

Changes for Work and Workers In the “Gig Economy”

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The new “gig economy” has people working as free-lancers or independent contractors. Companies do not have to provide benefits and do not have to follow labor laws. This type of system shifts the risk to workers and the implications for workers and the economy can be great.

ALMA, WI - “If my company followed the rules, they couldn’t survive,” my niece Becky told me as we traveled home from our “Small Business Saturday” shopping trip.

Small retail businesses are owned by local folks and regularly use local workers. The money we spend in our local communities usually stays local.

But in this changing economy, sometimes your small business is not local. Sometimes the company is not even American.

Becky works for a small company that makes “apps” for use on computers or mobile devices.

The company is headquartered in Porta. That’s not a city in Wisconsin but in Portugal. The company hires workers from four continents including Peru, Taiwan, Germany and three employees in the United States.

My niece is a Wisconsinite. She graduated from a Central Wisconsin high school and her folks

still live on the farm in Wood County. Becky spent several months in Portugal learning the company business. Now she works out of a Twin Cities co-op type office, which is essentially a basement, converted to free-lancers office space.

She could live and work anywhere in the world that has a good [unlimited data and consistently high speed] Internet connection.

Becky is a free-lancer, a self-employed independent contractor. Her company does not have a Human Resources department because they don't have employees. Those who work for the company are all on their own. “Internet nomads” Becky says.

What does this mean? And what does Becky's experience have to do with the way work and workers are changing?

America's system of work is built on the premise that workers and employers share a social contract: employers gain profits through workers and, in return, workers are compensated and secure through wages, benefits and labor laws.

Health care, unemployment, worker safety protections, sick leave, injured workers' compensation and retirement savings are all part of this social contract.

But for millions of people who work in the so-called “gig economy” the employer does not hold up their end of the bargain. By dropping benefits and not following labor laws, a company can lower its labor costs – a lot.

Robert Reich, President Clinton's former Secretary of Labor, recently released a short video describing the problem (https://www.youtube.com/watch?v=v_Snob8-6xM&app=desktop). “In five years over 40% of the American labor force will be in such uncertain work,” Reich says.

I believe it. Just in my family, over half of the “twenty-somethings” are self-employed or

temporary workers.

Reich says the change in the economy “shifts all of the risk to workers. A downturn in demand or sudden change in consumer needs, a personal injury or sickness can make it impossible to pay the bills.”

Becky likes the flexibility of the new economy. She is willing to buy her own health insurance if she gains freedom to work when and where she wants. She argues small digital companies could not survive if they followed the labor laws in each of the various countries that make up their workforce. “They only have three American workers,” Becky said. “Imagine how hard it would be to follow the rules in a dozen different countries.”

Some digital companies are not so small. According to the Washington Post, this year Uber – the new economy’s answer to taxicabs – has over 160,000 workers in the United States.

Author Steven Hill wrote about this phenomenon in a new book and for Salon.com: “In a sense, employers and employees used to be married to each other, and there was a sense of commitment and a joined destiny. Now, employers just want a bunch of one-night stands with their employees, a promiscuousness that promises to be not only fleeting but destabilizing to the broader macro economy.”

The implications are enormous. Our state is struggling with the problems even now. Several proposals have been floated at the Capitol to change the injured workers’ compensation insurance system. However, if more workers were a part of this system, the health of the funds that support the insurance would improve.

As Becky and I grappled with the policy challenges, I realized there was no simple answer. But our conversation did help visualize the goal.

“There has got to be a way,” Becky said. “To keep the flexibility for companies and protect workers.”

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