

## 'Two-Tiered Caste System':

### The World of White-Collar Contracting in Silicon Valley

Just because someone has a tech job in Silicon Valley, it doesn't mean they are pulling in a high salary with loads of paid time off, piles of free food and private buses to shuttle them to and from work. Contract workers often don't share in these perks, even if they're doing white-collar jobs like developing software, analyzing data or running the servers these tech companies depend on.

"We're right there looking through the glass at people having this sort of wondrous experience, given loads and loads of perks and benefits. But we don't get any of it, even though we're effectively doing the same work," said one contract worker who did language processing at Google. Like all of the workers interviewed for this story, she asked to remain anonymous for fear of losing her job.

White-collar contractors often don't work directly for tech companies but for third-party staffing firms. The workers typically earn less than their employee counterparts and have to pay for things like riding the shuttle — which is free for full-timers — to work. They may have limited access to the company campus, and aren't invited to certain trips, parties and events.

"As a contractor you're treated like you're less than everyone else," said a Latina who did contract work at both Salesforce and the e-cigarette company Juul.

The total number of contract workers in Silicon Valley is unknown. But experts, academics and labor advocates interviewed for this story estimated more than 100,000 white- and blue-collar contractors are working in tech, doing jobs ranging from janitorial work to programming.

#### How and Why Silicon Valley Latched on to Contracting

Since the late 1980s, companies nationwide have been switching their labor force over from employees to contractors. Contract workers are often cheaper than employees, they can be hired and fired more easily, and investors generally like to see lower employee headcounts. Silicon Valley has not only been part of this trend, but on the vanguard of it, said Chris Tilly, a UCLA professor who studies labor markets, inequality and public policy.

"Silicon Valley and the tech sector is definitely way out in front of most sectors when it comes to contracting," Tilly said.

This is how it works in Silicon Valley: The companies go to a staffing firm with a bid and say, "Hey, we need X amount of workers for X price to do something like IT, build out a new division for, say, autonomous cars, or do our janitorial work," said Pradeep Chauhan, who runs OnContracting — a rating and reviews website for workers to learn about conditions at different temp staffing agencies.

Chauhan said there are more than 1,000 staffing agencies in Silicon Valley. Some have more traditional names like "Mountain View Staffing" and "Palo Alto Staffing." Others have gone the startup-type

route with business names like Akraya. Many specialize in a particular kind of work like IT, security or transportation.

Tilly said in the investor-dependent, quick-pivot world of Silicon Valley, the advantages of the contractor model are even more valuable because it allows firms to quickly scale up and scale down projects with labor.

And, this model saves tech firms money in benefits, too, since it would cost a lot to give contractors the same generous packages used to attract high-skilled programmers and software developers, said Chauhan, who worked in staffing at Microsoft in the 1990s.

In older industries like auto manufacturing, unions guard against switching employees to contractors, but that's not the case for new companies in Silicon Valley.

"These companies start out with a tabula rasa," a blank slate, Tilly said.

#### Stuck in Contracting for Years

All of the temporary contract workers in this story hoped to move on or convert to employee status, but at most tech companies there is no direct path for them to do so. Companies like Google have policies that direct managers not to discuss the potential of converting to full-time work.

Part of the reason for this firm barrier between contractors and employees is legal protection from what are known as misclassification lawsuits. Chauhan said tech companies' caution over misclassification issues started back at Microsoft.

In the early 1990s, Microsoft had hired lots of contractors to do everything from IT work to software development. Some of these workers got stuck in contracting roles for years and ended up filing a class-action lawsuit against Microsoft for how it was "permatemping" its workers. After almost a decade of battling the lawsuit, Microsoft settled for \$97 million.

"After Microsoft lost," Chauhan said, "every contingent staffing department at every large company started setting up rules over how to best utilize contractors."

Chauhan said that to avoid legal trouble, companies do two things: They require staffing agencies to offer some kind of benefit package to workers to make them feel like they're employees of the agency, not the tech company. And the companies require short-term contracts, a year or 18 months at most, which means contractors never settle into a permanent job.

*Article continues with audio option at link below*

Region	March 2018	February 2019	March 2019	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	2.8%	2.8%	3.0%	+ 0.2	+ 0.2
San Francisco MD	2.4%	2.3%	2.5%	+ 0.2	+ 0.1
California	4.4%	4.4%	4.6%	+ 0.2	+ 0.2
United States	4.1%	4.1%	4.6%	+ 0.5	+ 0.5

Sector — March 2019	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,142,200</b>	<b>1,170,700</b>	<b>2,312,900</b>	<b>+ 0.6%</b>	<b>+ 3.2%</b>
Construction	47,400	45,800	93,200	+ 1.9%	+ 4.4%
Manufacturing	176,900	38,600	215,500	+ 0.6%	+ 3.6%
Retail Trade	84,700	79,500	164,200	- 1.2%	- 0.7%
Information	96,400	89,600	186,000	+ 0.7%	+ 9.1%
Professional & Business Services	239,600	294,600	534,200	+ 0.8%	+ 3.6%
Educational Services	49,000	29,800	78,800	- 1.0%	- 0.3%
Health Care & Social Assistance	127,800	114,700	242,500	+ 0.8%	+ 3.1%
Leisure & Hospitality	105,400	144,500	249,900	+ 1.0%	+ 3.1%
Government	101,000	133,000	234,000	+ 2.7%	+ 1.6%

NOTE: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

Jurisdiction	Labor Force			Unemployment			Unemployment Rate		
	March 2018	March 2019	Change	March 2018	March 2019	Change	March 2018	March 2019	Change
• San Mateo County	451,100	463,600	+ 2.8%	10,300	11,100	+ 7.8%	2.3%	2.4%	+ 0.1
• Santa Clara County	1,042,000	1,063,500	+ 2.1%	28,400	30,600	+ 7.7%	2.7%	2.9%	+ 0.2
Cupertino	29,800	30,300	+ 1.7%	800	800	0.0%	2.7%	2.6%	- 0.1
Los Altos	14,800	15,100	+ 2.0%	400	400	0.0%	2.7%	2.6%	- 0.1
Milpitas	41,500	42,400	+ 2.2%	1,200	1,400	+ 16.7%	2.9%	3.3%	+ 0.4
Mountain View	51,100	52,100	+ 2.0%	1,000	1,100	+ 10.0%	2.0%	2.1%	+ 0.1
Palo Alto	35,700	36,400	+ 2.0%	800	900	+ 12.5%	2.2%	2.5%	+ 0.3
Santa Clara	69,800	71,200	+ 2.0%	1,800	1,900	+ 5.6%	2.6%	2.7%	+ 0.1
Sunnyvale	87,300	89,000	+ 1.9%	2,000	2,100	+ 5.0%	2.3%	2.4%	+ 0.1
<b>NOVA Region</b>	<b>781,100</b>	<b>800,100</b>	<b>+ 2.4%</b>	<b>18,300</b>	<b>19,700</b>	<b>+ 7.7%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>+ 0.2</b>

NOTE: NOVA Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

March 2019 Events			WARN SUMMARY	
Company	Location	# Affected	Events YTD <sup>†</sup> :	62
Armstrong Technology	Sunnyvale	11	Individuals Affected YTD:	3,902
Genentech	South San Francisco	54	Individuals Previous YTD <sup>‡</sup> :	3,438
Macy's	Sunnyvale	86		
Oath	Sunnyvale	67		
Oracle	Redwood Shores	392		
Owens Corning Insulating Systems	Santa Clara	60		
Symantec	Mountain View	11		
Theravance Biopharma US	South San Francisco	49		
Udacity	Mountain View	45		
Veritas Technologies	Mountain View	45		
<b>Total</b>		<b>820</b>		

\* **WARN: Worker Adjustment and Retraining Notification**  
(notice of mass layoff or closure)  
† **YTD: Year to Date**  
(Program year: July 1–Present)  
‡ **Previous YTD:**  
(Same date range as YTD, one year prior)

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database