The “sharing economy,” also referred to as the “gig economy,” is peer-to-peer access to goods and services, aided by technology. The gig economy has grown by between 8.8 and 14.4 percent in employment from the early 2000s through 2014. The sharing economy allows individuals and groups to make the most of underused assets, participating in an “if you can name it, you can rent it” business model, turning idle property into profitable capital. The rise and proliferation of the
sharing economy have yielded a variety of predicted outcomes. Some suggest it may be a sign of a “Great Reset” to a new economic model, that it may be the new ‘Industrial Revolution’ of our time, redefining success for the American worker and disrupting the political system as well as the economy. However, when sharing becomes a capitalist endeavor, it may not do much sharing.

What’s the State of Sharing?

- Online talent platforms, a hallmark of the sharing economy, could add as much as $2.7 trillion, or 2.0%, to global GDP by 2025
- Apps in the sharing economy “allow ordinary people to turn their consumption goods into capital goods”
- Research suggests that “the long-term effects of digital talent marketplaces could shorten the length of time that people are unemployed and provide more opportunities for freelance workers”
- Sharing economy apps create value, increase choice, and improve transparency
- Examples of the value of the sharing economy:
  - Uber outperforms taxis on time and cost, even for low-income neighborhoods and adds nearly 40,000 new partner drivers per month
  - DogVacay is “taking what is a fragmented, profoundly inefficient market and making it more transparent and liquid”
- Critics warn that the sharing economy is becoming the selfish economy

Who is the Gig Worker?

- By one measure, the gig economy provides opportunity to 53 million American freelancers
- Survey data shows that 39% of sharing-economy workers are 18-24 years old, and likely to have at least some college or a bachelor’s degree
- The sharing economy allows workers to choose between a series of overlapping micro-careers over traditional full-time jobs
- While the sharing economy attracts a multitude of workers, few pan out as full-time jobs
- Participation in the sharing economy may be “more a means to an end than something to make a long-term career out of”
- An individual can earn income from a variety of apps, and in some cases, enough to live on
- Gig workers with high-level discipline and conscientiousness gain the most in the sharing economy due to their inclination to self-train
- The sharing economy offers flexible, part-time work that could change the definition of “unemployed” to “not in a job” instead of “not working”
- A freelance assignment in the sharing economy may be more valuable than an internship
- Some gig workers argue that companies they partner with skirt federal and state labor laws
- Online communities for gig workers seek to better align platform owners’ incentives with workers’ interests

How Big, How Much Impact?

- The number of workers in the sharing economy has grown at a faster rate from 2002 to 2014 than overall employment
• Growth in gig employment, however, remains marginal as a share of the entire American workforce
• The number of participants in the sharing economy remains difficult to measure and likely includes more people than estimated
• Data suggest a decades-long trend in the growth of the contingent workforce, pre-dating today’s sharing economy
• The Government Accountability Office finds that contingent workers have grown to 40.4% in 2010, up from 35.3% in 2006
• However, no large-scale official data has been collected on gig workers to date and the sharing economy may not be fully captured in productivity measures

Practical Change or Market Evolution?

• The sharing economy can be labeled the latest technological advancement/innovation in a long history of great ideas
• To a certain extent, the sharing economy could help boost labor force participation
• The sharing economy has created businesses that reallocate individual resources
• Taxes are more complicated for the gig worker under the current code
• The sharing economy may be as old as the market economy, but technological capabilities have expanded the market to a new frontier of exchange

Regulation: Step Up or Go Slow?

• Regulations on the sharing economy are being designed to protect incumbent, entrenched industries, though some concerns remain about the safety procedures used by companies in the sharing economy
• The definition of employees versus independent contractors has gained closer scrutiny as a result of the rise of the sharing economy
• The Department of Labor recently released guidance against mislabeling employees as contract workers
• The Secretary of Labor calls the clash between worker protections and innovation a “false choice”
• Government-mandated employee benefits, however, “typically cost the employer more than they benefit the worker—otherwise they would be voluntarily accepted”
• From local to federal government levels, many are considering regulatory moves on nascent frontiers in the sharing economy
• The sharing economy is approaching one of many regulatory hurdles in San Francisco, where the definition of Uber’s driver-partners face scrutiny whether they are employees or contract workers
• In another demonstration of the tension between flexibility of freelance work and security of traditional work, the app Homejoy shut down, unable to achieve a balance between the two for its workers
• A number of companies participating in the sharing economy have been hit with lawsuits claiming they have misclassified workers as contractors
• However, the sharing economy has the ability to win over regulators
What’s Next?

- The fate of the sharing economy is still uncertain as regulators remain wary of it.
- The sharing economy faces significant barriers to growth.
- Since today's economy supports parallel labor markets, it begs the question whether benefits should still be tied to jobs.
- Gig workers face confusing and complicated tax reporting issues that will increase non-compliance if not addressed.
- Real-time feedback can expose poor performance and encourage excellence.
- Sharing will not thrive without trust between consumers and providers.
- The search for zero marginal cost in the sharing economy may give way to a new model of market capitalism in the future.

Note: The links contained in this sourcebook are intended for informational purposes and do not necessarily represent the views or opinions of the JEC Chair or Vice-Chair.

JEC Republicans

March 21, 2016