

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

Memorandum

To: Members, Committee on Small Business
From: Committee Staff
Date: June 4, 2018
Re: Hearing: “Millennials and the Gig Economy”

On Wednesday, June 6, 2018 at 11:00 A.M., the Committee on Small Business will meet in Room 2360 of the Rayburn House Office Building for the purpose of exploring the relationship between small businesses and the gig economy. Specifically, this hearing will examine the increasing number of millennials pursuing careers within the gig economy, while considering how this economic trend is impacting small businesses.

I. What is the Gig Economy?

The gig economy is defined by workers whose business is a collection of individual gigs, or “a single project or task for which a worker is hired.”¹ A “gig” can range from a short-term contract lasting weeks or months to a single tasking taking hours to complete. Individuals working within the gig economy can be small business owners, independent contractors, or freelancers. While the existence of single project based employment is far from new, the gig economy is specifically characterized by the use of technology as a means of connecting workers to employers.² With the growth of the gig economy, numerous digital platforms have been created to provide those connections.

Given today’s technological advances, the vast majority of professions have the ability to operate within the gig economy. Most commonly, however, professionals operating within the gig economy fall within the occupational categories of arts and design, computer and information technology, construction, media and communications, and transportation.³

Participation in the gig economy allows entrepreneurs increased work flexibility, allowing professionals the ability to set their own hours, choose their clients, and create a better work-life balance. Additionally, the gig economy provides the ability to pursue a career that they are passionate about and enjoy, when that opportunity may not exist within the traditional workforce. While there are a number of benefits to the gig economy, challenges also exist. The

¹ Elka Torpey, et al., *Working in a Gig Economy?* BUREAU OF LABOR STATISTICS (May 2016), <https://www.bls.gov/careeroutlook/2016/article/what-is-the-gig-economy.htm>.

² *Id.*

³ *Id.*

most common challenges of the gig economy are a lack of consistent or reliable work and the lack of benefits associated with traditional employment.⁴

Accurately representing the number of workers within the gig economy is difficult. Given the short term nature of work within this economic segment, the Bureau of Labor Statistics (BLS) classifies individuals working within the gig economy as either contingent workers or alternative employment workers. Contingent workers are defined by the BLS as “people who do not expect their jobs to last or who reported that their jobs are temporary” while alternative employment workers are defined as “people employed as independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms.”⁵ BLS statistics from February 2005 estimated that this segment of workers account for roughly 1.8% to 4.1% of total employment.⁶ When broadly considering the number of Americans earning income outside the traditional “9 to 5”; however, BLS estimates that in 2015, more than 53 million Americans, or 1 in 3 workers, fell into this category.⁷

The United States Census Bureau classifies gig workers within the nonemployer business category. This classification allows for a general understanding of statistics related to the gig economy; however, those statistics can become biased due to the inclusion of traditional nonemployer businesses not operating on a within the gig segment.⁸ The Census Bureau estimated that in 2015, a total of 24,331,403 nonemployer establishments were operating in the United States.⁹

II. Role of Millennials in the Gig Economy

In 2014, the average worker in the gig economy was estimated to be between 47 and 50 years old. This is slightly higher than the average American worker, who is approximately 43 years old.¹⁰ Despite this, it is estimated that by 2020, 42 percent of workers within the gig economy are expected to be of the millennial generation. Millennials, born between 1981 and 1996, are more likely to be open to new job opportunities as compared to older generations.¹¹ This lack of engagement or commitment to traditional firms has led many millennials to pursue a career in the gig economy.

⁴ *Id.*

⁵ LABOR FORCE CHARACTERISTICS, BUREAU OF LABOR STATISTICS, <https://www.bls.gov/cps/lfcharacteristics.htm> (last visited May 31, 2018).

⁶ CONTINGENT AND ALTERNATIVE EMPLOYMENT ARRANGEMENTS, FEBRUARY 2005, BUREAU OF LABOR STATISTICS (July 27, 2005), available at <https://www.bls.gov/news.release/pdf/conemp.pdf>.

⁷ Sarah Horowitz, *Freelancers in the U.S. Workforce*, BUREAU OF LABOR STATISTICS (Oct. 2015), <https://www.bls.gov/opub/mlr/2015/article/freelancers-in-the-us-workforce-1.htm>.

⁸ *Id.*

⁹ GEOGRAPHIC AREA SERIES: NONEMPLOYER STATISTICS FOR THE US, STATES, METROPOLITAN AREAS, AND COUNTIES: 2015, U.S. CENSUS BUREAU (May 25, 2017), https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=NES_2015_00A2&prodType=table.

¹⁰ Douglas Holtz-Eakin, et al., *THE GIG ECONOMY: RESEARCH AND POLICY IMPLICATIONS OF REGIONAL, ECONOMIC, AND DEMOGRAPHIC TRENDS*, THE ASPEN INST. & AM. ACTION FORUM (Jan. 2017), available at <https://assets.aspeninstitute.org/content/uploads/2017/02/Regional-and-Industry-Gig-Trends-2017.pdf>.

¹¹ MILLENNIALS: THE JOB-HOPPING GENERATION, GALLUP (May 12, 2016), <http://news.gallup.com/businessjournal/191459/millennials-job-hopping-generation.aspx>.

A 2016 study by Wells Fargo found that the most common factors driving millennials to small business ownership include; control over their future, increased job flexibility, and providing a job they are passionate about.¹² The America's SBDC generational study offers further support of these findings, reporting that 61 percent of millennials believe that entrepreneurship provides the best job security. The same study showed that 68 percent of millennials have already been part of a start-up and almost half intend to start their own business in the next three years.¹³ Despite being disengaged from the traditional workforce, millennials are actively engaged in creating their own businesses.

Given this drive toward entrepreneurship, combined with the millennial generation's comfort with technology, it is not surprising that many millennials start their small businesses in the gig economy. The gig economy offers millennials the freedom and flexibility they desire without the traditional difficulties startups face, such as finding new clients or establishing a brick and mortar presence. Numerous digital platforms provide gig workers with low cost marketing, access to a client base, and basic business management tools.¹⁴ This allows millennials to start a small business more easily and start making money faster.

III. Coworking in the Gig Economy

The concept of coworking has grown with the gig economy. In 2005, the first contemporary coworking space opened in San Francisco, with the intention of creating a new work space which is "halfway between a 'standard' worklife within a traditional, well-delimited workplace in a community-like environment."¹⁵ By 2008, the number of coworking spaces had increased significantly, becoming most common in major cities in the United States and abroad.

Much of the success of the coworking model stems from the model's reliance on community and networking. As the number of gig workers has increased, more and more independent workers began reporting increased isolation. This isolation led to a lack of collaboration professionally and a level of loneliness personally. Coworking addresses that isolation by allowing individuals to "work alone together."¹⁶ As a result of coworking, 83 percent of members report being less lonely and 89 percent reported increased happiness. Additionally, the networking opportunities that coworking offers led to 61 percent of entrepreneurs reporting an increased network of clients and 62 percent experienced increased inter-business collaboration. That resulted in roughly 52 percent of participating businesses reporting increased business earnings.¹⁷

¹² MILLENNIAL SMALL BUSINESS OWNER STUDY: A CLOSER LOOK AT THE MILLENNIAL ENTREPRENEUR, WELLS FARGO (June 2016), available at <https://media.wellsfargoworks.com/insights/study/the-complete-millennial-small-business-owner-study-survey-results.pdf>.

¹³ AMERICA'S VOICE ON SMALL BUSINESS, AMERICA'S SBDC, available at <https://americassbdc.org/wp-content/uploads/2017/04/GenStudy-Infographic-5-26-2017.pdf> (last visited May 30, 2018).

¹⁴ Jon Lieber, *Report: How Technology is Changing the Game for Skilled Professionals*, THUMB TACK JOURNAL (Mar. 9, 2016), <https://www.thumbtack.com/blog/beyond-the-gig-economy/>.

¹⁵ Alessandro Ganhini, *The Rise of Coworking Spaces: A Literature Review*, EPHEMERA (2015), <http://www.ephemerajournal.org/contribution/rise-coworking-spaces-literature-review>.

¹⁶ Steve King, *Coworking is Not About Workspace – It's About Feeling Less Lonely*, HARVARD BUS. REVIEW (Dec. 28, 2017), <https://hbr.org/2017/12/coworking-is-not-about-workspace-its-about-feeling-less-lonely>.

¹⁷ *Id.*

While today, there are more than 14,000 coworking spaces around the world, the concept is expected to increase as the gig economy continues to grow. By 2022, it is estimated that the number of individuals participating in coworking will exceed 5 million, allowing more individuals the networking opportunities and community environment that is otherwise lacking in the gig economy.¹⁸

IV. Small Business and the Gig Economy

Increased participation in the gig economy has led to an increased use of gig workers by small businesses around the country. In the last six months, small businesses increased hiring of gig workers by 37 percent.¹⁹ This increase is significantly higher than the increases reported in full and part time hiring, with those statistics being reported at 13 percent and 22 percent respectively. Within the larger small business community, non-employer firms reported the highest reliance on the gig economy, with 47 percent reporting hiring at least one gig worker.²⁰

Most commonly, these workers provide a small business with technology, accounting, or marketing assistance. This increased reliance on the gig economy by small businesses is due to a number of factors; however, roughly 50 percent of small businesses cite use of the gig economy due to a need for specialized expertise, while 41 percent note the use of gig workers for temporary or seasonal needs.²¹ Additionally, nearly 31 percent of small businesses cite the cost of employee health care as their top reason for turning to the gig economy.²²

Furthermore, the gig economy makes finding talent easier for small businesses. Due to its use of digital platforms as a means of connecting a gig worker with an employer, small businesses are no longer forced to spend countless hours searching for a worker who fits their needs. Many of these search engines provide the small business owner with not only a list of candidates with expertise in a specific area, but also a list of reviews of that candidate's work. This allows the small business owner to find a qualified candidate they need more efficiently.²³

V. Conclusion

The gig economy is defined by workers whose business is a collection of individual gigs, which are often procured through participation in a digital platform. While overall participation in the gig economy has increased over the last decade, a lack of accurate data has made it difficult to estimate the number of gig workers in the United States. A clear trend within the gig

¹⁸ Cecilia Amador, *Coworking is the New Normal, and These Stats Prove It*, ALL WORK (Mar. 15, 2018), <https://allwork.space/2018/03/coworking-is-the-new-normal-and-these-stats-prove-itt/>.

¹⁹ THE MEGAPHONE OF MAIN STREET JOBS REPORT, INFOGRAPHIC #2: THE GIG ECONOMY, SCORE (Nov. 20, 2017), <https://www.score.org/resource/infographic-megaphone-main-street-gig-economy>.

²⁰ THE MEGAPHONE OF MAIN STREET: SMALL BUSINESS JOBS REPORT, FALL 2017, SCORE (Nov. 6, 2017), available at https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Megaphone-Main-Street-Small-Business-Jobs-Report-Fall-2017_2.pdf.

²¹ *Id.*

²² *Id.*

²³ Deborah Sweeney, *How the Gig Economy Benefits Small Business Owners and Freelancers*, BUSINESS.COM (May 20, 2017), <https://www.business.com/articles/deborah-sweeney-gig-economy-benefits/>.

economy, however, is an increased number of millennial participants. This is likely due to a lack of millennial engagement in the traditional workforce and a drive to pursue a career that is flexible and they are passionate.

As the gig economy has increased, more small businesses have begun hiring gig workers. This hearing will allow Members the opportunity to further examine the gig economy and the associated economic trends.