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Temporary Workers and the 21st Century Economy

The surge in temp hiring is not a sign of a malfunctioning economy. It is the face of the future.

By **JODY GREENSTONE MILLER**

The White House is turning its nose up at last month's spurt in temporary work—the one bright spot in an otherwise grim jobs report. It claims that such work is proof that the economy is still malfunctioning. The truth is that this surge in temporary workers is not only good news for the economy, it's the future of the 21st century labor market. If Washington wants to jump start job growth for the 3.5 million white-collar workers who have lost jobs in this recession, it should start by scrapping the outdated legal and regulatory hurdles to temporary work.

I know something about this because I run a business that places talented individuals into temporary consulting and interim executive assignments. Amid the worst recession in decades, our business is up 70%. Yet there would be much more growth in this sector if Americans—from the White House down to the personnel department—stopped discriminating against temporary work as inferior or anomalous.

Today, demand for high-end temporary business talent is not focused on cost-cutting projects, as some might suspect. Instead, firms use temporary executives to drive innovation. In uncertain times, firms are simply more comfortable with deploying talent on a flexible basis.

Temporary work also boosts economic efficiency because not all executive roles require permanent staff. For example, one pharmaceutical company client took on a temporary marketing executive to help launch a new drug. The old way of doing this was to make a new permanent hire (or a small team) who would have been under-utilized after the launch. The availability of temporary staff who can get the job done quickly means that firms can rethink how work is organized.

Which brings us to another case for temporary work: Top business talent increasingly wants to work this way. In one situation, a VP-level executive we placed was developing his own new business. He valued the way a part-time senior role allowed him to support his family while he worked on his own project. For others, working in a series of temporary assignments may be their preferred full-time occupation.

Given the contribution that temporary work makes to the economy, it's time Washington embraced it. Here are three things the feds could do immediately to make it easier for firms and executives to work this way:

First, the Obama administration should create a two-year "safe harbor" for independent professionals doing temporary work. Currently, the rules governing independent contractors are determined on a case-by-case basis and are subject to state law variations. This leaves risk-averse personnel departments wary of hiring temporary executives for fear that they could be reclassified as employees, saddling employers with liabilities. The solution is to create a two-year safe harbor provision that lays out a clear test for being classified as an independent contractor. The White House could streamline these rules, beginning with the IRS, if it made it a priority.

Second, Washington should apply any new employment tax subsidy to temporary jobs. There is much talk of a new jobs tax subsidy, but as it currently stands it would exclude temporary work. This is 20th century thinking. Any new subsidy should seek to boost temporary roles as well.

Third, the feds should let independent workers buy into the congressional health plan. A huge barrier to temporary employment for professionals who prefer to work this way is their inability to access group health coverage outside the permanent employment setting. Though Congress may pass health reform this year, the new insurance exchanges that would remedy this problem won't come into play until at least 2013. Congress should allow temporary workers to buy into the congressional health plan until then.

As we reboot the great American jobs machine, it's time to shelve outdated assumptions and accept that a portfolio of multiple assignments is what growing legions of companies and executives want. This new relationship between talent and firms isn't a failure to be stigmatized, but the latest sign of our economy's endless capacity for renewal and innovation.

Ms. Miller is the founder and CEO of the Business Talent Group. She served as a special assistant to President Bill Clinton from 1993 to 1995.

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