



Millennials and the Gig Economy

Testimony of

**Steven Olikara
Founder and President
Millennial Action Project**

Before

**Committee on Small Business
U.S. House of Representatives**

**The Honorable Steve Chabot, Chairman
The Honorable Nydia Velaquez, Ranking Member**

June 6, 2018

Thank you Chairman Chabot, Ranking Member Velázquez, and members of the committee. It is an honor to be here and speak with you today. My name is Steven Olikara, and I am the Founding President of the Millennial Action Project, or MAP for short. We are the largest nonpartisan organization of millennial policymakers in the U.S. In 2013, we organized the nation's first and only bipartisan caucus for young members of Congress, the "Future Caucus," and have expanded that model into 26 state legislatures, engaging over 600 millennial policymakers and thousands of millennial leaders across the country. Through this network of Future Caucuses, our goal is to build the next generation to overcome partisan divisions on generational issues.

I would like to recognize Congresswoman Stephanie Murphy who serves as the vice-chair of our affiliated Congressional Future Caucus, a bipartisan effort dedicated to millennial issues in the House of Representatives, and Congresswoman Velázquez who is a Future Caucus member and who represents a high concentration of millennials in her district. On behalf of the Millennial Action Project, I am grateful that the Small Business Committee has convened to hear how the gig economy is spurring a new generation of millennial entrepreneurship, and the surrounding concerns we need to address.

Millennials in the Gig Economy

Among the issues we have focused on, MAP and its Future Caucus Network have been a leader in creating and adapting policies to support the new economy that millennials are increasingly shaping. When we founded MAP in 2013, we noticed that millennial entrepreneurs were creating a new wave of gig work—most notably with ridesharing services at the time. This new sharing economy, providing gig-style work, was not only disrupting old, incumbent industries, but also disrupting old and outdated government regulations.

Not surprisingly, our network of millennial policymakers, Democrats, Republicans, and Independents, were early adopters of these new technologies. Our Future Caucus chapters wanted to embrace the future. We rejected the false choice between innovation and safety. Our state-level chapters went to work, bringing both parties together to create the first state laws to authorize these new services, while putting in place crucial consumer protections. Through the Millennial Action Project, we helped share best practices from across the country on these issues. Interestingly, the political divide that emerged was not between left and right. It was between the future and the past. It was a great example of how a generational approach to policymaking can help to transcend old partisan fault lines.

Since then, entrepreneurs have expanded on-demand services to many other industries, from meal delivery to hospitality, highlighting millennials' peer-to-peer and network-driven approach to problem solving. Other millennials are simply choosing to be their own bosses and pursue their passions, perhaps as a creative freelancer, or as a consultant on socially-responsible business.

We know from many studies that this new generation of workers will not likely spend their entire career at one company. Increasingly, we will see workers moving from gig to gig. At their best, these opportunities will unleash creativity, promote a more dynamic U.S. economy, and provide new freedom and flexibility to engage in work that fits best for the worker.

However, this emerging gig workforce also raises a number of issues, from access to health benefits and retirement security, to disability and unemployment insurance, that policymakers will need to grapple with. In short, the social contract created in the 20th century will need to be updated for the 21st century.

Millennial Economic Trends

For context on why these new work opportunities can be useful, the unemployment rate among millennials has remained above the national average in recent years—today around 8.4%.¹ That figure does not include the roughly 50% of millennials who report feeling underemployed.² And although Millennials are currently the largest generation in the U.S. workforce, making up 35% of all workers, the labor force participation rate for the 18-34 age range has actually declined over the past decade—the lowest growth rate among all generations.³

At the same time, the Aspen Institute found that there has been rapid growth in gig economy employment, typically defined as individuals in temporary positions or self-employment who are frequently transferring between work opportunities. From 2002 to 2014, while overall employment increased 7.5 percent, gig economy workers increased between 9.4 percent and 15 percent, depending on the scope. Between 2010 and 2014, growth in independent contractors alone accounted for about 30 percent of all jobs added.⁴

Millennials are disproportionately taking on gig economy work. About 24% of Millennials are working as an independent contractor or freelancer, versus 15% of Gen Xers and just 9% of Boomers.⁵ Studies have also found that millennials were more likely to willingly choose this type

¹ U.S. Bureau of Labor Statistics, U.S. Youth Unemployment Rate, <https://tradingeconomics.com/united-states/youth-unemployment-rate>, (Trading Economics, 2018).

² Accenture, 2016 U.S. College Graduate Employment Study, https://www.accenture.com/t20160512T073844Z_w_/us-en/_acnmedia/PDF-18/Accenture-Strategy-2016-Grad-Research-Gig-Experience-Unleash-Talent.pdf#zoom=50, (Accenture, 2016), 4.

³ Advisor Perspectives, Millennials and the Labor Force: A Look at the Trends, <https://www.advisorperspectives.com/dshort/updates/2017/10/11/millennials-and-the-labor-force-a-look-at-the-trends>, (Advisor Perspectives, Inc, 2018), Chart 4.

⁴ The Aspen Institute, The Gig Economy: Research and Policy Implications of Regional, Economic, and Demographic Trends, <https://assets.aspeninstitute.org/content/uploads/2017/02/Regional-and-Industry-Gig-Trends-2017.pdf> (The Aspen Institute, 2017), 7.

⁵ Prudential, Gig Economy Impact by Generation, http://www.prudential.com/media/managed/documents/rp/Gig-Workers-in-America_2018.pdf (Prudential Financial Inc., 2018), 4.

of work, preferring the added flexibility.⁶ At the same time, millennials are undergoing this work with high debt levels and limited access to employer-sponsored benefits. While the proportion of household income millennials receive from gig work is increasing, most millennial gig workers make less than their traditional full-time employed counterparts.⁷

Early analysis of millennials in the gig workforce suggest they might be among our most entrepreneurial talent. They are more likely to defy convention, have emotional agility, and have a strong work ethic.⁸

Issues Facing the New Gig Workforce

With these trends, it's important to start considering this disruption of the traditional employer-employee relationship, particularly around retirement savings, the social safety net, and other benefits that are difficult or impossible to obtain in the independent workforce. Millennials involved in the gig economy lack the typically strong employer-sponsored benefits that provide economic and health security in both the short and long terms.

Let's take the retirement issue as an example. A study conducted by the National Institute on Retirement Security found that, "66 percent of working Millennials have nothing saved for retirement." It's also worth noting millennials aren't trying to avoid retirement plans either, as nine out of ten Millennials have been shown to participate in employer-sponsored retirement plans when eligible.⁹ Due to the trend that millennials will likely have lower income replacement from Social Security, less likely to have traditional pensions, and will have higher life expectancies, Millennials will need to save significantly more than previous generations. That's why our country cannot afford to have a gig economy that depresses retirement savings; we need this economy to help do the opposite.

We also need to improve portability of benefits from gig to gig—benefits such as health care, retirement savings, workers compensation, disability and life insurance, paid sick leave, education and training benefits, and more. States including California, Connecticut, Illinois, Maryland, New York, and Oregon had all drafted their own legislative plans that would allow

⁶ Prudential, Gig Economy Impact by Generation, http://www.prudential.com/media/managed/documents/rp/Gig-Workers-in-America_2018.pdf (Prudential Financial Inc., 2018), 6.

⁷ Deloitte Insights, Decoding millennials in the gig economy, <https://www2.deloitte.com/insights/us/en/focus/technology-and-the-future-of-work/millennials-in-the-gig-economy.html>, (Deloitte Insights, 2018).

⁸ Deloitte Insights, Decoding millennials in the gig economy, <https://www2.deloitte.com/insights/us/en/focus/technology-and-the-future-of-work/millennials-in-the-gig-economy.html>, (Deloitte Insights, 2018).

⁹ NIRS, New Research Finds 95 Percent of Millennials Not Saving Adequately For Retirement, <https://www.nirsonline.org/2018/02/new-research-finds-95-percent-of-millennials-not-saving-adequately-for-retirement/>, (National Institute on Retirement Security, 2018).

retirement accounts to follow employees from job to job more seamlessly.¹⁰ The programs would ease some of the strain on small businesses by waiving certain fees and having state-appointed money managers take care of retirement-plan administration. This route was designed to not only benefit those within temporary positions, but also encourage more employers to actively participate in matching programs such as 401(k)s. At the federal level, there is currently bipartisan legislation sponsored by a Future Caucus member, Senator Todd Young, and Senator Mark Warner that would further support states and localities to experiment with portable benefits.

As the gig workforce grows, we must be proactive in creating a 21st century social contract that serves as a platform for entrepreneurship and innovation. Studies predict that by 2020, more than 40% of the US workforce will be in the gig workforce,¹¹ which equates to roughly 60 million people. About 42 percent of those workers are likely to be millennials.¹²

I often hear from my millennial friends that they feel penalized for pursuing their passions and taking on entrepreneurial endeavors. We must take steps to ensure this growing backbone of the U.S. economy is not only understood, but properly supported to promote innovation, provide security for workers, and maximize this new generation's potential for economic growth. Fueled by the motivation to pursue jobs and challenges that align with their own purpose, millennials stand to both benefit and shoulder the burden from this economy more than other generation.

Again, thank you Chairman Steve Chabot, Ranking Member Nydia Velázquez, and all those on the committee for inviting me to join this panel today.

¹⁰ Schwartz Center for Economic Policy Analysis, State Retirement Reform: Lifting Up Best Practices, http://www.economicpolicyresearch.org/images/docs/research/retirement_security/States_of_Reform_FIN_AL.pdf, (Schwartz Center for Economic Policy Analysis, 2017).

¹¹ Intuit, Intuit 2020 Report, http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf, (Intuit Inc, 2010), 27.

¹² Deloitte Insights, Decoding millennials in the gig economy, <https://www2.deloitte.com/insights/us/en/focus/technology-and-the-future-of-work/millennials-in-the-gig-economy.html>, (Deloitte Insights, 2018).