NACo COUNTIES FUTURES LAB • NOVEMBER 2017

The Future of Work

The Rise of the Gig Economy

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Introduction

How people live, work and spend their money has changed dramatically over the past decade, especially with the advent of smartphone technology. Being hyper-connected via social networks has increased communication and has opened new ways to make and spend money – online, picking up a "gig" (or a temporary work engagement) is as easy as making plans for dinner or finding a date. The so-called "gig economy" is altering the way that people view and perform work, and counties must be ready to respond with innovative policies and programs.

At NACo's 2017 Annual Conference and Exposition, the Counties Futures Lab hosted a workshop on the gig economy and how the rise of the freelance workforce is affecting counties across the country. Moderator Hon. Rich Fitzgerald, County Executive, Allegheny County, Pa., and presenters Dr. Trevor Brown, Dean of the John Glenn College of Public Affairs, The Ohio State University; and Molly Turner, Lecturer, Haas School of Business, University of California Berkeley and the former Director of Public Policy for Airbnb – all shared their insights based on their experiences and interactions with the gig economy.

The Hon. Rich Fitzgerald
County Executive, Allegheny County, Pa.

Dr. Trevor Brown
Dean of the John Glenn College of Public Affairs, The Ohio State University

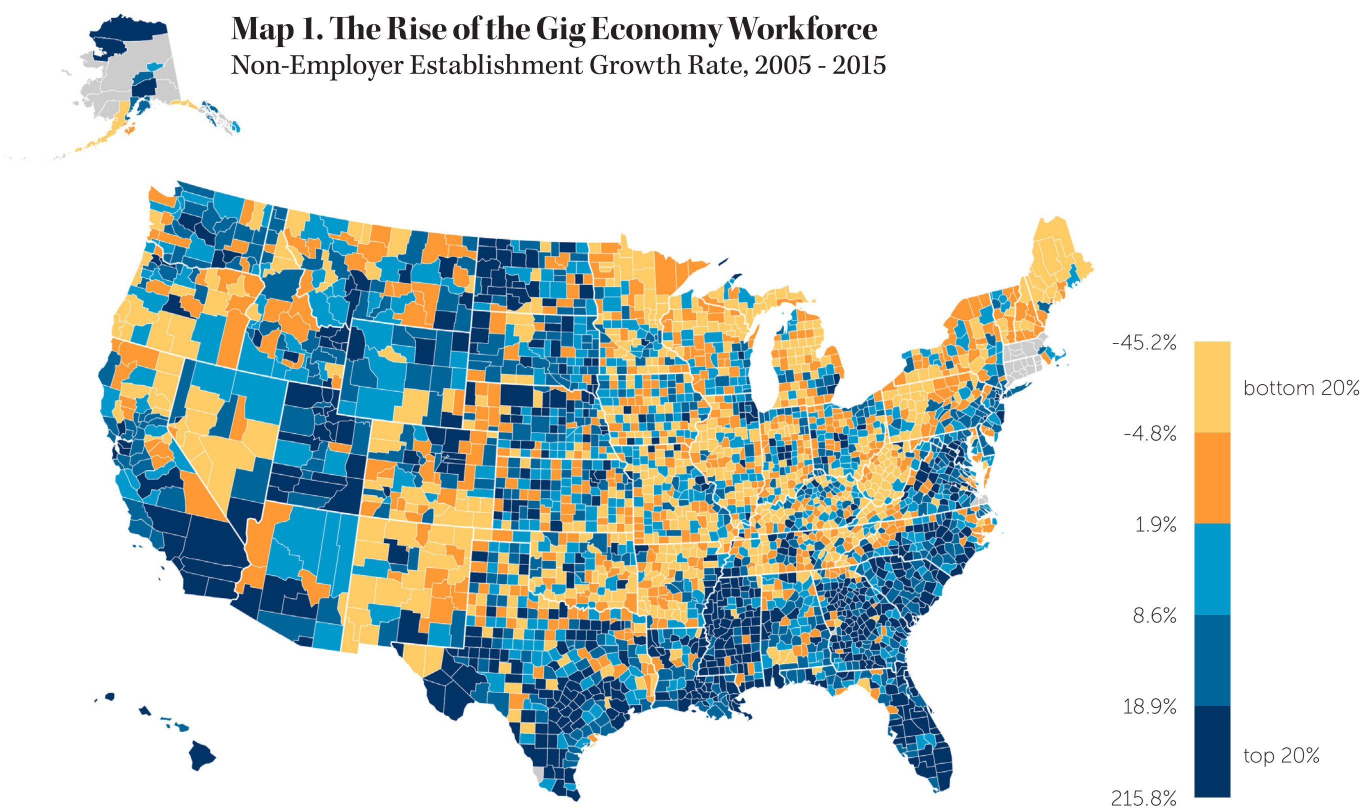
Molly Turner
Lecturer, Haas School of Business, University of California Berkeley

What is the Gig Economy?

The gig economy is made up of three main components: the independent workers paid by the gig (*i.e.,* a task or a project) as opposed to those workers who receive a salary or hourly wage; the consumers who need a specific service, for example, a ride to their next destination, or a particular item delivered; and the companies that connect the worker to the consumer in a direct manner, including app-based technology platforms. Companies such as Uber, Airbnb, Lyft, Etsy or TaskRabbit act as the medium through which the worker is connected to – and ultimately paid by – the consumer. These companies make it easier for workers to find a quick, temporary job (*i.e.,* a gig), which can include any kind of work, from a musical performance to fixing a leaky faucet. One of the main differences between a gig and traditional work arrangements, however, is that a gig is a temporary work engagement, and the worker is paid only for that specific job.

> "The gig economy is not new – people have always worked gigs... but today when most people refer to the "gig economy," they're specifically talking about new technology-enabled kinds of work."
>
> –Ms. Molly Turner,
> Lecturer, Haas School of Business,
> University of California Berkeley and
> the former Director of Public Policy
> for Airbnb

Map 1. The Rise of the Gig Economy Workforce
Non-Employer Establishment Growth Rate, 2005 - 2015



Source: NACo analysis of the U.S. Bureau of Labor Statistics (BLS) Non-employer Statistics, 2005-2015

Notes: Non-employer businesses have no paid employees and are subject to federal income tax. Most of them are self-employed individuals operating a very small, unincorporated business with no paid employees. Many gig workers fit the Census definition of a non-employer.

The gig economy is by no means a new concept, but this past decade has seen it expand greatly. The share of the U.S. workforce in the gig economy rose from 10.1 percent in 2005 to 15.8 percent in 2015.[1] In 2016, 24 percent of Americans reported earning some money from the "digital platform economy" during the previous year (2015).[2] The number of self-employed individuals (many of whom are independent workers in the gig economy) soared by over 19 percent from 2005 to 2015, with great variation across the country (See Map 1). At the same time, the gross receipts of these independent workers grew by nearly 21 percent. The South saw the largest growth in the number of self-employed individuals (27 percent), followed by the West (21 percent). Revenue also increased the fastest in the South (23 percent), followed closely by the Northeast (21 percent) and the West (20 percent).[3]

According to Ms. Turner, this past decade's growth of the gig workforce has been driven by the development of new technologies that enable transactions directly between providers and consumers, and the difficulty of finding traditional, stable jobs. On the one hand, app-based technology platforms are replacing people as middlemen to connect consumers and producers quickly and easily, allowing individuals to perform a variety of tasks for complete strangers based on real-time demand. On the other hand, people are increasingly gravitating toward this nontraditional sector of employment either to supplement their current income or simply because they cannot find traditional, full-time, salaried positions.

Who is part of the new gig economy?

1. Technology platform companies

- Technology platform companies have been a major force in the expansion of the gig economy. Included in this category are companies such as Uber, Lyft, Airbnb, Etsy, TaskRabbit and others.
- These platform companies have a few distinct commonalities:
    1. Facilitate direct transactions between consumer and producer.
    2. Flexible work schedules for gig workers.
    3. Online payments, from which platforms take a cut.
    4. Online profiles and reviews of both producers and consumers.

2. Gig Workers

- Gig works can be classified into two broad categories:
    1. Labor providers
        - For example – drivers, handymen, delivery men
        - Lower-income and less-educated workers who rely on gig work for their entire livelihood, often because they have trouble finding other job options.
    2. Goods providers
        - For example – artists, craftsmen, clothing retailers
        - Higher-income and more-educated workers who do not depend on their gig work income, often because they have another full-time job; their gig work generally provides supplemental income.

3. Consumers

Source: Presentation by Ms. Molly Turner at "The Gig Economy: The Rise of the Freelance Workforce" at NACo's 2017 Annual Conference & Exposition in Franklin County, Ohio, July 2017

The Rise of the Gig Economy - Challenges for Counties

The gig economy is a category of work that is still largely undefined and unrecognized by U.S. policy, from the local up to the federal level. Nevertheless, the gig economy is growing and influencing the way that Americans view work, which poses a number of challenges for counties.

1. SHIFTING MINDSET OF WORK

The growth of the gig economy represents a shift in the way Americans view work. Instead of a more traditional system where a worker works full-time for only one employer, **some workers choose to enter the gig economy for the flexibility, freedom and personal fulfillment that it provides them**.[4] Dr. Brown explained to workshop participants that his students expressed interest in more control and autonomy over their career paths. His students are also serial multitaskers: many of them want the stability of one anchor employer, alongside the flexibility of simultaneous, smaller jobs. They want to spread their talent among different jobs.

2. POTENTIAL FUTURE WORKFORCE POLICIES

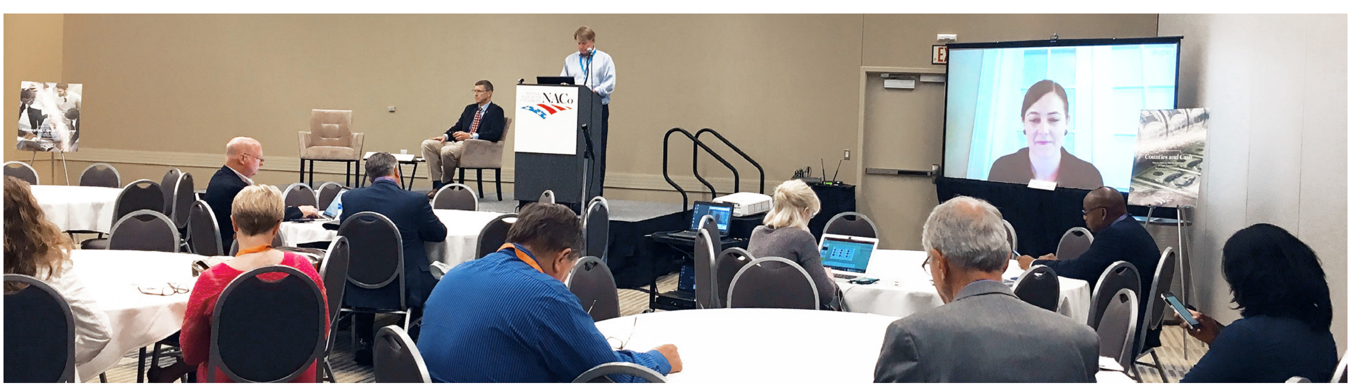
Much of America's current workforce policies and social safety net were developed earlier in the 20th century with a different work culture in mind.[5] Employees were expected, and far more likely, to work at one company until retirement and receive benefits from that company.[6] Now, however, counties need to be prepared to adapt to the changing labor arrangements. The gig economy labor force is freelance and contract-based. As a result, gig workers, as independent contractors, do not receive benefits, like health insurance, from the technology platform companies; rather, they must procure them on their own.

> "Allegheny County has gone through a major transformation over the last few years, and the gig economy...has really become a big part of our economy."
>
> –The Hon. Rich Fitzgerald,
> County Executive,
> Allegheny County, Pa.

During the workshop, Ms. Turner explained a few potential ideas that are currently circulating, including:

- **"Dependent contractor"** as a possible new category of worker to describe gig workers. Freelancers who receive the majority of their income from a specific company would fall under this category, and the company must provide benefits and follow certain regulations.

- **Portable benefits**, which are benefits owned by employees and taken to each new job they have. Companies that hire employees as freelancers would contribute to these benefits based on the prorated amount of work done for the company.



Best Practices for Counties with the Gig Economy

Counties can embrace the gig economy and learn to harness the benefits, while also tackling the challenges and disruptive effects associate with it.

1. RECOGNIZE IT

- The growth of the gig economy is a global trend and this trend does not show signs of slowing. For example, as Hon. Fitzgerald reiterated, people are increasingly making a living through several sources and using their skills with different employers. Intuit and Emergent Research predicted that "**the number of people working on-demand [gig] jobs will grow from 3.9 million Americans in 2016 to 9.2 million by 2021**."[7] Hon. Fitzgerald mentioned that counties must recognize that this shift is already happening and be prepared to adapt. County officials can educate their residents about gig employment as the legitimate work of an independent contractor. Additionally, as Ms. Turner proposed, counties can develop programs to help workers in the gig economy create proper budgets so they can pay taxes at the end of the fiscal year, and encourage them to purchase small business licenses when applicable. Many gig workers may not understand that their gig work is legitimate and thus not pay the appropriate taxes or procuring a business license. Counties can increase their revenues simply by explaining to their residents that gig work is "real work."

2. RECORD AND MEASURE IT

- A large part of recognizing the gig economy and legitimatizing its work involves recording and measuring its extent and effects. As Ms. Turner suggested, counties can identify major gig economy sectors in their local or regional economies and gather input from workers and employers in these sectors on how to develop county policies and programs that are inclusive of the gig economy.

- **Collecting information on residents involved in the gig economy can also help counties develop better-targeted policies to serve specific constituencies**.

- Finally, Ms. Turner also recommended that counties examine how large of a role the gig economy is playing in their economies and study how they can improve their policies to support positive outcomes, such as increased taxes, usage fees or other forms of potential revenue.

3. ADAPT TO CHANGES

- The gig economy comes with both benefits and challenges. For many workers, the expansion of the gig economy has provided new sources of revenue and new work opportunities. The gig workers, however, are freelancers without the benefits provided by traditional work arrangements; hence, they may end up consuming more county social services.

- For counties, a growing gig economy may result in higher economic activity and spending in their county, potentially increased taxes, usage fees or other forms of revenue. The independent contractors part of the gig economy are small businesses with one employee. As Dr. Brown mentioned, **counties can make it as simple and easy as possible to obtain the permits or licenses they deem necessary**. Moreover, counties can advertise when these processes become streamlined or automated to encourage gig workers to get their license.

- There are still limited examples of counties partnering with gig economy companies, so, as Dr. Brown explained, it is a good time for counties to experiment and construct the best local solutions. Ms. Turner encouraged counties to think outside the box with their policies and reconsider their definitions of work and services to accommodate all the different kinds of jobs their residents might have, and to create opportunities for economic growth within their communities.

Acknowledgments

The authors would like to thank the Hon. Rich Fitzgerald (Allegheny County, Pa.), Dr. Trevor Brown (Ohio State University) and Molly Turner (University of California Berkeley) for providing essential information and comments for the study, as well as key presentations for the workshop. Without them, this project would not have been possible. Within the National Association of Counties, the authors would like to thank Christina Iskandar, Andrew Hartsig and Kelsey Wilson for their helpful comments and contributions. The authors also express their appreciation to their Public Affairs colleagues for the graphic design and the website of the report.

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About NACo

The National Association of Counties (NACo) unites America's 3,069 county governments. Founded in 1935, NACo brings county officials together to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government and exercise exemplary leadership in public service.

About the Counties Futures Lab

The NACo Counties Futures Lab brings together leading national experts to examine and forecast the trends, innovations and promises of county government with an eye toward positioning America's county leaders for success. Focusing primarily on pressing county governance and management issues — and grounded in analytics, data and knowledge sharing — the Lab delivers research studies, reports and other actionable intelligence to a variety of venues in collaboration with corporate, academic and philanthropic thought leaders to promote the county government of the future.

Endnotes

1 Lawrence Katz and Alan Krueger, "The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015," NBER Working Paper No. 22667, September 2016.

2 Aaron Smith, "Gig Work, Online Selling and Home Sharing," Pew Research Center, November 2016.

3 NACo analysis of U.S. Census Bureau data, 2005 and 2015.

4 See Mark Muro, "The Gig Economy: Complement or Cannibal?" The Brookings Institution, November 2016.

5 See Donald Fisk, "American Labor in the 20th Century," U.S. Bureau of Labor Statistics, January 2003.

6 See Jeffrey Pfeffer, "The Case Against the Gig Economy," *Fortune*, July 2015.

7 Intuit and Emergent Research, "Dispatches from the New Economy: The On-Demand Economy Worker Study," June 2017.

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