



Title: A Critical Review of "Contractor Performance: How Good Are Contingent Workers at the Professional Level"

Course: EMGT 520/620

Term: Fall

Year: 1998

Author(s): E. Abrams

Report No: P98042

ETM OFFICE USE ONLY

Report No.: See Above

Type: Student Project

Note: This project is in the filing cabinet in the ETM department office.

Abstract: A paper titled "Contractor Performance: How Good Are Contingent Workers at the Professional Level" is critically reviewed in this individual report.

**A Critical Review of
“Contractor Performance:
How Good Are Contingent
Workers at the Professional Level”**

Eric Abrams

EMP-P98042

Concepts

Contract workers at a professional level are the focus of the paper by Jarmon, Paulson, and Rebne. There has been a growing trend for the use of contract employees; this paper investigates and quantifies their effectiveness in the workplace. Some discussion was presented on what is the legal definition of a contract worker. Also mentioned were tax pitfalls and lawsuit exposure that can arise from erroneously defining a contract with an employee. The paper is of exploratory nature. It investigates if contract workers perform satisfactorily and if workplace environmental factors such as forced departure or buffering effect overall performance.

Methodology

The authors conducted a review of the literature and found no scholarly research that isolated and addressed contractor performance. In doing so they found two interesting aspects of employment situations that they thought would influence performance. These are coemployment and duration of stay. Coemployment is a Master-Servant doctrine that is integral in deciding employment law disputes. "The outcome of such a dispute could determine who is liable for statutory overtime premiums, pension contributions, health benefits and taxes."⁵ To avoid such disputes employers put buffers between employees and contractors treating them differently in some way. Duration of stay refers to the length of the contract. It is hypothesized that employer buffers or shorter stays within a company may influence contract workers' performance.

In order to test three hypotheses, effect of buffering, length of stay, and contractor versus employee performance, a survey of managers who had supervised contract workers was completed. Ph.D. level contract workers were excluded from consideration. The questionnaire consisted of questions that exposed workplace relationships and lengths of contracts. Data was collected from six private-sector high technology companies in the United States. From these, a total of 96 usable responses from mainly junior level managers was received. "These managers were asked about their beliefs concerning six dimensions of contractor performance:

- 1) contractor work effort;
- 2) the difficulty of work entrusted to contractors;
- 3) contractor attendance;
- 4) contractor skills;
- 5) contractor commitment;
- 6) the overall expectation (of performance)."⁵

Respondents were asked to rank items whether they disagreed or not to each statement on a numerical scale from 1 to 7. A table was created from these results, which excludes responses of rank 4, neutral.

Contributions to the literature and comparisons

As stated by the authors: "there has been little or no work done directly on contractor performance." This is true. There does seem to be lack of academic research on this topic and this fact stresses the significance of the Jarmon, Paulson, and Rebne study. This paper explores new territory in light of the trend towards hiring contract workers. They break new academic ground by asking, "Are employers satisfied?" Since there are no known academic studies on this topic, this paper is extremely significant for its exploration of the topic and should inspire other researchers to pursue supporting studies.

Since there is such a lack of research on the topic of contract worker performance, a comparison with the literature was impractical. Therefore, to compare, the same survey used in the paper was given to each, a supervisor and a manager at North Pacific Insurance(NPIC). They each have had extensive interaction with professional contract workers. The results of these two surveys agreed with each other and with results presented in the paper in terms of skills, attendance, work effort, and commitment. However there was disagreement in the areas of expectations and job skills requirements. The NPIC manager registered in unison with the research paper's respondents in disagreeing that "contractors usually do the work which requires the least amount of skill"; and, disagreed with the statement: "I would generally expect less from a contractor than an employee (of equal experience)." However, the supervisor at NPIC, who works more closely with contractors than the manager, agreed with both statements. This discrepancy brings to light the question of expectations by upper management and the basis for the decision for hiring contract workers.

Other interesting data comes from a survey that was completed in 1997 by the consulting firm KPMG.⁶ Respondents were senior-level executives in large companies throughout the United States. 189 seven page questionnaires were satisfactorily returned. This survey concluded that the "overwhelming majority of executives were satisfied with their outsourcing experiences." For legal and tax functional areas, the satisfaction rating was 95%, but for information technology related processes in was only 70%. No explanation was given in the source for the reduced satisfaction in technology outsourcing. However, it can be concluded that the majority of companies were satisfied.

It is not known whether the larger sample size survey at KPMG was conducted scientifically, but presumably so; the survey done at NPIC had a very small sample size. However both support the conclusions of the authors of this paper that employers are satisfied with contract workers' performance.

Another study presented in the *Academy of Management Journal* sent questionnaires to both employees and contractors of a large aerospace firm asking about commitment to an organization. Surprisingly to the author of that paper, "there was no significant difference in the organizational commitment of employees and contractors, as seen by the engineers and technicians themselves."⁸ According to a *Journal of Management Studies*

article: "if workers chosen are technically equal then a study of commitment should shed light on satisfactorily completing a job."¹¹ It can be concluded from this that employees and contractors with the same education and experience levels would both satisfy an employer since they reported a similar level of commitment to the organization. This also supports the conclusions of the Jarmon, Paulson, and Rebne paper, but differs by asking employees about commitment as opposed to employers about satisfaction.

Strengths and weaknesses

The authors have written a significant paper which brings to light an overlooked aspect in the growing field of contract work. Their survey was adequate for an exploratory look at the topic. The authors had clear hypotheses and proceeded logically to interrogate them. The use of a survey is perhaps the only way to determine employer satisfaction, but the participants were employed at only six firms which is of concern. As noted in the *Supervision* article: "it's axiomatic that managers must select a contractor that is fully qualified to do the required work. Unfortunately, some managers handle this first step poorly. They end up with a contractor that, through no fault of its own, is not adept or experienced enough to perform the given work."¹² The converse can also be true: well chosen contract workers can perform well. These six firms could in some way be better at choosing contract workers than the norm; this may skew the results of the survey.

Conclusions

The authors concluded that the data from the survey implies that managers are generally pleased with the performance of contract workers. Organizational buffering and length of contract were proven not to have an effect on the performance of a contract worker. The hypothesis, contractors perform worse than comparable employees, was disproved. Additionally noted was the fact that employers were satisfied and "not because managers expected less of contract workers."¹³ The satisfaction with contract workers overall led the authors to conclude that these temporary employees would be used more often in the future. The conclusions are clear and seem to be validated by data, but, as the authors warn, this was limited and exploratory research. More studies need to be conducted before the findings can be generalized.

Adequacy of references

Although the authors could not find any published academic papers covering the topic of employer satisfaction with contract workers, it seems that such studies have been done. Contract work is not a new phenomenon. There are many contract work brokers and consulting firms, KPMG for example, which surely have done internal studies on satisfaction. These firms usually employ top academicians which would suggest that their surveys and statistics would be scientifically valid – even if not published. The authors, Jarmon, Paulson, and Rebne, should have queried their colleagues for such information.

Future research

The story *PC Week* story, "Contract superheroes,"⁴ stresses the excitement and future of contract work and how it can be a great asset to managers, especially technology managers who need experts in a changing environment. Future academic research is important to track effectiveness of management decisions to hire temporary professionals. The Jarmon, Paulson, and Rebne paper opens the door to many interesting studies. For example, a study of types of tasks best suited for contract workers would be important. A criteria checklist could be created so that managers could determine if it would be better to train a current employee or hire a contractor. Another interesting study would be to compare satisfaction ratings of similar job functions across different industries or different sized companies. On the surface, it seems a small company with an immediate need for a specialized skill would be more likely to benefit from a contract employee, but are they satisfied when they make this decision? There are also many challenges to managers when they are supervising a mixed group of employees and contractors and these would be a good area of study. Companies, such as Intel, were "worried about losing trade secrets and lawsuits, and unsure that temps were really saving them money (consequently) Intel managers have dramatically reduced their use of outsiders."¹¹ How many other companies have come to the same conclusion? What about non-U.S. citizens contracting for U.S. companies both here and abroad? There is potential for a variety of interesting research on the topic of contract workers. These studies would prove to be invaluable as the appearance of the corporate workforce changes to be more dynamic in the years ahead.

Bibliography

1. J. Benson, "Dual commitment: contract workers in Australian manufacturing enterprises," *Journal of Management Studies*, vol. 35, no. 3, pp. 356-377, May 1998.
2. L. M. Bernardi, "Contract workers: managing employees in the new world of work," *Canadian Manager*, vol. 22, no. 3, pp. 19-21, 1997.
3. R. L. Bodine, "How to find and keep good contract workers," *Training & Development*, vol. 52, no. 2, pp. 54-60, February 1998.
4. A. Crowley, "Contract superheroes. (IT contract workers in high demand)," *PC Week*, vol. 14, no. 29, pp. 111-114, July 7, 1997.
5. R. Jarmon, A. Paulson and D. Rebne, "Contractor Performance: how good are contingent workers at the professional level?," *IEEE Transactions on Engineering Management*, vol. 45, no. 1, pp. 11-19, February 1998.
6. KPMG Peat Marwick 1997 business process survey of senior executives (obtained through a friend.)
7. J. J. Laabs, "Embrace today's new deal. (mutual responsibility between employer and employee)," *Personnel Journal*, vol. 75, no. 8, pp. 60-64, August 1996.
8. J. L. Pearce, "Toward an organizational behavior of contract laborers: their psychological involvement and effects on employee co-workers," *Academy of Management Journal*, vol. 36, no. 5, pp. 1082-1097, Oct 1993.
9. R. Radeloff, "The supervisory challenge of the contemporary employee," *Supervision*, vol. 56, no. 3, pp. 9-13, March 1995.
10. M. Syrett and J. Lammiman, "Developing the 'peripheral' worker," *Personnel Management*, vol. 26, no. 7, pp. 28-32, July 1994.
11. S. Thurm, "Some employers becoming skeptical of temporary, contract workers," *Knight-Ridder/Tribune Business News*, p220B1255, Feb 20, 1997.
12. W.H. Weiss, "Employing service organizations and contractors," *Supervision*, vol. 56, no. 7, pp. 8-12, July 1995.