

# Working without a tether

**‘Gig economy’ promises freedom, but for whom?**

**By RALPH HEIBUTZKI**  
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Like it or not, the on-demand economy is turning traditional ideas of work upside down – including how it’s done, and on whose terms.

Proponents celebrate its freedom and flexibility, but critics worry it’s a “freedom” few workers will cherish.

For on-demand companies like Postmates, TaskRabbit and Uber, that means ditching the 40-hour week – and paying workers by the task, without prom-

ising another one in the pipeline.

For workers, the on-demand life is the outcome of a technology boom that allows companies to operate in a much leaner manner than ever before, Lake Michigan College business instructor Joe Zwiller said.

“Fewer people can do more jobs. As technology makes people more productive, you have less need for as many employees as you did in the past. With administrative assistants, there might have been one per (company) president. Now, there’s one that supports five,” he said.

The ability to work remotely from anywhere also helps companies cherry-pick from a global talent pool, without the payroll

and benefit costs that go with it, Zwiller said.

Now it’s possible to “have people in lower-cost areas be your administrative assistant, or your copywriter,” Zwiller said. “A friend ... works in copywriting. She has a low cost of living in Southwest Michigan, but she does predominantly work for firms in New York.”

## By any other name

Definitions play a big role in the on-demand economy – which is also called the gig, platform or sharing economy.

For example, companies like Uber call themselves “platforms” because they offer an application that allows customers to set up rides directly with its drivers.

Other variations include bid sites like Elance-oDesk, where users compete against each other for the editorial and technical jobs posted on them.

“Gig job” proponents cite the flexibility and varied arrangements they offer as an attractive alternative to spending 40 hours per week in an office.

That’s true of the online aspect – which hasn’t gotten much media attention, said Sue Houseman, a senior economist from the W.E. Upjohn Institute for Employment Research in Kalamazoo.

“Some survey evidence suggests these are people with regular jobs, who just

See **GIG ECONOMY**, page A5

## GIG ECONOMY

From page A1

fill in on the side," Houseman said. "That allows them to work when they need a little extra income, and they can go drive for Uber. That kind of flexibility can benefit workers, too."

She said the jury is still weighing whether gig jobs will displace regular employment.

"I'm not sure we're going to see that in the near future, but that's a question mark. To what extent will people try to earn the bulk of their living by patching together these micro-jobs?" she said.

### Dark side of flexibility

For critics of gig jobs, all this flexibility comes with a dark side, and a steep human cost because the workers who do them are classified as independent contractors, which means they don't qualify for social benefits like health insurance, pensions, sick days, unemployment or workman's compensation, Houseman said.

"The fastest way to poverty is unstable income. So if you're trying to patch together job after job after job, any gap means a loss of earnings – and a reduction in overall earnings, even if your hourly wage is fine. So that can be a problem," she said.

Who counts as an employee or doesn't is prompting legal battles – such as one proceeding against Uber in California, where lawyers are seeking to certify 150,000 drivers as a single class in a lawsuit against the company.

In Zwiller's view, there's an irony in referring to on-demand work as "gigs," a term first associated with musicians seeking live and studio jobs to sustain their careers.

"It was this thing you did that was extra: 'I got a gig this weekend. If I get it, great; if I don't get it, great,'" he said.

That type of casual attitude doesn't play well in the gig economy, however.

"People talk about freedom to turn down jobs," Zwiller said. "You ask (an on-demand worker), 'How often do you turn down a job?' and they'll say, 'Never, because I never know where my next one's coming from.' How much freedom is there?"

### Hard to pin down

For Michigan State University economics professor Charles Ballard, gig workers' lack of negotiating power over wages and working conditions marks another major difference

from traditional jobs.

Ballard said the gig world's growth is part of a bigger picture – including the weakening of labor unions, and continued outsourcing of jobs – that's boosted the position of employers, but not workers' rights.

"There's the glass that's half-filled over here, but half-empty over there. Technological change is the great driver of an improved standard of living in the long run. But it always causes dislocation in the short run," he said.

Even so, pinpointing the on-demand economy's size is easier said than done, Ballard said.

In figures released for January, the U.S. Bureau of Labor Statistics pegs the U.S. unemployment rate at 4.9 percent, or 7.8 million people – which decreased by 0.8 of a percentage point, or 1.1 million people, from a year ago, the agency states.

Overall labor force participation remained unchanged, at 62.7 percent.

Although the jobless rate remains the most popular snapshot of the economy's health, Ballard said it's "a little misleading" because of two major worker categories it doesn't include.

According to the BLS, the number of discouraged workers – or job seekers who've stop looking – remained unchanged from a year ago, at about 623,000 people.

The number of people working part time for economic reasons – such as cuts in hours or inability to find full-time jobs – stood at about 6 million people, the BLS states.

That figure dropped by 796,000 from a year ago, but otherwise, stayed largely unchanged.

In Ballard's view, once those groups are counted – plus 2.1 million people seen as marginally attached to the labor force – a different picture emerges.

"That's a real story. Even if it's (work) full-time, it may not be permanent, and it may not include various kinds of fringe benefits," he said.

### Getting a clearer picture

While the economy struggles to accommodate everyone who wants full-time work, Houseman questions whether the on-demand economy is as large as people think.

As evidence, Houseman cites Rand Corp.'s "American Life Panel" survey, which placed the share of workers dedicated to gig activity at 0.5 percent.

"The bottom line is it's very small," she said.

Rand's finding contradicts figures reported by the Aspen Institute, which found that 44 percent of adults had participated in gig activity – but there's a reason for that, Houseman said.

"It (Aspen's survey) was asking if they'd ever participated in this kind of activity. That's very different from asking, 'Did you do this last week?'" she said.

A clearer picture may come next year. The U.S. Department of Labor has given the BLS some funding to determine the on-demand economy's size, Houseman said.

"That will provide the best evidence on the magnitude of the phenomenon," she said.

Most of the estimates that Zwiller has seen suggest that about 30 percent of the U.S. work force does some type of gig activity.

"The people who have been doing gigs the longest are women: 'I had kids, and I stayed home. Now I need something I can do from the house,'" Zwiller said. "There's still huge pressure on American families, which means a large part of the work force is gigging – not by choice – but because they need some level of second income but can't commit to 50 hours a week in a corporate room."

### Looking at the future

The debate about what kind of protections gig workers deserve – and how to bring them about – is playing out on the national stage.

Major advocates include U.S. Sen. Mark Warner, D-Virginia, who's predicting a greater strain on state and local safety nets if gig workers' needs continue to go unmet.

Ballard said Congress could do several things – such as making health and pension contributions automatic, instead of optional, and expanding the Earned Income Tax Credit, "which would help many of these workers," he said.

Other possible solutions include expanding gig workers' eligibility for unemployment and health insurance – such as the "Medicare for all" proposal touted by Democratic presidential hopeful Bernie Sanders, Ballard said.

Of course, in today's polarized political climate, "it's much easier to find an economic program than find the political will to enact it," he said.

While Zwiller considers those issues outside of his expertise, "I think that health insurance is a big one (issue)," he said.

From a practical standpoint, however, Zwiller suggests that people should do as much as they can for

themselves.

For those joining the gig economy, "experiment with it while you have a job," Zwiller said. "Establish a good network. Have some capital reserves, so that you can withstand some storms. Be selective about what you take, and give yourself time to transition."

And for those hoping to transition back to full-time work, most of the conventional wisdom still applies, Zwiller suggests.

"It's the same issue with an internship – do the best possible job for your employer, or your many employers. Gigs can turn into a full-time job. I think it happens everywhere. I really do," he said.

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