

Lessons Learned from the Old, New Economy

Joseph Mariano | August 11, 2015

The recent debate swirling around the so-called “gig” economy has policymakers at all levels paying closer attention to – and even weighing in on – the status of independent workers and how they’re faring in today’s economy. And while many consider this a relatively nascent issue that has arisen alongside the advent of new ride- or real estate-sharing services, the fact is, independent workers have been an important part of our economy for years. In reality, what’s changed more recently is not the sudden emergence of this workforce, but rather the rapid proliferation and use of technology and social sharing platforms that have enabled it to grow and thrive.

Take, for example, direct sellers, who have long-served as the backbone of America’s independent workforce, taking advantage of innovations at hand to build their networks for potential sales. In early days, they were the door-to-door salesmen who leveraged the use of an automobile to extend the reach of their territory. From there, the advent of selling products at a “house party” helped create income-generating opportunities for female homemakers across the country. Today, the introduction of social commerce platforms and tools has attracted a new generation of individuals interested in building their own businesses and earning income through direct sales of retail products spanning from clothing and jewelry to skin care and vitamins. The experiences and successes of the more than 18 million people currently involved in direct sales can serve as an important case-in-point for policymakers and others considering what, if anything, should be done to change the current opportunities available to these workers.

In our experience, direct sellers are drawn to independent work in large part due to the flexibility, which has exponentially increased thanks to recent advances in technology, it offers to work when and where they want. Imagine, for instance, a stay-at-home mom looking for an opportunity to supplement her family’s income in a way that doesn’t detract from time with her loved ones. Between school drop-offs and pick-ups, errands and sitting down to dinner, she can quickly use her smart phone to reach out to virtual networks on social media sites like Facebook or Pinterest to publicize new products or transact sales. If she has more time one week, she can go online more often. However, in the event her child is sick or her family is off together on a vacation, she can limit – or even completely stop – working until she’s ready and able to reengage.

This trend is very much aligned with what we’re seeing more broadly across the independent workforce today. Research by Alan Krueger, a Princeton economist and former chair of the Council of Economic Advisors, suggests that Uber drivers, for instance, are also drawn to the



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flexible nature of the work. In fact, many of these drivers had other full-time jobs when they started working with Uber, so the need for flexible hours was key. Moreover, Krueger found that most Uber-contracted drivers likely make more money per hour than their cab driving and chauffeur counterparts.

Indeed, the opportunities for prosperity created by independent work situations – especially those that utilize modern technology – should not be underestimated. As with direct sales, most of today’s independent work opportunities have no – or a very low – barrier to entry. Consider the numerous online platforms now available that match contingent workers with customers whose needs range from help with shopping, to cleaning to repairs. Few to no specific skills are required to earn income through such tasks. Then there’s our earlier example of the stay-at-home mom. Perhaps she’s had difficulty keeping certain skills on her resume up-to-date, so the ability to engage in direct sales or other social commerce opportunities like running a shop on Etsy become attractive new ways for her to pursue an income.

It should come as no surprise then, that individuals drawn to independent work tend to be highly satisfied with their situation. More than 80 percent of direct sellers, for instance, report that their experience met or exceeded expectations. This notion was also reiterated by FTC Commissioner Maureen Ohlhausen at a recent event on the growth of the independent workforce. Ohlhausen cautioned that if people are broadly benefiting from changes in the economy, it’s a signal for policymakers to proceed carefully, taking on a “posture of regulatory humility.”

Indeed, it seems that when it comes to the question of regulating the status of independent workers, policymakers would be well served to heed Olhausen’s advice. Given that today’s independent workers seek out the flexibility offered by these opportunities and receive tangible benefits, including a path to potentially greater prosperity, in return, policymakers should look before they leap into considering changes that may or may not ultimately benefit the very people they are trying to help.

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