



Two Major Points About the Gig Economy
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The mutual-fund prospectuses that I quickly direct to my spam folder all contain the same warning: “past performance is not indicative of future results.” For investors, this is a prudent caution.

For those interested in political economy, ignoring the trend-lines of recent past performance – while mistaking flash, hype and the lifestyles of sophisticated bubble-dwelling urbanites for those of the country at-large – is a huge mistake. Those trends tell a very interesting story about the on-demand economy and the “gigs” it creates.

Tonight, I’d like to make two major points.

First, the “on demand” or “gig” economy is greatly overrated by politicians and journalists. By most conventional measures, it’s actually shrinking. That’s a bad thing for the United States.

Second, a prosperous and secure future for American workers—particularly those who are less skilled and have seen their incomes stagnate or decline—requires a larger on-demand economy.

No matter how often political leaders say it, no matter how often you see it reported in the media, there is precious little evidence of a recent transformation in the nature of work in America.

As one of our panelists has shown, barely one American in 200 received any income from an app-based employer in 2015. Only a tiny fraction of those did so as part of a full-time job. Barely 1 in 200.

Part-time employment, as the charts we’ve put on your chairs show, has largely tracked the economic cycle overall.

Startup activity is *down*.

Self-employment is *down*.

Average tenure with the same employer is stable over the past few years and *up* over the past decade.

Very small businesses employ fewer Americans than before and very large ones employ more than before.

There is no broad evidence of a gig economy or a fundamental transformation. No matter how many times you hear otherwise, it just isn't true.

We have seen a rise in temp work, it's true. Such jobs may be less stable and more "on-demand-like" than conventional full-time employment. But they're more stable and less gig-like than all self-employment, most startups and very small businesses – employment by all of which has declined at the same time that temp work is growing. The problems and challenges implicit in most temp work are far different from those involved with the gig economy. In many cases, they're the opposite.

If there is to be a real change in the economy—a change toward a gig economy—the trends do not indicate it.

This isn't to say the labor force isn't changing. It is. The most visible changes in the workforce—the increase in women's role in all fields, the decline of labor unions, the decline of manufacturing, growth of white-collar work, an increase in credentialing and the entry of African-Americans into high-status professions—are long-term trends that follow relatively consistent trend-lines since the 1950s.

Most recently, America's workforce participation rate, which was among the highest among Organisation for Economic Co-operation and Development members just about a decade ago, is now toward the bottom of the OECD. Likewise, the proportion of American citizens subsisting mostly on income transfers has increased and stayed high even as the economy has improved. We have a much more generous welfare state than ever before, particularly for the middle class.

It remains true that people who avoid having children outside of marriage, graduate from high school and hold any job—even one at minimum wage—for at least one year have less than a 1 in 100 chance of becoming poor. Yet the poor remain among us.

Even as many employers have a very hard time finding talented workers, an enormous number of people find there are few jobs available to them and no positive incentives to enter the workforce.

It's clear by all accounts that the jobless can be placed into two broad categories.

Some are victims of labor-market friction. They have the ability to work, necessary level of physical and mental health, skills that are in demand *somewhere* and the habits

necessary to be a successful employee. They simply cannot find a job that requires their skills *now* and thus have no income *now*.

Some have deeper problems. They may have little access to child care or may face discrimination. They may have a relatively mild mental or physical disability that makes it difficult for them to do some jobs, but not necessarily all jobs. They may have more significant problems with addiction or mental or physical illness. They may be the product of an environment in the home or school that has left them with no marketable skills. They may lack the habits and behavior necessary for the world of work.

It doesn't matter what you think the size of the two groups is. A growing and robust on-demand economy will help all of them.

In theory, apps and platforms that matched people who have skills to willing, immediate buyers of those skills could eliminate almost *all* joblessness that is solely a result of labor-market friction. In fact, I find it particularly interesting that the people—those on the left—most inclined to say that there is little connection between behavior and poverty are often the most inclined to decry the app economy. If labor-market friction is a major problem and people who are poor have good habits and skills, then we should be able to eliminate poverty using the app economy alone.

Right now, we have functioning app-based markets for only a few narrow categories of work: primarily livery-car drivers and those who do home repairs. But there's no reason this can't expand indefinitely to cover all but the most highly skilled or personalized jobs.

People who are jobless for other reasons won't find that a bigger on-demand economy solves all of their problems. It obviously won't. It can't cure illness, provide significant training in hard skills or, by itself, inculcate good habits in those who have bad ones.

Encouraging growth of a gig economy, with more opportunities for part-time work, is far easier than figuring out how to shrink the growing ranks of those who subsist on disability-insurance payments, or teaching adults with bad work habits to establish good ones. In many cases, the most effective way to improve the work behavior of marginalized populations is simply to encourage them to work. Gig work fits marginal workers perfectly and could provide them with the dignity and purpose that comes with having a job, rather than giving them nothing but public benefits.

On-demand jobs without regular hours meet people where they are. People who pick their own hours can take time to attend to other needs, such as child care, or deal with pathologies while still earning some income. Such jobs aren't for everyone: the least motivated and able need more and may benefit from full-time work. If gig jobs were displacing full-time jobs, it would be a source of worry and something we should watch. But that isn't happening.

A stronger gig economy could also help reverse the decline in U.S. business formation. Employer startups represent just 3 percent of total employment, but account for almost

one-fifth of all gross jobs created. A robust gig economy could help amplify these contributions by better rewarding startups in general. The emergence of gig-economy platforms provides a potential model for entrepreneurs and offers some an opportunity to earn supplemental income while pursuing other ventures.

My friend Esther is a good example of this type of person: she has an Ivy League undergrad degree. She's a fantastic acrobat. As to her profession – I asked her if I could say she was a “professional vegan” and she said, “Yeah, that's right.” She works as a vegan lifestyle consultant, a personal chef and creates vegan baked goods. She tells me, “Business was slow, money was a little tight ... I got a new car and that made money tighter. And I wanted to drive it more anyway.” So now she does, for a TNC. As she works to gain more clients consulting on veganism, she's driving for Uber, which provides her with some basic income.

There are certainly people who participate in the gig economy for very simple reasons, such as the ordinary reason of needing a job. But many others drive to pursue dreams and try innovative ideas. Esther is one of them. She's someone who may soon be creating jobs for others. We need more folks like her.

Finally, as Lori Sanders and I have documented at some length, a gig economy could help to reverse the decline in geographic mobility that is both a cause and a consequence of declining income mobility. Gigs are a lot easier to move than full-time jobs.

There are questions to be answered about how the gig economy should work. Gig workers should have an easier time accessing benefits as a way to make gig work more attractive. There's likely a stronger and new role for unions and similar organizations.

An on-demand economy is a hand up to those who need it and an engine of innovation. It isn't really growing. But we need assertive public policies that nurture, promote and expand it.

Thank you.