetic and rich description of the perspectives and practices of the people about whose lives social scientists made claims.⁴⁷ From this perspective we found both sides of the debate wanting.

How could anyone tell whether the institutionalists or the free agents offered a more viable image of contracting when neither had systematically examined the lives of technical contractors? With the exception of the ethnographers of temporary work and Daniel Pink's book, *Free Agent Nation*, analysts on both sides of the debate had given no voice to contingent workers themselves. Most advocates of free agency based their claims, at best, on well-chosen anecdotes. The institutionalists were much better empiricists, but their data were heavily weighted toward the experiences of low-skilled temps. This bias was especially

⁴⁶ In fact, we had already written a critical historical analysis of how American managerial rhetorics have repeatedly vacillated since the 1870s between rhetorics of rational and normative control (Barley and Kunda 1992).

⁴⁷ The ethnographer's creed is that all interpretations of a social system must rest on "the native point of view," or what anthropologists have called an "emic" perspective. The distinction between *emic* and *etic* is the anthropologist's way of distinguishing concepts used by the people being studied and those used by the people doing the studying. The terms come from linguistic anthropology. "Etic" is a term derived from the word "phonetic." It contrasts with "emic," which comes from "phonemic." "Phonetics" is the study of the sounds that people can physically produce. "Phonemics" is the study of the sounds that people distinguish as meaningful. Others have used the terms *first-order* and *second-order* or *experience near* and *experience far* to make the same distinction.

troubling because students of work have long known that the worlds of low- and high-skilled occupations substantially differ. Permanent professional, technical, and managerial jobs are usually more secure, more remunerative, more varied, and more involving than clerical and industrial jobs. It stands to reason that low- and high-skilled contingent work should vary in similar ways. By ignoring highly skilled contingent work, institutionalists conflated the effects of contingent employment with correlates of low-skilled work. Conversely, advocates of free agency peddled images of contracting built solely on the experiences of an elite. In the absence of adequate data, the institutionalists' and the free agenters' claims about the everyday realities of contracting and the theoretical edifices they erected on these claims, rang hollow.

We had substantive concerns as well. These rested on our reading of the existing literature, on our experience as researchers of technical work, and on our anecdotal familiarity with technical contracting. Meeting contractors like Kent, Yolanda, and Julian reinforced our concerns. Three issues, in particular, troubled us.

First the discourse on contracting seemed too rigid, too black and white, to be believable. For institutionalists, contingent work was a clear and unambiguous social problem. Temps and contractors were victims of systemic changes promulgated by exploitative employers acting entirely in their self-interest without regard for the common good in the face of a government that was unable or unwilling to protect them. For the advocates of free agency, contingent employment represented no less than a path for escaping a decaying system that had subjugated the many to the whims of the few. If ethnographers have learned anything about social life it is that reality rarely comes so neatly packaged.

Which camp's box, for instance, could comfortably hold Kent Cox, Yolanda Turner, and Julian Stoke? The institutionalists could easily argue that Julian's experience supported their contentions. He became a contractor after being laid off. He had clearly lived on the edge of financial solvency. He had difficulty making ends meet, he had trouble keeping a job, his wife was anxious about their future, and he vacillated between contracting and permanent employment. Even protecting his family's health had been a serious problem. But, to the institutionalist's consternation, Julian didn't seem to mind his troubles! Worse yet, he considered himself to be a success, at least in his own terms, and he planned to continue contracting.

Kent Cox would give the institutionalists an even bigger headache. Other than missing the opportunity to cash in on the fantasy of becoming rich through stock options, Kent seemed in no way disadvantaged. In fact, by all indications, and certainly in his own view, contracting had been good to him. But it would be Yolanda Turner who most violated the

institutionalist's worldview. Here was an African-American woman who, despite her efforts, had been unable to flourish until she took her career, her skills, and her wages into her own hands as a contractor.

On the face of it, Yolanda's and Kent's tales should have brought great cheer to free agency's camp. Either could have easily been a sidebar in one of the slick "new economy" manifestos on free agency. Yet, on closer scrutiny, their stories posed problems. At least in Yolanda's case, free agency's promise of freedom, flexibility, and leisure seemed elusive. In fact, Yolanda worked long and hard, at least as much and maybe more than she had as a full-timer. Her employability depended uncomfortably on staffing agencies, and her potential earnings were hijacked by their markups.

But Julian would have been free agency's real embarrassment. Even *Wired* would have had to struggle to find glamour in an overweight, balding middle-aged man with credit card problems and a penchant for being fired. Moreover, Julian lived hand to mouth and suffered seriously from the lack of health care benefits. From an ethnographer's perspective, a satisfying analysis of contracting has to account for all three stories.

Second, except for the ethnographers of clerical work, most analysts on both sides of the debate spoke as if contingent labor markets were dyadic: composed simply of employing organizations and contingent workers. Although this is sometimes the case when a contractor is incorporated or works as an independent, in most instances, contingent labor markets are triadic. In addition to buyers and sellers there are brokers, the staffing agencies that mediate between the two to arrange and close deals. Contractors, like Yolanda and Julian, regularly rely on staffing agencies to find work. An accurate analysis of contracting must, therefore, take the agency's role into account regardless of whether the goal is to portray the structure of the market or describe contractor's experience more fully. Leaving out such an important group of actors guarantees misrepresentation.

Finally, the debate on contingent work was framed as if it were an argument between proponents of organizations and advocates of free markets. Institutionalists set their vision of employment against the backdrop of an organizational society, its laws, and its regulations. When institutionalists recommended reform, they inevitably turned to legal and bureaucratic remedies for the social costs of unfettered markets. They believed that full permanent employment was the foundation of an equitable system. Conversely, advocates of free agency preferred the market as a model for organizing the world of employment. For them releasing the forces of a free market would remedy the ills of an overly bureaucratic society. While organizations and markets are clearly

important for framing an understanding of and prescriptions for the world of employment, they do not exhaust the possibilities. Occupations, which both institutionalists and advocates of free agency ignore, are just as important.

Sociologists of work have repeatedly shown that lawyers, scientists, police, carpenters, machinists, accountants, and members of other skilled occupations construct their identities and organize their practice not only around their employer or the market for their services, but also around their occupational affiliations.⁴⁸ Ask a doctor what she does for a living and she'll first tell you her specialty, not that she works for Kaiser Permanente. This was precisely what Kent, Yolanda, and Julian appeared to be saying when they highlighted the importance of their networks and their involvement in professional communities, regardless of whether they found those communities at a users' group, through a professional organization, or in a chat room.

Professionals' closest contacts are usually other practitioners of their craft. Professional associations, occupational unions, and communities of practice provide experts with critical support, knowledge, and information. In fact, the more esoterically skilled the practitioner, the more an occupational community is likely to be important. Since technical contractors were highly skilled, it seemed to us that their occupational affiliations had to be at least as relevant as markets and organizations for understanding contracting and interpreting its significance.

THE STUDY

It was to address our methodological and substantive concerns that we entered the world of contracting in the fall of 1997 and remained there until the fall of 1999. But getting inside was a little more complicated than is usual for ethnography. Doing fieldwork in an organization, a subculture, or a tribe requires entering a single, relatively well-delineated social setting, which, as most ethnographers discover, is difficult enough. Getting inside the market for technical contractors meant understanding the story from three perspectives: the contractor's, the client's, and the staffing agency's. It also meant studying a sprawling, emergent, loosely coupled, and at least partly virtual social system.

⁴⁸ We offer an extensive argument to support the importance of an occupational perspective in organizational analysis in Barley and Kunda (2001).

Staffing Agencies

We turned first to staffing agencies, in part, because their role in contingent labor markets is poorly documented and, in part, because as brokers they continually peer into the other two worlds. By making friends with agents we hoped to make the contacts necessary for branching out into the other two worlds.

In November 1997 we began six months of participant observation in Progressive Staffing, a medium-sized staffing agency that specialized in placing technical contractors ranging from workstation technicians and technical writers to programmers and hardware engineers. Headquartered in Santa Clara County, Progressive Staffing maintained a number of field offices throughout the Silicon Valley as well as offices in eight other American and European cities. Founded in 1993 by Anne Parish, an energetic entrepreneur whose vision included a commitment to running a humanistic corporation that treated contractors well, Progressive Staffing had gone public shortly before our arrival. During our six months there, we observed close-up for several days each week the tribulations and jubilations of matching contractors to jobs. We observed interviews, eavesdropped on telephone conversations, accompanied managers to client sites, read materials, studied computer screens, attended meetings, took part in training programs, and struggled to remain sober at corporate celebrations.

After completing our work at Progressive Staffing, we began similar three-month stints at two other staffing agencies, chosen because their business models differed significantly from Progressive Staffing's. Information Technology Specialists (ITS) was much smaller than Progressive Staffing and specialized in placing independent IT contractors who were incorporated as businesses. ITS had one office, located in San Mateo County, California. Marc Sunberg, a former systems analyst, had founded the firm in 1980. The firm had evolved through a number of name changes as well as changes in strategic direction. The contractors who worked through Progressive Staffing became Progressive Staffing's employees for the duration of their contract, and that was the modal pattern for most other agencies. But ITS was different. It preferred to have a corporation-to-corporation relationship with its contractors.

Systems Professionals, the third agency, was also smaller than Progressive Staffing and even more specialized than ITS. Systems Professionals concentrated exclusively on providing UNIX and Windows systems administrators to firms in the Silicon Valley. It differed from Progressive Staffing and ITS in that it operated as an outsourcer. All but a handful of

Systems Professionals' contractors were full-time employees who remained employees even between contracts. Most were young and fresh out of college where they had been responsible for running computer clusters. Because they were outsourced employees, Systems Professionals' contractors could work for clients for long periods of time and they often did, even though they could request and receive a new assignment whenever they desired. Technical personnel tended to remain with Systems Professionals for two to three years before leaving for another permanent job. Just before we arrived, Systems Professionals had opened a branch office in New York City.

Contractors

During 1998 and 1999 we interviewed seventy-one contractors about their careers and experiences. Kent, Yolanda, and Julian were among them. Because there were no truly representative lists of technical contractors from which to draw a random sample, we identified our informants in three ways.⁴⁹ Half (thirty-six) were selected from a list of nearly five hundred contractors who indicated their willingness to take part in our study when registering for a seminar on contracting business issues that was broadcast live over the World Wide Web in December 1997. The seminar was sponsored by Progressive Staffing and was widely advertised throughout the nation in contracting circles via a number of channels including magazines written for technical contractors. To ensure that our conclusions were not regionally biased, we actively sought to talk to contractors from outside the Silicon Valley who had registered for the seminar. We also made a particular effort to interview women. These original informants referred us to five other contractors whom they thought we would be interested in interviewing for one reason or another—usually because an informant thought a friend's experience of contracting was different from their own. We met another fourteen contractors while we were doing participant observation in the staffing agencies. The remaining sixteen contractors were members of the project teams we encountered when studying client organizations. Although our informants were not representative in a statistical sense, they spanned numerous regions, occupations, and age cohorts as well as both genders. For this reason, we are reasonably confident that our data identify key themes, issues, and dilemmas that are of widespread concern to technical contractors.

⁴⁹ As we saw it, our alternatives were to convince a staffing firm to make available the names of the people in their databases, to sample from one of several résumé data banks found on the Internet, or to seek subscription records from magazines targeted at contractors. All of these approaches are biased in different ways and seemed no better or worse than the approach we took.

When possible we met our informants in restaurants, cafés, offices, and even their own homes.⁵⁰ When it was impossible to do face-to-face interviews, usually because a contractor lived in another state or because he or she did not wish to meet, we conducted telephone interviews. Our interviews covered the contractors' employment history, the circumstances that led them to become contractors, their rates, their experience with staffing firms, how they found jobs and remained up-to-date, their experiences with clients, the impact of contracting on the rest of their lives, and their perceptions of the costs and benefits of being a contractor. With the exception of two contractors who did not wish to be recorded, we taped and transcribed all interviews. Most of the interviews lasted from one and a half to three hours.

Client Firms

The final phase of our study took us to the clients' world: firms in the Silicon Valley that routinely employed technical contractors. Three of the firms were among the largest and best known in the computer industry. In each of these firms we identified two project teams staffed by a combination of contractors and full-time employees. All of the teams were involved in software development or information technology projects. We interviewed the permanent employees and contractors on each team as well as the managers who ran the projects and who had hired the contractors. In one firm, we interviewed all the way up the hierarchy to the chief information officer (CIO).

Our interviews with permanent employees concentrated on their work, their experience with contractors, and their view of the role that contractors played in their firm. When talking to managers we focused on the firm's policies and procedures for hiring and terminating contractors, the costs and benefits of using contractors, the manager's experiences working with agencies, and the challenges of managing a mixed workforce.

We extended our study of clients by interviewing managers at seven other firms. Two were large firms in the telecommunications industry. The rest were entrepreneurial start-ups that employed no more than one hundred people, including contractors. Because these organizations were smaller, the managers tended to have broader responsibilities than the

⁵⁰ Anthropologists use the term "informants" to describe the people whose perspectives they study. They prefer the term because it underscores the idea that the ethnographer's job is to learn to see through the insider's eyes. "Informant" contrasts with the idea of a "subject" or a "respondent," terms that are favored by survey researchers and experimentalists, respectively. We use the term "informant" throughout the book to remind the reader that the people we studied taught us everything we know about contracting.

managers that we interviewed in the project team studies. All but three interviews were conducted face-to-face at the client's site where we could observe working conditions.

Collecting and analyzing these data consumed the better part of four years. By the time we were done, it was clear that the world of technical contracting was more complex than the institutionalists or the advocates of free agency suggested. Both perspectives capture a piece of reality, but neither adequately portrays contracting as those who do it experience it. This limits their ability to offer more comprehensive images of how contracting fits into the larger world of employment. Our goal is to provide a window into the day-to-day realities of contracting as a basis for developing a wider interpretation of contracting's relevance in a knowledge economy.

History, however, does not wait for ethnographers to complete their work. About a year after we left the field, as we were pondering the significance our data, the economic conditions of high-tech employment changed dramatically. The Internet boom and the tight labor market it spawned collapsed, ushering in a recession whose effects are still being felt at the time of our writing. Along with the rest of the economy, the world of contracting shifted as well. In short, our tale portrays contracting at a peak of demand. Whether it speaks only to a specific historical period, and the extent to which it continues to be relevant, ultimately remains to be seen. This, of course, is the fate of all social science. But we believe that the dynamics we discuss over the course of this book lie beyond the short cycles of the economy: they define the essence of contracting as an employment relationship. In the book's epilogue, we discuss what has occurred since the recession began and how it affected our informants' world. The data show that like full-time employees, contractors have suffered, but they have not disappeared. On the contrary, their presence remains a significant feature of contemporary labor markets even in times of recession. Thus, with appropriate modifications for changing levels of demand, our analysis of the dynamics in the labor market of the 1990s still holds.

ORGANIZATION OF THE BOOK

What follows is the story of contracting told from the participants' perspectives, especially the perspectives of contractors themselves. In telling the contractor's story, we shall also have much to say about the agencies that place contractors, the clients for whom contractors work, the networks in which contractors move, and the supports on which contrac-

tors rely, ranging from magazines to the Web sites and users' groups that lubricate the systems' operation.

Like all ethnographies, ours rests on the details of what we saw and heard, the patterns we found in our data, and the sense we have made of those patterns. To evaluate our claims, readers also need to have familiarity with the data. Accordingly, we tell our tale from the bottom up. Our telling, therefore, differs from the storyline of most academic and business books, which hammer home their main points in the first chapter, often with rhetorical certainty and the desire to relieve the reader of reading any further. The remaining chapters then unpack the conclusion point by point, providing further justification and sometimes supporting evidence. Rather than starting with conclusions, we shall take you on a guided journey through the world of contracting to give you an appreciation for how contracting appears to those on the ground and in the trenches. By presenting a series of grounded portraits, we help you to assemble your own collage as we go along. By the time we are ready to draw together our interpretations of the social world of contracting, you should be in a position to evaluate the adequacy of both our analysis and our conclusions. For readers eager for the security of maps before entering the terrain, we offer the following overview.

The book unfolds in four parts. Part 1 sets the stage. In it we define key terms, introduce the main characters, and examine their motivations. In chapter 2 we explore why firms hire contractors and how they organize themselves to do so. In chapter 3 we explain why technical professionals become contractors and discuss the various ways contractors organize their practice. In chapter 4 we present a typology of staffing agencies and explain how they operate.

Together, parts 2 and 3 depict a turn in the "contracting cycle," which is composed of a period of searching for a job followed by a limited engagement with a client. Repetitions of the contracting cycle provide the rhythm against which contractors' lives unfold. Part 2 immerses the reader in the market. In chapter 5 we tag along as contractors, clients, and agencies try to find deals. We look over their shoulders as they scour the market for potential deals and disseminate information about their own interests. In chapter 6, we see how deals, once found, are consummated. We examine how clients evaluate candidates, how terms of employment are negotiated, and how contracts are signed. By the end of part 2, the contractors have acquired a contract.

In part 3 we follow the contractors onto the job. Chapter 7 shows how managers and staffing firms attempt to create a system for managing contractors that is consistent with corporate policies designed to minimize legal risks. Chapter 8 points to the inherent tensions between corporate

policies and the realities of technical work. Chapter 9 shows how contractors navigate between the respect and the resentment that their role engenders among managers and permanent employees to carve out a coherent identity from their experiences.

Part 4 turns to how contractors adapt their lives to the requirements of the contracting cycle. It focuses on the way they develop, organize, maintain, and use three resources crucial for successfully riding the cycle: time, skills, and social relations. Chapter 10 examines the temporal rhythms of contracting, how contractors treat time as an asset, and how they allocate their time to the various requirements of a contracting life. Chapter 11 explores how contractors think about skills and how they keep themselves up-to-date and marketable. Chapter 12 focuses on how contractors build their social networks and how they use them to repeatedly find work.

The book ends with chapter 13. Here we summarize our sojourn through the world of contracting and draw together what we have learned. We then use our findings, in the manner of ethnographers, to build a theoretical interpretation from the bottom up. Not straying too far from the data, we first develop the claim that contractors pursue a form of professional practice that we call “itinerant professionalism.” We discuss the attributes of this form of practice by contrasting it to other forms of professional practice, and explore its significance for contractors, clients, and agencies. Then, in a somewhat riskier fashion, we invite our readers to join us in pushing our conclusions even further by speculating on the significance of itinerant professionalism for a knowledge economy. We explicate and critique the institutionalists’ and free agency’s views of the economy in light of our data, highlighting the cost of neglecting occupational forms of organizing. This critique leads us to argue that the social organization of work in a knowledge economy is usefully viewed as a matrix, which incorporates not only markets and organizations, but occupations as well. We conclude by speculating briefly on the relevance of this perspective for policy makers and practitioners.