

## **The Liquid Workforce**

**Krissy Clark:** Hey it's Krissy. This is the Uncertain Hour. If you've been listening to our whole season (which, if you're not, you should), you'll know the last few episodes have been about Jerry Vazquez, a former janitor who was not employed by the company whose name was on his uniform, or by the companies whose offices he cleaned. At one point most corporations, schools, churches - had their own in-house janitors who were their employees. Not so much anymore.

And on today's episode we're looking at how did that come to be? Not just for janitors, but for so many people. Which is why Uncertain Hour producer Peter Balonon-Rosen and I sat down with a guy named Bryan Peña.

**Peter Balonon-Rosen:** And Bryan told us how, decades ago, he worked beneath the bright fluorescent lights at a 7-Eleven in San Diego.

**BP: You wanna learn about people? You know that's a great job to learn about people.**

**Peter: Why do you say that?**

**BP: Because you see people of all shapes, sizes and colors in different states.**

**Peter:** It was the early '90s and Bryan was paying his way through college, working the graveyard shift at 7-Eleven. He was majoring in economics, minoring in acting, so Bryan was fascinated with human behavior. And at 7-Eleven, he got to see that up close.

**BP: We'd have the guy who had no teeth who would buy 17 cans of easy cheese every Tuesday.**

**Peter: OK**

**BP: We had the guy who lived in back who would get donuts.**

**Peter:** Plus, that early morning dance where stoned kids in need of chili dogs and slurpees, sidestepped nurses grabbing coffee on their way in.

**Peter: I feel like that's a great way to see a slice of people's lives through their snacking habits or...**

**BP: Yeah, yeah, snacking habits. Indeed.**

**Krissy:** These people became the patchwork backdrop to Bryan's life. So after college, Bryan thought maybe he'd make a career out of his observations. Move to LA and become the people he spied on - as a Hollywood actor.

**BP: That did not quite work out.**

**Krissy:** Bryan never made it in the movies, but he did land a job behind the scenes at Universal Studios, in a job that would set his life in a new direction.

**Peter:** Bryan was hired on as a commodities manager. It was not a glamorous job. Basically, he bought materials for VHS sleeves.

**BP: When I first started, I started negotiating cardboard and VHS tape agreements.**

**Peter:** Bryan says he loved the job. Every day was this puzzle - to work with outside vendors and buy things like cardboard at the cheapest rate. He still has a spiel ready to hammer in its importance.

**BP: I grew up as a, I grew up the son of a single mother, and I've seen how opportunity or lack thereof affects the home. So it wasn't going to be, I'm just saving 17 million dollars in a project. It was I'm saving, you know, 400 jobs, you know, 500 forklift drivers. You know, so if I can save money I can save these jobs over here. And that's just human nature. You want to tie things to the greatest possible stakes.**

**Krissy:** Good for saving jobs maybe, but also helping the company's bottom line and shareholder value. Eventually Bryan's duties changed from just buying commodities like cardboard, to helping the company find good deals on something else. People's labor.

**BP: Eventually I became part of the team at Universal that managed temporary labor and stuff like that.**

**Krissy: So then it's not, it's not an object, it's a person.**

**BP: It's not an object. It's not a — it's not a person, but its people at scale.**

**Krissy:** People who would work at Universal, but not for Universal.

Welcome to The Uncertain Hour. I'm Krissy Clark.

This season we're looking at the rise of the non-employee - all the temps, subcontractors, independent contractors, freelancers and trainees that help power American business.

Increasingly, some companies have shed in-house jobs in favor of hiring outside companies or individuals to do that same work. Labor has changed from a relationship between employee and employer into another commodity, like cardboard, to be bought, sold, or rented out at the right price. Today, this idea has grown to be a part of everything we do.

**Peter:** Like, picture a name tag. Something someone might wear behind the counter at a hotel or an airport or pinned to scrubs in a hospital. This name tag, it'll have someone's name, obviously. Maybe their position. And likely where they work. But that last part often doesn't tell the whole story.

Someone in a FedEx uniform might collect a paycheck from FedEx, or a third-party contractor. More than half the people who work at Google, don't work for Google.

**Krissy:** And it's like this all over the place. From janitors like Jerry Vazquez in California, to warehouse pickers in the midwest, to New York City paralegals. Over the past few decades, some companies have started moving away from in-house employees in favor of these outside work arrangements.

There's been this seismic shift in how we do business in America.

On this episode, we're gonna talk to the people who argue all this disconnected labor...it's a good thing. We're gonna hear from the people who helped pioneer this way of thought, ask why they think outsourcing is a tool that can be used for good, and examine their vision for American work.

Peter is gonna take it from here.

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**Peter:** I wanna hit you with a stat that shocked me. In 2019, over a quarter of the world's largest employers didn't just make or sell products. They also rented out people.

People who provide labor for other companies.

This stat comes from an analysis of the world's largest employers, provided by S&P Global Market Intelligence. And it made me pause. Like...how could companies make such a huge business out of providing labor to other companies? And on the flipside, why would those other companies want their workers employed by someone else?

We can answer those questions by looking at Bryan Peña, and his journey from 7-Eleven clerk to where he is today. Because Bryan's made a career out of a simple worldview: That companies shouldn't have to hire people who provide work for them.

Today, Bryan heads a consulting firm that advises companies on how to connect with workers who aren't their employees. But back in 1998 - on Bryan's first day at Universal Studios - he felt like an imposter in the corporate world, with its corporate jargon.

And heads up - there's definitely gonna be some corporate jargon here. Jargon that says a lot about how businesses think about workers. But anyways, back to Bryan and his first day at Universal.

**BP: I remember going up to the 30th floor of the building and being absolutely terrified. My knees were literally shaking, that I didn't what I was doing. And someday they're going to find me out. And I was certain that that was going to happen.**

**Peter:** But Bryan played it cool. Put on his game face. And got to work. And as his job morphed from paying for cardboard to people's labor, it felt important.

**BP: What we're doing is we're putting people to work and we're making it possible for people to have jobs.**

**Peter:** Not employment, but jobs - basically renting people's labor for a certain amount of time. Usually from temp agencies. Bryan would find people to do receptionist jobs, back-fill full time employees and work in call centers.

**BP: Really any sort of element where a human has to do or not do something in an organization? That's the category of spend that we were managing.**

**Peter:** OK, there's that corporate jargon. Category of spend.

A specific area a company earmarks money for. Like "travel and lodging" or "IT" or "professional services", aka labor and expertise rented from people who aren't your employees.

At the time, Universal Studios was owned by Seagram's - maybe best known for being half of a Seagram's and seven. But Seagram's wasn't just liquor; it owned Universal, the record label PolyGram, and Spencer's Gifts - that store at the mall with lava lamps and graphic tees.

All those places? They needed people.

**BP: You'll be working with a producer who asked to staff his office. And you know, a week later, you're in the middle of nowhere at Spencer gifts where the guy says, Yeah, I just need people. I back up the prison bus and they they go to work**

**Peter:** Yeah, you heard that right - prison bus. Prisoners to work as packers in a warehouse.

**BP: He was willing to hire people from prisons to be able to do that. And he was basically saying the background is less important.**

**Peter: And were you helping him source that?**

**BP: Yes, we were working with him to help identify the suppliers to do that.**

**Peter:** 'Cause when it came to renting people's labor, there were all these intricacies and options that weren't there when Bryan was buying cardboard.

He could look to staffing agencies, which essentially rent out workers for certain amounts of time. He could look to independent contractors, renting labor from people who operated as their own business. And yes, he could look to prisons. This was back in the '90s, but still today about 63,000 inmates have a job producing goods for outside customers.

For Bryan, when it came to paying for labor rather than cardboard, there were all these legal requirements.

**BP: If I drop this water on the floor, it's not going to sue me. If I sexually harass the water, it's not going to sue me or the company. So you know, sourcing of people is much more nuanced than the contract negotiation, that is something that is much more nuanced**

**Peter:** Contracts need to lay out a bunch of things. Like who's responsible for workers comp, how the position is defined, the length of the role, its pay, performance requirements and way more.

Remember, Bryan says this was all about saving the company money and putting people to work. And hiring full-time employees, he realized, is pricey. Sure there's healthcare and retirement plans once they're in the door, but even getting to that point adds up.

**BP: Background check requirements to federal credit reporting things to, you know, managing the liability associated with bringing somebody on board. And to do that, for a lot of organizations takes a significant investment**

**Peter:** Plus this other thing --

**BP: One of the benefits of an extended workforce is that you can try before you buy.**

**Peter:** Ding ding — more jargon. So, the first one...

**BP: Extended workforce**

**Peter:** Extended workforce. A big vocab word for us. Basically anyone who does work for you that's not your employee.

**BP: Everything from independent contractors, to consultants to interns. If my W-2 doesn't say Company X, but I am the guy who you know washes the windows or works in the cafeteria. That was what we would call the version of the extended workforce.**

**Peter:** Today the extended workforce, the non-employee workforce, it's everywhere. People like FedEx drivers. Factory floor workers from a staffing agency. The temp and contract workers at Google. Even high end consultants at a company to work on a specific project.

People who will never be employed by the company they're doing work for.

Other times this work arrangement plays into that other piece of jargon Bryan dropped.

**BP: Try before you buy.**

**Peter:** "Try before you buy." Which honestly, sounds like something you might hear at a used car lot.

A way for a company to test someone out before actually hiring them. Though, companies can also do this with no intention of ever hiring someone on.

**BP: The notion is doing I can I can buy it or I can rent it. I can rent the people there. I can buy the people.**

**Peter: If I want the best person, why shouldn't I hire them directly?**

**BP: You have to understand that businesses are more challenged than ever to focus on efficiency and if I decide on the fundamental premise that I'm more interested in the best person to solve this particular problem, and you understand that the best person might not wear your name badge, that's contingent work in a nutshell. The future of business is the best person wins.**

**Peter:** Today, some companies use this argument to avoid the cost and responsibilities of having workers as employees. It's not so much the best person for the job as it is the cheapest.

In the 1980s, as Wall Street investors demanded companies focus on maximizing returns for shareholders, companies started shedding employees. And contracting their same functions to outside folks who could pick up the job at a better price. Janitors, warehouse packers, executive assistants, engineers, you name it. It transformed how we thought about work.

That simple idea that a company's labor force shouldn't just be people in-house? That became Bryan's calling. At conferences, in meetings, he'd talk about it to whoever would listen.

**BP: I do like to think I am the evangelist, you know, I, I've led the initiative to write the, kind of the book on how this is done.**

**Peter:** He's not joking. In 2008, Bryan got a job at Staffing Industry Analysts, the self-described global advisor on staffing and workforce solutions. His role? Creating strategies for the non-employee workforce.

In the decade surrounding the Great Recession, the use of temp, contract and staffing agency workers soared. More of these types of jobs were created than any other type of job.

So Bryan offered up something new to corporate America. A class. So others could learn to do what he did. He held the first class in San Mateo, California in 2012.

**BP: We started with a class of, you know, fifty people and have people from all over the industry after we wrote a test and we wrote a curriculum, we work with psychometricians to determine the nuances of it.**

**Peter:** I'm trying to picture this. Are you like standing in front of a blackboard?

**BP: Yeah, when you're standing where your peoples... Yeah, wait, wait, we had you have a Participant Guide, facilitator guide and we had a PowerPoint and we had then we had what we call the book of knowledge, which was a 600 page book of best practices, articles, research pieces and things like that.**

**Peter:** In classes, Bryan spread the gospel of renting labor to people who ran staffing agencies and companies who'd want their services. He explained what companies could get out of this, why staffing agencies charge certain amounts and broke down all the jargon.

Bryan gave the class a very Corporate America name: the Certified Contingent Workforce Professional Program or CCWP.

**BP: You know, one of my favorite things to do is to go onto LinkedIn, and type in CCWP and see the thousands of people who have that after their name. Those job descriptions didn't exist 10 years ago.**

**Peter:** Throughout corporate America, the idea that you could and should have part of your workforce be people who aren't actually employees? That idea was spreading like wildfire.

Companies actually created positions to oversee these growing groups of non-employees.

**BP: It could be do I wanna engage these folks as independent contractors, do I want to engage them in a consulting project, do we wanna engage them through a temporary agency.**

**Peter:** Now, for companies all of this has become an art of sorts - to know how many people you need in the door at any time, how much you should pay for them and how to find workers where someone else employs people doing work for you.

**BP: If I negotiate the staffing margin too low, that recruiter has the option to send that resource to the competitor down the street, or that resource has the option to not come and work for me and he doesn't show up.**

**Peter:** I've noticed you've been using the word resources and kind of people interchangeably.

**BP: Oh, my gosh, you're gonna catch me on this. I'm trying to be politically correct. I mean we all are a means to an end. Whether it's a person or, or, or a computer, you have to make sure that they are equally considered in terms of how you accomplish the business goal. I can't say employee because sometimes contractors not employees. I can't say independent contractor because sometimes they might be a consultant. I can't you know, so when you look in the broad term of people and engagements and all those other sorts of things, the word resources is deemed to just simply act as the place for all of those points whether that resources a full time or not, it's just a it's just a shorthand for for a unit.**

**Peter:** OK, honestly...not much better. But alright.

This whole work arrangement has a bunch of different names: the contingent workforce, the non-employee workforce, the extended workforce, units.

People there to help a business accomplish its goals, without actually being employed by the company. So what happens when Bryan's dream meets reality? Some people argue this is better for companies and better for the people who become resources and units. That's after the break.

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**Peter:** I decided I wanted to see what a workforce of non-employees, this thing Bryan had dedicated his life to spreading, I wanted to see what the ideal version of that looked like today.

I looked into a company called Accenture. One of those companies on that list of world's largest employers that rent out people. And I started with their jargon.



**VIDEO: The liquid workforce! Traditionally job roles were fixed, with people perfecting their skills in-depth; but now, the environment calls for breadth. A workforce that is agile, flexible and change ready.**

**Peter:** Liquid, flexible, change ready. A big picture way to describe this? Outsourcing.

In fact Accenture Operations - the area of this company that oversees the renting out of people's labor used to be called Accenture Business Process Outsourcing until 2014. As U.S. companies outsourced jobs overseas, outsourcing got a bad rep in the context of lost jobs and exploited workers. The term kinda went out of vogue about the same time Accenture dropped it.

Today, In the U.S., people on Accenture payroll moderate content for Facebook. They collect debts from homeowners on behalf of loan companies. Across the world, they work in call centers. This is Bryan's idea realized: a workforce of outside employees available as needed.

**Peter: Just now walking up to Accenture. I'm walking up to their driveway.**

**Peter:** Before the pandemic, I visited an Accenture facility in Berwyn, Pennsylvania. From the outside it looked like any office park in suburban America. A big white building with corner office conference rooms.

Inside, it's pretty nice. Across three floors, Accenture employees do what's called procurement for other companies. Which is basically finding and buying things.

It's a busy day. There are meetings in progress ...

**VO: Next slide, please.**

**Peter:** Mock interviews with potential clients

**VO: Any questions, questions? How do you calculate savings?**

**Peter:** And people hard at work at the company ping pong table. At their desk, folks on their computers buy health insurance plans for outside companies and send emails with updates on company orders.

They're consultants. Basically, expert shoppers companies can rent to find good deals on their behalf, to save the company money and boost shareholder value.

I find Keesha Williams on her lunch break. She's an Accenture employee. Her job is to negotiate contracts for software and paper supplies and services for other companies.

**KW: I'll give you a different type of project that I had probably the most different one I've ever had. And that was trying to find vendors to do a in-house yoga class.**

**Peter: Right?**

**KW: So that was fun. But I was in California, obviously, all laid back, everything on so I musta had about five different vendors. And I was talking to trying to figure out the pricing, the competitive rates and all this other stuff. But I have to say that that was probably one of the more fun ones.**

**Peter:** Keesha loves reading crime novels. She has an Inspector Devlin thriller on the table while we talk. Sometimes she reads on her lunch break here at Accenture's offices. Other times though, she's actually stationed at the companies she's doing work for.

Like a job she did recently. She was there onboarding contractors from India, making sure they all had laptops and access to things around the building.

**KW: And the person that I answered to was the client's VP. So we do that too.**

**Peter: So it kind of sounds like you have like, if you're answering to the VP, there's kind of like a revolving set of bosses.**

**KW: It is, because even though you answer to some people here, when you're on site, you're answering to those that they are, for all technical purposes, your boss while you're on that project. So, yeah, it gets to be a little different.**

**Peter: Do you get invited to the Christmas party? What's the relationship look like?**

**KW: No no, if they bring us there for a specific thing once we're done we're done.**

**Peter:** Now Accenture, for their part, do a lot to make workers like Keesha, whether they travel or not, feel like they're a part of the outside companies they're doing work for.

Not at the office I visited, but in other Accenture buildings, they have this thing called an embedded environment where they put up the logos, designs or products of the outside company people are doing work for. Sometimes people even wear swag like company t-shirts for the outside company.

Here in Pennsylvania, though, it's just Accenture Corporate slogans on the walls. Like one that reads "So many ways to be Greater Than."

Keesha tells me she likes this style of work. Every employee here has a career counselor: someone to help them navigate working with other companies and find ways to move up within Accenture.

**KW: But it is up to you to pretty much kind of Own your success. Other people can have something to do with it. But at the end of the day, it's you so you have to do what you need to do to make yourself stand out. That was a little hard to get used to.**

**Peter: So how do you, how do you stand out, what's your...?**

**KW: I'm awesome \*laughs\***

**Peter:** So the work they do in this building - buying health insurance and office supplies or yoga classes for a company - those are jobs that used to be in-house at many companies. Now, it's not even surprising those roles have become specialized and outsourced.

So is that where we're headed? Is there some reality where almost everything in a company is outsourced?

There's this report that predicts, actually yeah.

It's from the research wing of Accenture, where people who study workplace trends put on their figurative lab coats and predict the future of work.

In this report, their 2016 Technology Vision, they write "Within 10 years we'll see a new Global 2000 company with no full-time employees outside of the C-Suite." Basically it'll just be people at the very top, and they'll pay outside folks to do the rest.

To some people that may sound like a dystopian future. A world where those at the top have no responsibility for the outsourced people beneath them. But to others? Not so much.

**Debbie Polishook: if anybody speaks about it as if this is sort of evil thing, it really disturbs me because there it's a strategic decision that companies should consider.**

Debbie Polishook headed up Accenture Operations when we spoke. The people leasing side of Accenture. She says hiring an outside workforce, it's not for every company.

**DP: The strategic driving force for our clients back in the day was access to lower cost labor. Fast forward to where we are today, we started saying how could we take these processes that we take on and make them even better, versus lifting and shifting and moving them to a lower cost location.**

Ok another piece of jargon. Lifting and shifting is where you take the exact same job and find someone to do it elsewhere for cheaper.

Debbie says if you find someone to do the same job at a cheaper price that saves companies money, sure. But she says the real savings come when you can rent people to do a job who are better at it.

**Peter:** You guys are one of the world's largest providers of outsourced labor. So you, someone basically has to pitch CEOs on the idea that you can do parts of their business better than they can or in a more efficient way. How do you do that?

**DP:** For me it's focus you have to make choices. If their core competency is creating the best water bottles and marketing them out in the market, focusing on how they're going to change their accounting processes and HR processes to deal with selling their product and every type of channel possible, you know, is a distraction from creating the best water bottle.

**Peter:** So you saying, hey, if I'm, if I'm Peter, the water bottle manufacturer, I should focus on designing the best water bottles. If that's what I want to do, but that might not necessarily include hiring people to do my HR or hiring people to even make the water bottles if I'm thinking about designing them.

**DP:** Yeah, correct.

**Peter:** Which OK, kinda makes sense. There are so many parts of running a business, why should one company be responsible for all of it.

But then my head went back to those parts of Accenture where they're doing everything to make their workers feel like they're at an outside company.

**Peter:** Like you're taking all these steps, and your delivery centers to have the swag and the colors to make these people feel very aligned, almost like they're working for that company, but they're not.

**DP:** They are working for that company.

**Peter:** But they're not being paid by that company.

**DP:** They are because the company's paying us and we're paying them so. I mean, of course, they're getting paid by that company,

**Peter:** But are they Accenture employees or clients...

**DP:** They're Accenture employees, but we pay our people, right, but I can't pay my people if my clients don't pay me so I mean it's all related .

**Peter: I mean people often say this is a way companies can get around things like healthcare, retirement benefits, the costly parts of having an internal workforce**

**DP: Yeah but I do that I provide health care and benefits for my people. So indirectly, they're paying for all those things, because we're not cheap. I'll be honest with you. We're not cheap. You know, we're a high end provider, we pay our people very well, they have great careers. And so if you're looking to do that, you probably wouldn't be talking to a partner like us. Just a fact.**

Accenture has positioned itself as a high end provider. Even workers in its call centers get health care and other benefits.

And Debbie wants to draw a sharp line between them and other staffing companies, which often don't provide health care and other benefits. Just help a company find workers and cut costs.

Debbie says the work Accenture does, it's not like this is a new way of doing business.

**DP: There's always been advertising agencies, right. And very rarely did a company have an in house agency. I do think again, when when you start talking about technology and automation, people start to really focus on who's an employee who's a workers, uh, you know, they all of a sudden refocused the media, y'know politicians, y'know people that feel that they've been wronged in their career at some point and displaced, to start to refocus on what is a worker.**

**Peter: What is your definition of a worker?**

**DP: Definition of a worker to me is someone who adds value to whatever the company is trying to achieve.**

**Peter: And do you think that necessarily that person needs to be employed by that company?**

**DP: I do not believe that that person has to be employed by that particular company to add value and also have a great career.**

Outsourcing seems to have turned from a question of "should we or shouldn't we?" into a question of "how much should we outsource and with whom?"

According to Debbie, that was all so a business could just focus on its core.

That comes from a management theory called "core competencies", where a business figures out what makes it unique. And doubles down on that.

This idea was coined by business philosophers C.K. Prahalad and Gary Hamel in a 1990 paper for Harvard business review. Today, Gary Hamel looks like what you'd imagine a business philosopher looks like.

**GH: gray hair and a mustache and. I guess a geezer is the technical term.**

**Peter: Technical term, yes. \*laughs\***

**Peter:** Gary's a big deal in the management theory world. He's consistently ranked among the world's most influential management theorists, cause yeah those lists exists.

**GH: I always thought academia was, you know, as close as you could get to kind of being an anarchist, but still get a paycheck.**

**Peter:** Gary's idea of anarchy was exploring questions plaguing the business world. And in 1990 he set out to answer a big one.

**GH: US industry was being pummeled by international competitors. And I was trying to unpack what made them so successful.**

**Peter:** Let's remember what was going on. This is when Japanese companies like Sony, Toyota, Honda were all of a sudden dominating.

And Gary saw that these companies weren't really dedicated to making specific products, as much as perfecting specific skills in new areas.

Like, Sony was great at miniaturizing electronics. Toyota had fine-tuned manufacturing. And Honda was focused on making efficient powertrains that could be used for a variety of products.

In their Harvard Business Review article, Gary said successful companies had basically asked themselves, "what can I do that no one else can?"

**Peter: Was that kind of a radical idea at the time to say this is something I need to be paying attention to?**

**GH: Apparently, so because the article certainly resonated with a lot of individuals.**

**Peter:** Their article outlined what they called a business' core competencies: the skills, technologies and processes that allow a company to do something highly valuable for customers, and are difficult to imitate.

They wrote that that was the most important thing for a business to focus on. And as soon as the article was published Gary's phone started ringing off the hook.

**GH: I remember having a call shortly thereafter from the top team at IBM, and found myself a few months later having a conversation about you know, their core competencies and, you know, here I was, you know, a thirty something young academic, being asked to have a view on IBM's corporate strategy.**

**Peter: How did that feel?**

**GH: Out of my depth to be sure.**

**Peter:** Gary had unlocked something that tapped into the anxiety of the time. U.S. industry was falling behind in consumer electronics and the car industry. Key markets. So there was this desire to figure out what needed to change.

**Peter: How did you come up with the name core competency?**

**GH: I've been doing a bit of consulting work for Carrier which makes air conditioners. And at the time they were considering outsourcing a significant part of their manufacturing and some of their componentry to a Japanese company. And I wrote a memo where I said, you know, just think of this as a core competency and ask Is this something that you're willing to give up? Recognizing that once you do so, probably, you'll never be able to recapture it.**

**Peter:** Carrier, which is a heating, ventilation and air conditioning company, was debating whether to outsource the manufacturing of ACs. And in a memo, Gary was like "hang on - once a skill's outsourced it's really hard to get back in-house."

Basically, if you're the air conditioning company, you wanna have the skills to make air conditioners.

**GH: And it's pretty hard to defend your market and your market share if it's just a brand.**

**Peter:** It wasn't find out what makes you special and outsource the rest. Gary was saying, find out what makes you special and never let it go.

**Peter: And so what are you supposed to do those things that aren't part of your core?**

**GH: One of...one of the debates at the time was, well, if it's non core, is it dispensable?**

**Peter: Yeah.**

**GH: And we said, well, you know, maybe but maybe not.**

**Peter:** And Gary says, yeah, there are things that it makes sense to outsource.

**GH: I'm not sure that, that for most organizations I could think of, janitorial services really are going to make much of a contribution to their competitive advantage. So if you can find a company that's willing to provide you janitorial services, for less, probably you should do that.**

**Peter:** Back in the 90s, after the core competencies article was published, something interesting happened.

The rise of the internet, combined with trade policies which opened up new global markets led to a major burst of outsourcing. Detroit auto companies started wondering if they should have other companies make engine parts. Call centers emerged around the world.

But also in the U.S., new armies of subcontracted janitors, cafeteria workers, security guards and warehouse workers emerged. In places like Silicon Valley, between 1990 and 2016 subcontracted jobs grew at three times the rate of all private sector jobs.

Companies were taking Gary's idea - finding their core thing - and then outsourcing everything else. Gary says this is *not* what he intended.

**GH: If you choose to use contract employees, you are making a choice that a substantial part of your virtual workforce if you like, it's really not going to care about your business.**

**Peter:** A 2019 Gallup survey found that only three in ten U.S. employees believe their opinions matter at work. And that only one in five believe they can take risks that would lead to a new product or service.

**GH: You cannot overstate the propensity of US companies to treat human beings as mere factors of production,**

**Peter: Sure.**

**GH: As commodities rather than as ingenious problem solvers. And when you have contract employees, it's very unlikely they're going to have the loyalty or that sense of reciprocal commitment that's going to mean and they lie awake at night thinking about how to improve your business.**

**Peter:** As a management theorist, Gary's thinking about these big questions. How can companies succeed where others have failed? How do you ID what makes you special as a



business? It's the answers to those questions, and their ripple effects, that people down on the ground feel.

Some economists say the rise of contracting is helping to fuel income inequality in America. You have one set of people with stable jobs, sick days, decent benefits. Then this whole parallel society of people doing contract work with less job security, benefits and pay.

**GH: This is not about what you insource or outsource, this is us as a society saying, you know, one of the minimum standards we think are fair and equitable for working conditions, for the healthcare people receive, for the safety of their work environment and making sure that every organization is held accountable to those. In the short run, there's a lot of organizations that have kind of played regulatory arbitrage and they figured out that by, you know, outsourcing work to contractors, they can avoid some of these responsibilities. And it's up to all of us to ensure that that's not the case.**

**Peter: Well, when you say it isn't a matter of what you insource versus outsource, it kind of is because they're saying I'm focusing on my core competency here. I'm just going to subcontract out and outsource. So like if you see companies using your idea in that way, does it feel like you've kind of created a Frankenstein, like something that was created outside of your control?**

**GH: Well as I say, I think the tipping point here was not an argument about, you know, where you decided to focus. The tipping point was that thanks to the web, it became very easy to contract for, for labor. So, you know, this was going to happen irrespective of any argument I might have made. Because, you know, companies are always trying to find a way to cut costs, they're always trying to find a way to do more with less.**

**Peter:** Gary doesn't really take responsibility for all this. We live in a society that rewards people and businesses for finding new ways to save money, to make money, to get ahead. Gary just put one of those ideas down on paper.

**GH: Every idea has unintended consequences. And no idea can fully capture the complexity of the business environment, or fully anticipate how people might, you know, apply it. And I think in certain cases that core competence argument was used to justify perhaps precisely the opposite of what I had intended.**

**Krissy Clark:** So what happens when you're a worker living out these unintended consequences?

**Audio: No more medical insurance, no more vacation pay, no more sick pay, and I'm like no, that can't happen.**

**Krissy Clark:** That's next time on The Uncertain Hour.

That's it for *this* episode of The Uncertain Hour. Thanks so much for listening.

#### CREDITS

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