

The Colorado On-Demand Economy

Lessons from Focus Groups

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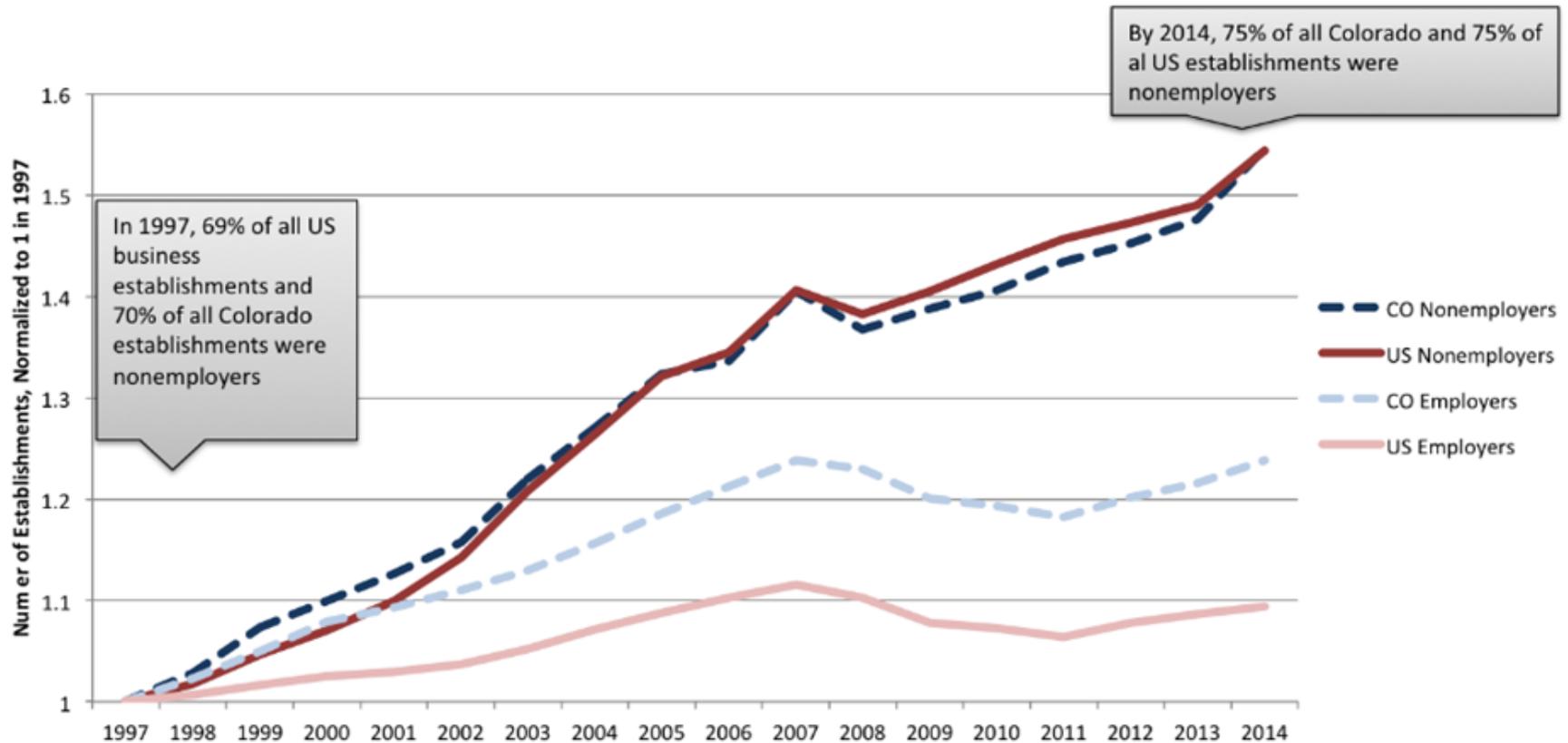
Motivation

- **Birth of the “gig economy” AKA on-demand economy**
 - Self employed workers performing on-demand tasks (Gigs) directly for clients often on a short-term basis
- **This sector has limited data which has made it difficult to analyze and create policy around**
- **More insights on incentives and tradeoffs that employers and workers consider are needed**
- **To address this – CDLE, CSU and NGA framed a pilot study using employer and employee focus groups related to the on-demand economy in Colorado**

What is the On-Demand Economy?

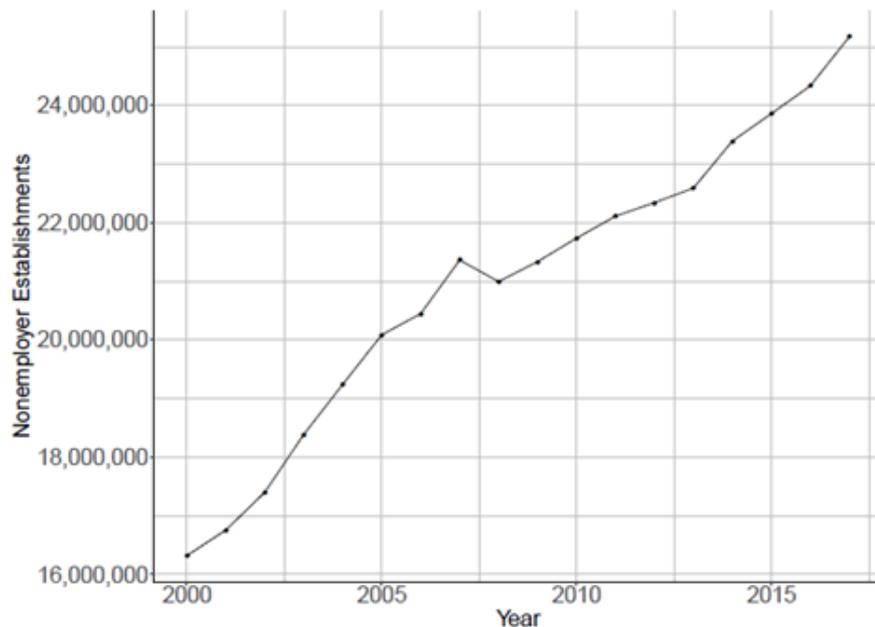
- Non-traditional employment
 - Self-employed workers performing on-demand tasks directly for clients often on a short-term basis
- AKA
 - Gig Economy

Non-employer and Employer Establishments (1997 – 2014)

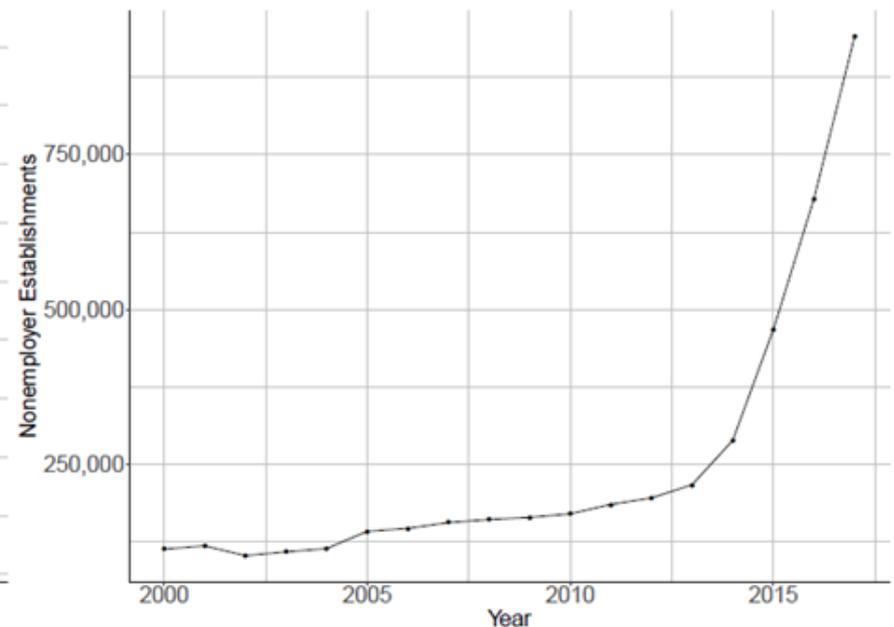


Aggregate vs. Transportation Non-employer Establishments (2000-2017)

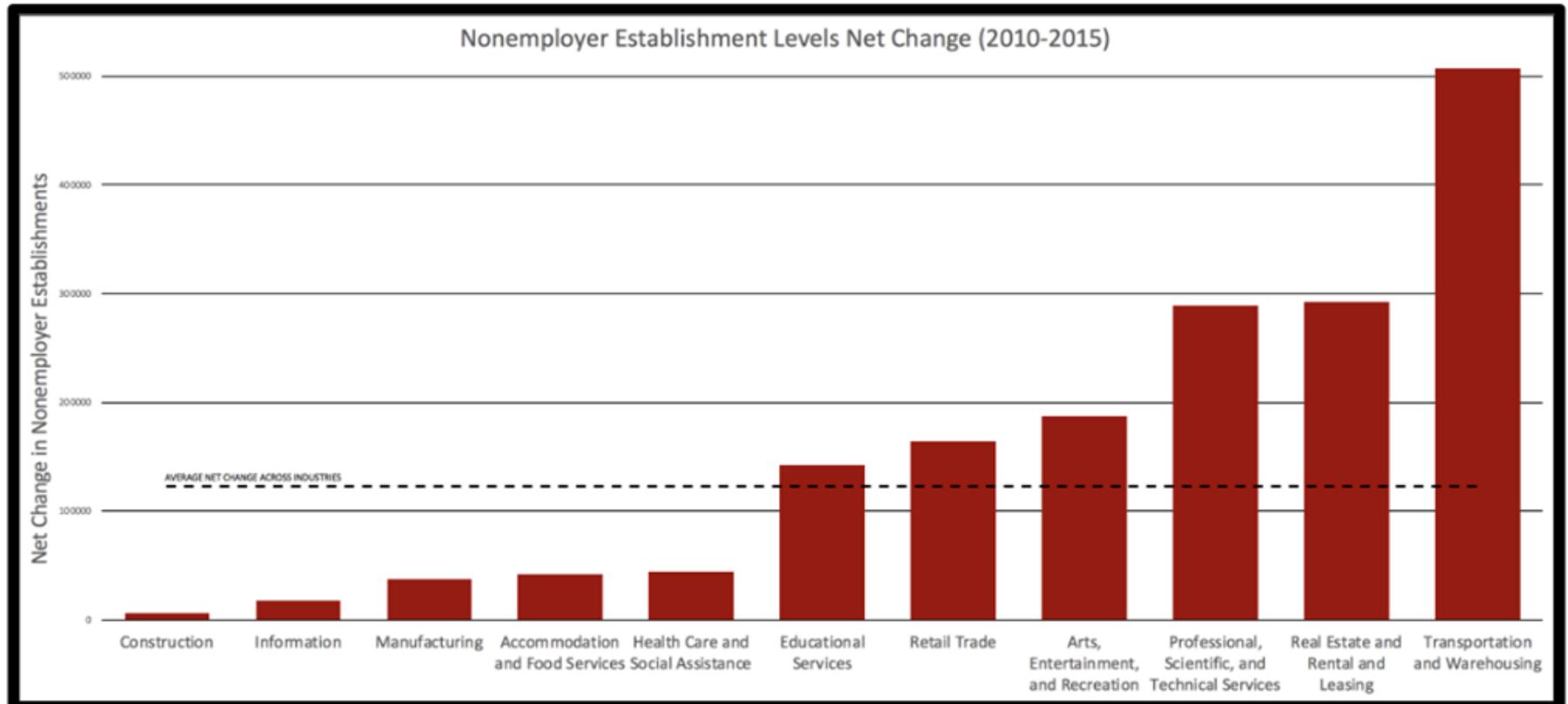
All Industries



Taxi and Limousine Services



Non-employer Establishments Net Change by Sector (2010 -2015)



How Large is the On-Demand Economy?

- ~ 25-30% of Americans engage with on-demand work (McKinsey, Pew, Federal Reserve)
- BLS provides a floor estimate of 14%
- Online platform economy is smaller but the fastest growing with estimates from 4-7% (Chase, Pew)

What are Workers Experience with the On-Demand Economy?

- Motivations:
 - Earn extra money
 - Flexible work schedules
 - Gain experience
 - Lack of jobs where they live
- 30 -50% would prefer a traditional job if they could find the right fit
- 57% state on-demand income is essential/important to finances

Literature Review

- Bracha and Burke (2016) – Why such a large participation in nonstandard work arrangements?
 - Workers engage in informal work to compensate for weak labor demand
 - Informal work offers higher wages than same formal work
- Glasner (2015)
 - More nimble policies needed to evaluate
 - Platform firms have incentives to reduce barriers to entry into marketplace

Colorado Focus Groups

1. Denver: Dominant metro area in terms of size and economic growth
2. Pueblo: Unique in that economic prosperity has lagged relative to Colorado
3. Grand Junction: Metro surrounded by rural areas

Employee Recruitment

- CDLE and CSU networks
- Significant challenges as potential participants did not see themselves as being part of “gig economy”
- One-pager and short participant survey
- 18 RSVP’ed to participate, 13 participated across the 3 sites

Employee Categories

The Five Faces of the On-Demand Economy

- 20%** The Career Freelancers
- 22%** The Business Builders
- 26%** The Side Giggers
- 14%** The Passionistas
- 18%** The Substituters



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Self-Employed

Employee Categories

- Platform Participants (2):
 - Use a platform to facilitate “gig” work
- Freelancers (4):
 - Lease resources from intermediary, work from home with no employees
- Business Builders (7):
 - Entrepreneur makers
- Side Giggers (0):
 - Creative Services, Business services for peers
- Substitutes (0):
 - Day labor or temp agency

Employer Recruitment

- Targeted businesses who use “1099” workers
- Denver was the most challenging, best attendance in Grand Junction
- Initially business services staff in local workforce areas and personal contacts
 - Recruitment challenges so reached out to SBDC’s
 - Approached IRS for list of “1099” employers

Employee Results



Terminology Is Important

- Employees often did not think of themselves as “gig” or “on-demand” workers



Who were the Participants?

- From a variety of industries:
 - Artistic services (design, music) (2)
 - Education and Training (online courses, workplace training) (2)
 - Transportation (courier service, food delivery) (4)
 - Business Development (marketing, web design, IT, consulting, life coaching) (7)
 - Health and safety (massage, rescue services) (3)
 - Retail food production (1)

Multiple Jobs

- All participants had multiple jobs
 - Some out of necessity (supplemental income) others strategically (diversify income and projects)
 - Only four mixing traditional and on-demand employment

Where do you find “gigs”

- A variety of avenues for sale
 - Farmer’s Markets / Craft Fairs (direct in-person sales)
 - Online direct to consumer sales (business website, Shopify, Facebook MarketPlace)
 - Word-of-mouth/Networking
 - Subcontracting
 - Requests for proposals or bids
 - On-demand including platforms and direct requests from a business or organization
 - Long-term contracts (up to a year was mentioned)

Push Pathway

“I haven’t been able to find employment where I make high enough income...in the field I want to work in. I have a degree, but I don’t have experience, so I’m having a hard time getting a position.” (Renee, Pueblo)

- Financial push to join the on-demand economy

Pull Pathway

“I just kept coming across more and more people that have [the same illness], and then I just kind of started sharing...with people I would come across, and then it kind of turned into a little bit of this and a little bit of that, and so I’m trying to make a go of it. Last September, I quit my job... which I’d been doing for about 15 years, and walked away from a really good, good, good income.” (Sheila, Grand Junction)

- Pulls to join include: Flexibility, discretionary income and ability to pursue passion

Themes from Employee Focus Groups



Flexibility

“I’ve always worked a side job, say, in the restaurant industry waiting tables if I had to, but this is way more convenient because...I choose my own hours. I could take my child with me.”

- Flexible scheduling helped to achieve a more balanced approach to non-work life
 - Necessitated an active role in time management which could be a challenge

Workload Management

“I think once you commoditize your time, then it becomes hard not to sell it when you have the opportunity to, so in one way you’re more flexible, but in another way, depending on where you are in the business cycle, I guess you’re going to take the work when you can get it.”

- High variability in workloads
- Very cognizant of connection between time and income

Independence

“When you’re dependent on an employer you have to have the permission. Sometimes employers are really good and they will say, ‘yes, do this training and we’ll pay for this and send you to do whatever you want to continue growing.’ But a lot of times it’s dependent on the company's agenda or what their goal is, and it limits what you can do.”

- Control of business decisions, schedules and incomes was important

Support Systems

“For me, work-life are kind of really merged sometimes. They’re not always so separate as you have the office, and then you have home. You have your co-workers and you have your family. Sometimes they kind of intermix. The people you work with or for also become friends, or can become close friends.”

- In the absence of formal support systems partners and families became essential
- Most participants were satisfied with support networks (with exception of platform)

Health, Safety and Risk

“The economy itself and...our business models are becoming more and more risky, and people are realizing that. They’re like, ‘well, I’m already in a risk situation here, so I could take it into my own hands and manage my risk myself rather than being at the behest of my job and worrying about losing my job”

- Lack of benefits did not come up organically
- In general participants felt they could manage risks (except for Platform workers)

Continued Participation

“I foresee myself doing it as long as I possibly can, because I enjoy it. It’s not easy, but that’s part of the enjoyment of it, I think, is the challenge of it. You can grow as much as you want”

- Most participants wanted to continue work in on-demand economy
 - 3 stated wanted to find traditional employment with benefits but still want to keep elements of on-demand work
- Expressed interest in becoming employers themselves

Rural On-Demand Economy

“people will go out of their way to find me at a local event or call me just with that relationship piece, so it’s very interesting to me, because everything I hear about business and marketing, you have to get online, and everybody’s wanting it this way, and that’s not entirely what I’m finding. I think that people really like that small-town, one-on-one. It’s your product, having that relationship and not just buying out of the box.”

- Highlight importance of local networks
- More research needed into this area

Employer Results



Strategic Business Model

“We (health care organization) use them out of necessity. There is a need for providers for healthcare; there is a gap of qualified workers.”

- Most of the businesses used a mix of traditional and non-traditional employment
- Felt 1099 workers provide flexibility
- Filled void when shortage of skilled workforce

Benefits

“1099 workers are easier to find. They make themselves available instead of having to hunt for an employee.”

“There is a big cost burden to the business for W2 employees: UI, fees, etc. For 1099 workers, the business doesn’t have to cover these costs”

- Term limits provided flexibility
- Lower overhead

Challenges

“If you have a contractor working next to W-2 this can have both positively and negatively impact your culture.”

- Little recourse if they do not show up
- Can be more difficult to incentivize
- They are not only working for your company

Changing Policies

- Confusion around policies and legal implications
- Businesses do not welcome the possibility of additional government regulation
- Need for additional education for both employers and employees

Providing Benefits

- Lack of understanding around what they legally can provide
- Variety of non-salary benefits
 - Use of car
 - Time flexibility
 - Advice for setting up LLC and other requirements

Conclusions

- Terminology is important
- Push and Pull factors for involvement
- Location matters – more research is needed into differences across space
- Employee category matters
- Education programs could be beneficial for both employees and employers