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REPORT SMALL BUSINESS

REVENGE OF THE TEMPS

Specialty freelancers are in demand and calling the shots

BY ELAINE POFELDT

When it comes to attracting the best freelancers and independent contractors, Scott Cullather, chief executive of the New York-based events agency InVNT, has to be aggressive. He expands his staff of 28 to as many as 150 workers during peak times. The outsiders help on everything from videography to streaming-Web programs at high-profile events such as the press launch of Barnes & Noble's Nook e-reader.

To help ensure that contractors he needs remain available, Mr. Cullather provides access to InVNT's benefits plan, including health insurance, to 24 "permalancers," who must in turn work a minimum number of hours to qualify. Mr. Cullather thinks that offering the perk is essential, given the competition for talent in some niches.

"The best graphics designers in the world can handpick the jobs they want to work on," said Mr. Cullather, whose firm logged sales of \$19.2 million last year.

"Committing to temporary"

Scoring a permanent job still is not easy in this economy, but temporary workers, independent contractors and freelancers, especially those with high-level professional skills, are in great demand locally.

"Many corporations that would normally be hiring are committing to temporary help," said John C. Millman, president and CEO of New York-based Sterling National Bank.

Sterling, which specializes in lending to small and midsize businesses, has a lending division focused on staffing agencies, many of which do temporary placement. The bank has noted "double-digit" year-over-year revenue increases in the activity, Mr. Millman said. "It's a real growth opportunity for a company like ours," he added.

Move or lose

The American Staffing Association reports revenue of \$22.8 billion in the temporary-help industry for the first quarter of this year, up from \$19.1 billion in the year-earlier period and \$17.6 billion in first-quarter 2009. And according to the Bureau of Labor Statistics, there was an average monthly gain of 26,000 temporary jobs last year.

Executives in the local industry say there's no shortage of companies in New York looking for temporary help—as that workforce has expanded to include attorneys, human resources managers, information technologists and other highly educated workers.



WAITING GAME: Gavin Wassung can be picky about which jobs he accepts at his brand consultancy.

BUCK ENNIS

It's at the point where a \$500 job isn't worth my time'

"If someone doesn't move quickly enough, they are losing that talent," said Rebecca Cenni, CEO of Atrium Staffing, which places temporary and permanent staff in areas ranging from finance to fashion.

The move to contingent hiring is likely to continue, as many employers remain uncertain about the impact of tax policy changes and health care costs.

"More jobs are becoming freelance and temporary because it's less risk for the employer," said Joseph Musacchio, CEO of NextSource, a Manhattan firm that develops Web-based workforce solutions. Mr. Musacchio employs about 3,000 contractors at any given time.

And, in a city that's home to the Freelancers Union, many professionals have decided that they prefer self-employment to the indignity of layoffs and the

general instability of a corporate career.

"There are no more 'permanent' jobs—only full-time jobs that come disguised with benefits," said Susan P. Ascher, CEO and president of The Ascher Group, a contract staffing firm with clients throughout greater New York. She sees seasoned professionals assembling what she calls "portfolio careers," in which they sell a variety of services on a part-time basis.

Care and feeding

The trend has major implications for employers, which must now pay attention to wages and quality of projects for workers who may be with them for only a few days, weeks or months—people whose job satisfaction may not have been considered a few years back.

Just ask Gavin Wassung, who graduated from Pratt Institute in 2007 and launched a Brooklyn-based brand consultancy in January. He has been working with clients that range from advertising giant DDB to tech startups, and a steady flow of recommendations means he can afford to turn down certain assignments.

"It's at the point where I won't take a \$500 job," Mr. Wassung said. "It's not worth my time. I'd rather sit on my couch and play video games for an afternoon and wait for a job that's going to pay better."

Terry Callendrillo, a veteran construction-safety specialist in Brooklyn, says he avoids taking work from clients with poor safety records or that don't cede him the control he needs on a site.

"I'm very selective about it," Mr. Callendrillo said. He typically works as a subcontractor for federally funded projects run by entities such as the Metropolitan Transportation Authority and says his services are in great demand.

In this environment, small businesses often find themselves vying for flexible workers against deeper-pocketed midsize and large companies, including some that can make attractive offers for permanent jobs, according to Lloyd Solomon, a founder and managing partner of Solomon Page Group, a Manhattan-based staffing and executive search firm.

In several areas, including design, digital media and social media, "the competition is that much fiercer," Mr. Solomon said.

Greater reliance on flexible help also increases pressure on companies' HR managers, who can have difficulty determining an effective process for interviewing and evaluating independent contractors and temps. Companies are now "interviewing contractors as if they're full-timers," Ms. Ascher said, because businesses "don't have the head count and know a person might be there for a year or two."

The stakes can be high even when workers are on a project for just a few days. At InVNT, for instance, core contractors and other flexible help often take on roles that involve direct contact with customers.

Multiple challenges

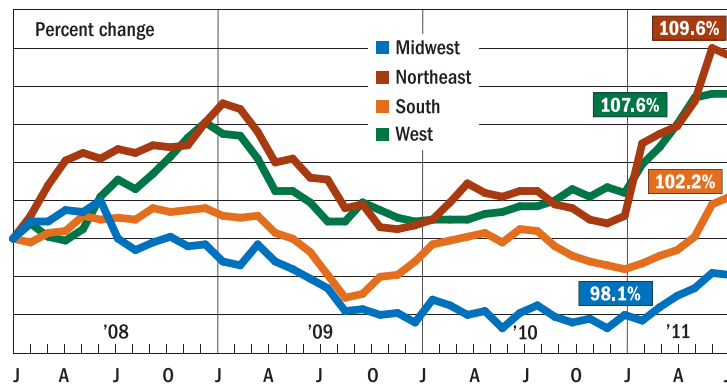
"There's no second chance," Mr. Cullather said. "One bad experience for the client can spoil the entire event." To help avoid missteps, InVNT contractors are thoroughly vetted and attend a training session that covers a client's business and key players, and other vital information.

For many small companies, classifying flexible workers to avoid violating labor statutes is also a challenge. Federal law may require that workers logging more than 1,000 hours a year have access to pension and retirement plans, so some employers rotate jobs among a pool of temps.

As a result of the Affordable Care Act, government officials will probably scrutinize more closely the status of freelancers filing a 1099 to ensure that employers are not misclassifying workers who should be getting health coverage and other benefits, according to Michelle Boggs, president and CEO of McKinley

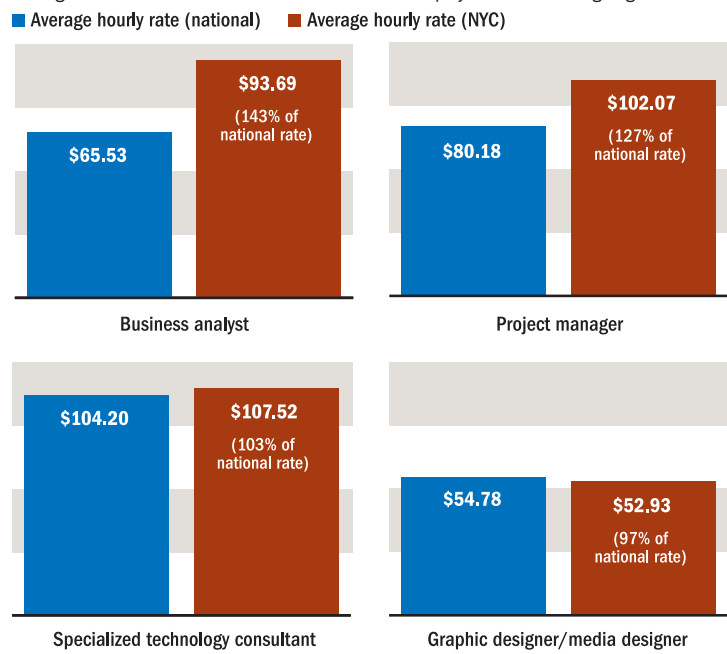
FREELANCE NATION

Average hourly pay rates for temporary workers by region. Employers started paying more for temp help in December, when the supply got tighter. The trend has continued.



WHO'S CLEANING UP?

Here's a look at the hourly rates that employers paid in June for some of the most sought-after contingent workers. Rates cover workers who are self-employed or hired through agencies.



Source: www.IQNTelligence.com

More about freelancers and contractors can be found at www.craigslist.com/smallbiz

Marketing Partners, which provides interim marketing consultants in major cities, including New York.

Under the act, companies with 50 or more W-2 workers—whose hours are managed by employers and whose pay is reported on a W-2 form—must offer health coverage starting in 2014.

"More and more companies are preparing," Ms. Boggs said.

One common solution is using a staffing agency that employs the workers: overseeing their schedules, distributing checks and, in some cases, providing benefits such as health insurance.

"It's a transference of the risk from employers to us," Mr. Solomon said. Like others in the field, he expects the vigorous demand to continue. ■



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