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R STREET SHORTS NO. 11

JULY 2015

6 CHARTS THAT DEBUNK THE 'GIG' ECONOMY

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Issue snapshot

- While recent headlines trumpet a common concern that stable, full-time jobs are disappearing and more Americans are having to cobble together a living from part-time and piecemeal "gig" work, the long-term data from the U.S. Bureau of Labor Statistics do not support this conclusion.
- Part-time employment rose sharply as a share of a labor force during the Great Recession, but it already has returned to its long-term averages.
- Contrary to common perception, self-employment in the private sector has been falling for decades. Moreover, employment at the smallest firms also has been falling, while employment at the largest firms has been rising.

INTRODUCTION

The headlines are, by now, depressingly familiar: "more Americans are stuck in part-time work" or "part-time jobs put millions in poverty." Former U.S. Labor Secretary Robert Reich recently took aim at "the rise of independent contractors," declaring it to be "the most significant legal trend in the American workforce – contributing directly to low pay, irregular hours and job insecurity."ⁱ

The Intuit 2020 Report, authored by the software company, projects that in just five years, 40 percent of the U.S. workforce will be independent contractors.ⁱⁱ That report, in turn, led the website Quartz to declare that "we are quickly becoming a nation of permanent freelancers and temps."ⁱⁱⁱ

Even former Secretary of State Hillary Clinton, now the front-runner for the Democratic presidential nomination in

2016, has gotten in on the act. In the first major economic speech of her campaign, she set her sights on services like Uber, Airbnb and Etsy, which she noted allow Americans to make "extra money renting out a small room, designing websites, selling products they design themselves at home, or even driving their own car." While innovation is to be welcomed, Clinton said, the growth of this new, so-called "gig" economy is "also raising hard questions about workplace protection and what a good job will look like in the future."^{iv}

There's just one problem with this conventional wisdom that stable, full-time job are a thing of the past – it doesn't appear to be true in the slightest.

This briefing offers six charts, compiled largely from the U.S. Bureau of Labor Statistics' Current Population Survey,^v which demonstrate amply that the "trends"

toward part-time and contract work, much-trumpeted by pundits and politicians, just simply have no grounding in the empirical data.

Part-time work is at historical norm

Last fall, CNN Money reported that while "overall U.S. unemployment has fallen steeply in the past year," from 7.2 percent in October 2013 to 5.8 percent in October 2014, "too many people can only find part-time positions."^{vi} A story about the phenomenon in *The Washington Post* leads off: "In the new landscape of the American labor market, jobs are easier to come by but hours remain in short supply."^{vii} Even the *Wall Street Journal*, the flagship paper of market bulls, remarked that:

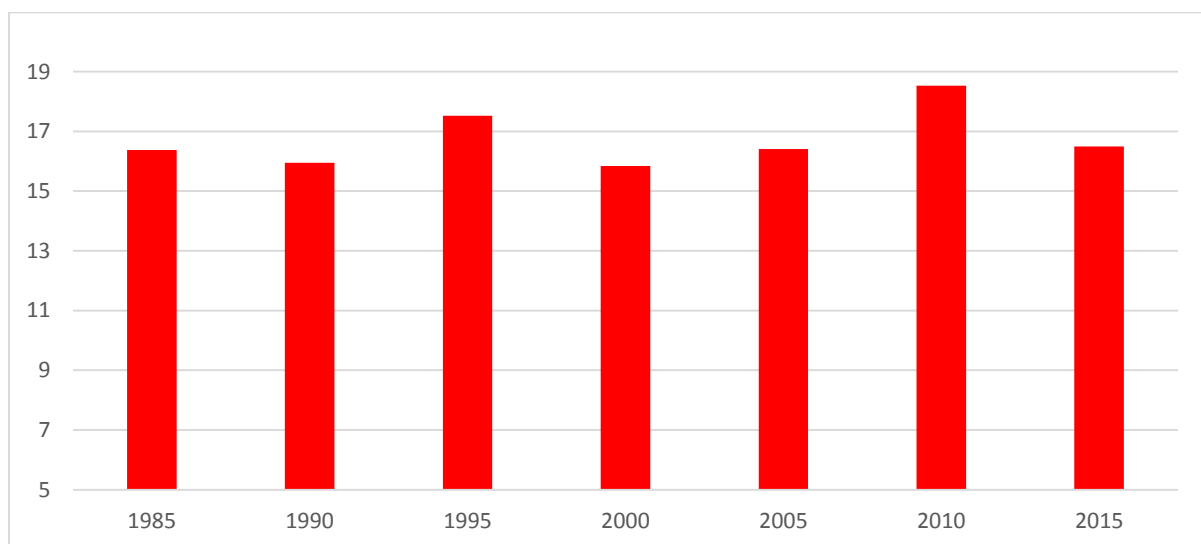
The situation of these so-called involuntary part-time workers—those who would prefer to work more than 34

hours a week—has economists puzzling over whether a higher level of part-time employment might be a permanent legacy of the Great Recession.^{viii}

While the stories do have a basis in reality – part-time work did spike during the recession, a trend that was slow to reverse – current rates are fully consistent with long-term norms. In any case, the tide has long since ebbed.

Based on an average of the levels reported by BLS over the first six months of 2015, part-time workers – defined as those who work less than 35 hours per week – currently constitute 16.5 percent of the nonagricultural workforce. Not only is that rate a full percentage point lower than it was 20 years ago, but it's also lower than the 16.8 percent that the workforce has averaged over the last 30 years.

Figure 1: Part-time workforce as percent of nonagricultural total



SOURCE: R Street analysis of BLS data

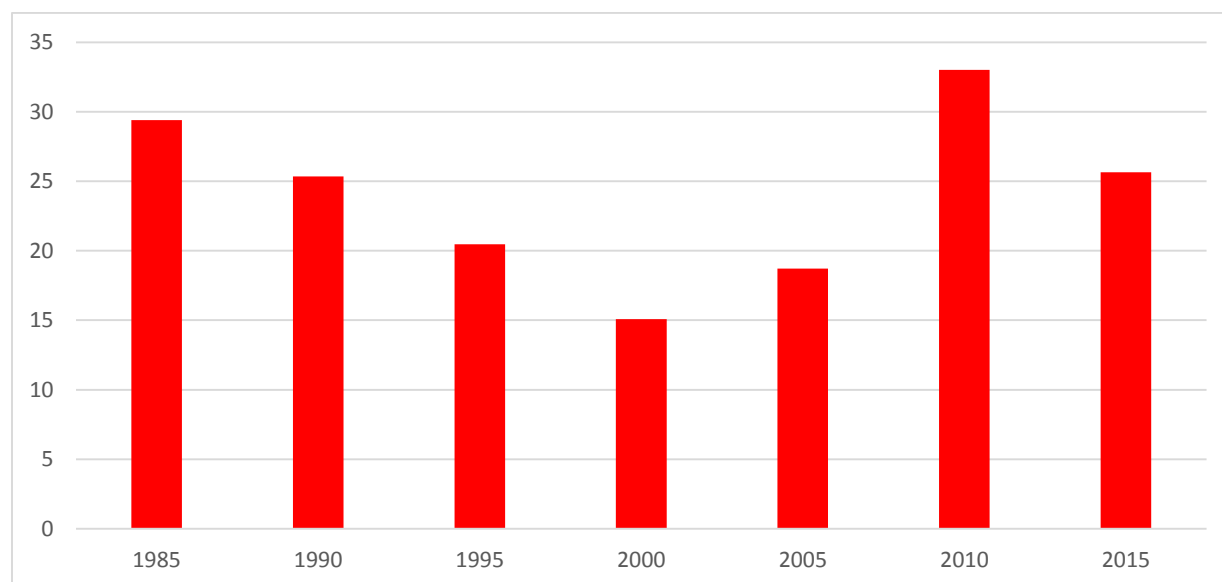
More specifically, the segment of the labor force that most concerns analysts is so-called "involuntary" part-time workers. Students, retirees and the independently wealthy who hold down part-time jobs aren't much of a concern. But where workers would like to find full-time work, but must settle for part-time due to lack of opportunity, that suggests structural weakness that might actually understate the nation's unemployment levels.

The BLS' Current Population Survey asks part-time workers whether they are working part-time for "economic reasons."

And looking at those responses, one finds the current rates of "involuntary part-time" to be very much in-line with long-term averages.

Over the first six months of 2015, about 25.7 percent of part-time workers cited economic reasons for working part time. That's slightly above the 24.0 percent average for the last 30 years, but it's lower than it was 30 years ago and it's down significantly since the Great Recession, when roughly one-third of part-time workers were "involuntary."

Figure 2: Percent of part-time workers citing economic reasons

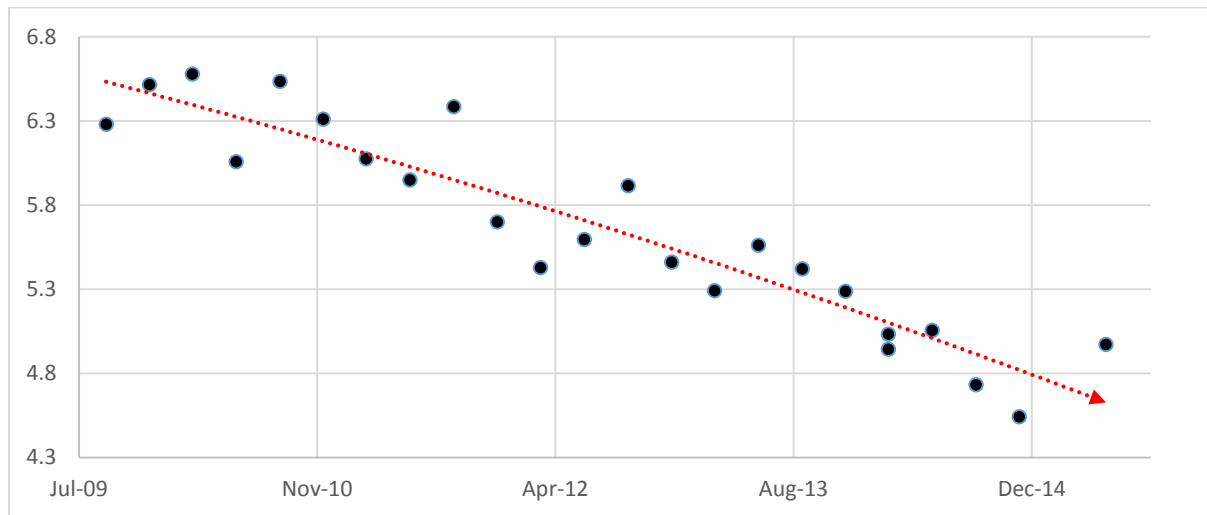


SOURCE: *R Street analysis of BLS data*

Putting the two data sets together, and viewing them through the narrower window of the recent economic recovery, the proportion of the overall workforce who are involuntarily part-time actually has been steadily shrinking, though it still has a

ways to go. While the involuntary part-time rate was as high as 6.5 percent of the workforce from late 2009 through much of 2010, it has remained under 5 percent since the fall of 2014.

Figure 3: Involuntary part-time as percent of workforce



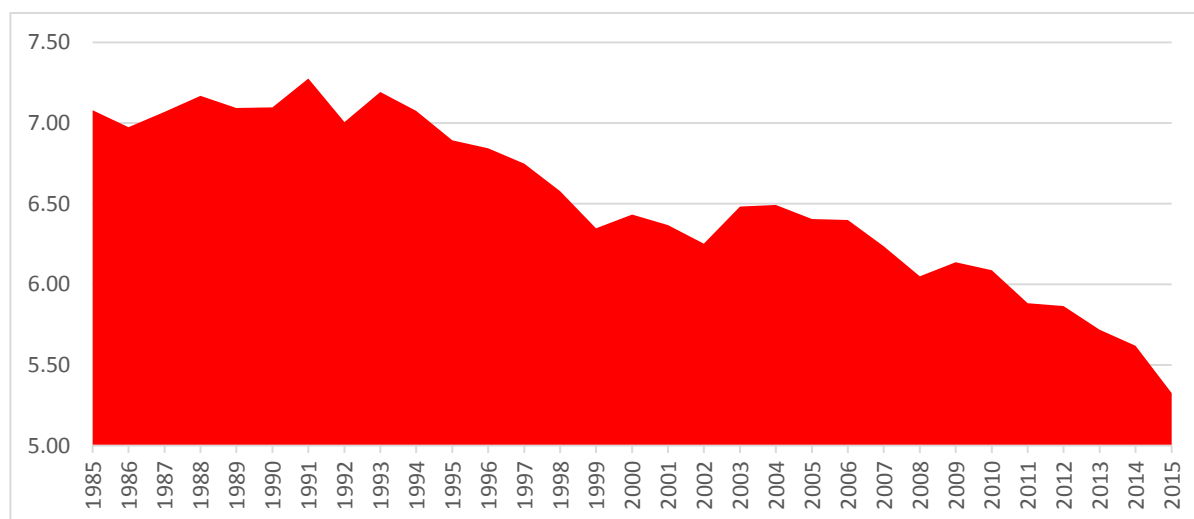
SOURCE: *R Street analysis of BLS data*

The share of contract workers is shrinking

Just as involuntary part-time work does not appear to be a "new normal" to which American workers simply must acclimate themselves, nor is it actually true that there has been a massive shift toward self-

employed contract work. Quite the contrary, in fact, as the self-employed have been falling as a percentage of the nonagricultural workforce for decades, reaching a new low of just 5.3 percent in 2015.

Figure 4: Self-employed as percent of nonagricultural workforce



SOURCE: *R Street analysis of BLS data*

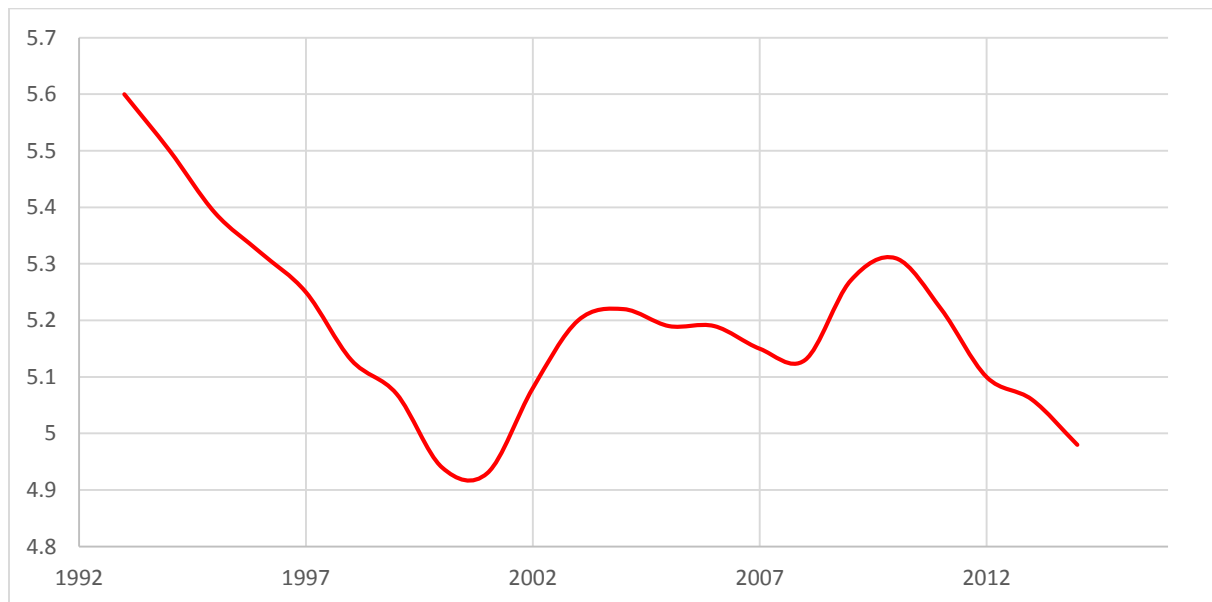
A quibble one could raise with this data is that BLS' definition of a "self-employed" worker does not include those who choose to incorporate their businesses. The data series unquestionably shows that true freelancers – those who get gigs that require them to file Form 1099 with the Internal Revenue Service – are shrinking as a percentage of the overall workforce. But if Uber drivers, Airbnb hosts and others who participate in what has come to be known as "the sharing economy" all tend to organize themselves as small businesses, they would not be captured in this data.

Thankfully, there is, in fact, another data series to which one can turn. The BLS' Business Employment Dynamics program isn't as old or as thorough as its Current Population Survey. Data are reported quarterly, rather than monthly; they aren't

seasonally adjusted; and the publicly available data set goes back only to 1993.

But the BED data does happen to track employment by firm size.^{ix} And it clearly shows there's been no notable increase over the last 20 years in the percentage of the private workforce who are employed at the smallest tier of firms: those with between one and four employees. Though it's remained fairly steady, at between 5 and 6 percent of the private workforce, employment at these very small firms dipped as a percentage of the overall total in the 1990s, before recovering somewhat in the early 2000s. It is once again on a downward trend that, if anything, appears to have coincided almost precisely to the moment when the "sharing economy" began to take off.

Figure 5: Percent of private workforce employed at firms with 1-4 employees

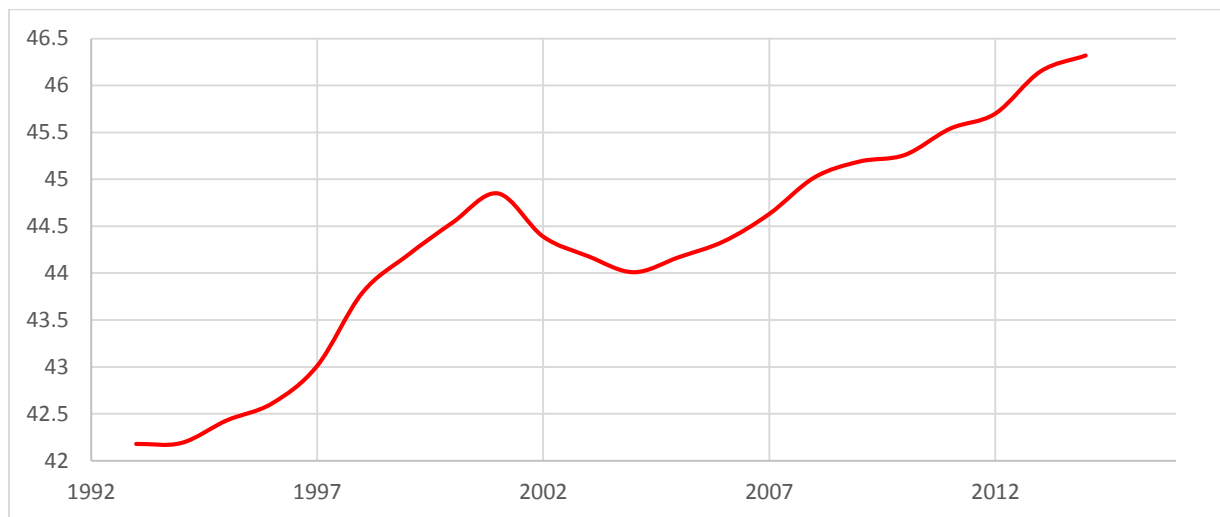


SOURCE: *R Street analysis of BLS data*

So if the ranks of the self-employed have been shrinking, and the proportion of workers employed at tiny firms also has been shrinking, then what kinds of firms are absorbing these segments of the workforce? The answer, contrary to all

conventional wisdom, is very large firms. The BLS data show that employment at firms with 500 or more employees has been growing steadily for the past 20 years and now represents nearly half the private workforce.

Figure 6: Percent of private workforce employed at firms with 500+ employees



SOURCE: *R Street analysis of BLS data*

In what must count as the final nail in the coffin of the prevailing "gig economy" narrative, even that most bedrock of assumptions about the modern workforce – that today's workers are more transient and today's employers less loyal than either were in the past – appears to be without basis.

Over the past decade, the percent of salaried employees over age 25 who had at least 10 years of tenure with their current employer actually has risen, from 30.6 percent in 2004 to 33.3 percent in 2014.^x Moreover, workers' median tenures with their current firms also keeps rising, from 4.9 years in 2004 to 5.2 years in 2010 to 5.5

years in 2014.^{xi} Employees are, if anything, more stable how long they stay with their employer than they were a decade ago.

In summary, there is no question that changing technologies and other market shifts have altered the nature of work, and will continue to do so. Legal and regulatory frameworks need to be sufficiently flexible to accommodate such changes. But it remains the case in U.S. labor markets that most people work full-time jobs for big companies, and they generally try to stick with those employers for the long haul. Claims to the contrary by the gig economy's critics, or its supporters, just aren't supported by the facts.

ⁱ Robert Reich, "Why We're All Becoming Independent Contractors," robertreich.org, Feb. 22, 2015. <http://robertreich.org/post/111784272135>

ⁱⁱ Intuit 2020 Report, "Twenty Trends that Will Shape the Next Decade," October 2010. http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf

ⁱⁱⁱ Jeremy Neuner, "40% of America's workforce will be freelancers by 2020," March 20, 2013. <http://qz.com/65279/40-of-americas-workforce-will-be-freelancers-by-2020/>

^{iv} Jeff Wald, "Clinton Calls Out Uber, Airbnb and Etsy in NYC Speech," *Forbes*, July 14, 2015. <http://www.forbes.com/sites/waldleventhal/2015/07/14/clinton-calls-out-uber-airbnb-and-etsy-in-nyc-speech/>

^v U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," accessed July 21, 2015. <http://www.bls.gov/cps/data.htm>

^{vi} Patrick Gillespie, "Part-time jobs put millions in poverty or close to it," *CNN Money*, Nov. 20, 2014. <http://money.cnn.com/2014/11/20/news/economy/america-part-time-jobs-poverty/>

^{vii} Ylan Q. Mui, "More Americans are stuck in part-time work," *The Washington Post*, July 3, 2014.

^{viii} Nick Timiraos, "Elevated Level of Part-Time Employment: Post-Recession Norm," *Wall Street Journal*, Nov. 12, 2014. <http://www.wsj.com/articles/post-recession-legacy-elevated-level-of-part-time-employment-1415808672>

^{ix} U.S. Bureau of Labor Statistics, "Distribution of private sector employment by firm size class: 1993/Q1 through 2014/Q1, not seasonally adjusted," accessed July 21, 2015. http://www.bls.gov/web/cewbd/table_f.txt

^x U.S. Bureau of Labor Statistics, "Percent of employed wage and salary workers 25 years and over who had 10 years or more of tenure with their current employer by age and sex, selected years, 2004-2014," Sept. 18, 2014. <http://www.bls.gov/news.release/tenure.t02.htm>

^{xi} U.S. Bureau of Labor Statistics, "Median years of tenure with current employer for employed wage and salary workers by age and sex, selected years, 2004-2014," Sept. 18, 2014. <http://www.bls.gov/news.release/tenure.t01.htm>