# **How might we create new types of agreements between employers and employees built around outcomes instead of hours?**

BACKGROUND

With the advent of a more project / freelance focused economy, there has become a need to redefine the model of compensation and bring it into the modern era. It has become inefficient and arduous for all parties to negotiate price per hour for a project that succeeds or fails on its outcomes. Often contractors must spend more time to resolve unanticipated issues or conversely simply slow down on their delivery to reach their hourly allotment. This is wildly antiquated and we can do better.

Can we design a system that allows for compensation to agreed upon by measured outcomes, then released based off of those measurements. Which jobs are ideal for this and how hard are they really to measure? Often, success can be a nebulous goal, the future or work will require both the employer and the contractor to create an alliance instead of competing for “the best price” in order for them both to feel good about success.

PROTOTYPE TO BUILD

Design a long-term compensation tool (e.g., a royalty system) that enables a freelance software engineer to be paid out any time their code is used in a product. To do this, you’ll need to develop ways to instrument the code itself, track it, and figure out a fair payment model for it. Your prototype should answer questions like…

... How do we track and measure the value of an individual piece of work?

... How do we adequately predict the value the outcomes of work, before its done?

... What would convince a freelancers that this was a more valuable compensation model than (or in addition to) time-based payments?

.... What other jobs are easy to apply this pay structure to? What would be challenging?

HOW MIGHT WE

How might we create a new type of agreement between employers and freelancers built around outcomes instead of hours?

HEADLINE

A long-term compensation model that empowers freelancers to be paid based on performance.

WHAT DID WE BUILD?

We built out two distinct experiences that might occur in an economic environment where workers are paid based on the value they produce.

Hiring a Software Developer - We mocked up the experience of a Startup CEO hiring a software developer to build an IOS application. Upon determining the experience necessary, our platform offered up a potential contract with compensation comprised of both a small base pay (granted upon completion of the task) and value pay (tied with measurable outcomes based on value of completion) to provoke the experience of sharing in future value.

Life in the shoes of Freelance Software Developer - To get into the shoes of future freelance worker, we wanted people to experience what the daily life would be like to be compensated by the value. We created a calendar that shows organized timeline of current jobs, prospective jobs, secured income as well as expected additional income. The calendar shows the relative amount of income compared to past month’s income and expenses and also suggests possible jobs you might be interested in if you are low on earnings. It also shows the performances of the prior jobs that are completed, and the additional income based on increase of value. Through the calendar, worker can easily determine their financial as well as professional status.

What did we build?

To get into the shoes of future freelance worker, we wanted people to experience what the daily life would be like to be compensated by the value. As a method to portray this, we created a calendar that shows organized timeline of current jobs, prospective jobs, secured income as well as expected additional income. The calendar shows the relative amount of income compared to past month’s income and expenses and also suggests possible jobs you might be interested in if you are low on earnings. It also shows the performances of the prior jobs that are completed, and the additional income based on increase of value. Through the calendar, worker can easily determine their financial as well as professional status.

Why did we build it? Why does this matter? What problem is it solving, and for whom?

WHY DID WE BUILD IT?

We built the hiring experience to examine the decision making process when it comes to paying for created value. We raised questions about how future value might be calculated? Is it possible for humans to prospect on jobs? How could we demonstrate an obscure and nuanced concept to tangible outcomes?

Also, one of the important revelation from our user research was that freelancer’s motivation for jobs are not necessarily for money but for the lifestyle and freedom of choice. People at this jobs “just want to know if they are going to be good on money”, and as long as minimum income is guaranteed they want to work on meaningful projects. This inspired us to think about an automation/simplification of the process, a system that ensures passive incomes and a way to empower workers by the value that they create.

WHAT DID WE LEARN?

Freelancing is a lifestyle choice.

We spoke with several freelancers from software engineers to design researchers. All of them could have worked full time for a single employer but made the conscious decision to work freelance for reasons such as having the flexibility and freedom to say no to work and the ability to choose to do only the projects they were inspired by.

Initially, our prototypes focused on the compensation model itself--how payments were being tracked, what potential future earnings could result from every job taken, and how a freelancer's future earnings would stack up. After our design research and interviews, we heard from the freelancers that they just want to know if they are "financially good". If their basic life needs are being met (rent, utilities, etc), then they don't really care about the total amount of money they will make.

We changed our prototype to emphasize what freelancers said was important to them: are they going to be financially secure? We also heard that the process of contracting, figuring out rates, invoicing, and getting paid on time was a huge hassle. We realized we needed to create a tool that simplified all the complexities of smart contracting and getting paid for long term value created.

Employers are often just as in the dark as freelancers about what a fair price is for quality work. They also struggle with the administrative hassle of contracting and payment. In particular, we learned that for start ups, the cost of setting up, onboarding, and figuring out how to hire a freelancer can be prohibitive.

Our first prototype focused on the selection process: employers could choose specific skills to "build their pizza" of the perfect hire. We realized that we needed to solve for the difficulty that comes with value based compensation. As an employer, how do I know what to offer a freelancer? We were inspired by the simplicity of a mad lib. An employer could just fill out in a natural way what they were looking for and our system would take care of everything else.

We decided to focus on startups because value based compensation closely aligns with what startups are already in a position to offer. Early stage startups face the conundrum of needing freelance work to build their product but not a lot of funding to pay for it up front. Currently, this need is filled by equity offers. However, this can be a contentious issue for startups that don't want to divvy up equity to every freelancer who works for them. Value based compensation takes away the problem of distributing equity while also giving startups the flexibility of decreasing necessary upfront payment while letting them pay for success.

WHO WE ARE

Mark Unger is a designer and geographer on hiatus from his day job with National Geograhic in D.C.

Emily Hsu is a product manager and business designer with a background in business operations. She is currently a grad student at MIT.

Hane Roh is a UX designer and a former designer for Samsung venture projects. She is currently a grad student at Harvard.

Dan Aharonian is a program manager at Fidelity where he connects employees interested in topics such as emerging technologies and innovation.

<https://cdn.filestackcontent.com/aeNUrncySyGaO2KR16Iw>

<https://www.forbes.com/sites/fotschcase/2015/08/24/incentive-plans-that-actually-work/#43b8fee161e6>

# How To Build Incentive Plans That Actually Work

# **How do actors make money off residuals?**

<https://www.marketplace.org/2014/10/24/business/ive-always-wondered/how-do-actors-make-money-residuals>

<https://nation1099.com/gig-economy-data-freelancer-study/#McKinsey>

# ULTIMATE GUIDE TO GIG ECONOMY DATA: A SUMMARY OF EVERY FREELANCE SURVEY WE CAN FIND

Quotes (kindof)

What we heard from freelancers – Highly paraphrased

 “I hit a point where I was unhappy with work. I felt disconnected from my team.”

“Happiness comes to me through enabling the success of others.”

On choosing work:

“I would take a smaller payout in the beginning if I had financially met my needs. To rely on longer term, potential payout, I would need to be very interested in the project.”

“I only need to know if I’m doing alright”

“I want to do what I want to do, and not worry about anything else.”

“Tracking hours is too much of a hands-on approach by the client. Project-based costs allow me more freedom.”

“I have a fuzzy target for the amount of money I want to earn each month.”

What we heard from hiring employers – Highly paraphrased

“We start with our direct network to find talent, and expand as needed.”

“Our hiring timeline is often time constrained, and who we hire depends on who is readily available.”

“We strip applications of any personal information to take an unbiased look at each candidate.”

Future State

-      Ability to hire multiple freelancers to one role, where potential earnings are divided evenly

-      Customize the outcomes that determine future payment (write your own smart contract)