It’s Not All About Uber

Annette Bernhardt

Over the past year, Uber has taken center stage in public debates about the future of work, driven by our collective anxiety about technology on the one hand and growing economic insecurity on the other. It’s a welcome debate for researchers and activists who have long tried to focus national attention on the corporate strategies that are reshaping the U.S. labor market and the lives of working families. At the same time, the obsession with Uber is impeding our ability to get an accurate understanding of what has (and hasn’t) changed in the workplace and is starting to get in the way of a coherent policy response.

Our collective intuition is that there’s been substantial growth in “gig” work and that it has played a major role in growing inequality. But it’s been surprisingly hard to confirm either supposition, largely because of the lack of good data. Exacerbating the problem is the considerable confusion about labels such as sharing economy, contingent work, nano jobs, gig work, freelancing, precarious work, and crowdwork. The result is widely varying estimates about how common this type of work is (anywhere from 50,000 to 45 million workers) and equally contrasting predictions about where we’re headed. So what exactly are we talking about?

Uber and On-Demand Platforms

On-demand platform work is generally defined as economic activity created by digital marketplaces that fulfill consumer (and increasingly, business) demand via the immediate provision of goods and services. As recently as six months ago, we had few reliable estimates of how common this work is. But several new studies have provided a consistent estimate of the percentage of workers using these platforms to sell their labor, and it is still tiny: about 0.4 percent of the workforce in a given month, according to the JPMorgan Chase Institute (Farrell and Greig 2016), much smaller than the place that Uber occupies in the popular imagination.

And although the growth rate has been rapid since 2012 (when there were almost no on-demand platforms), few think that the current trajectory is sustainable; there are only so many grocery deliveries to be...
made. In fact, the JPMorgan study found a slowdown from 2014 to 2015 in the growth rate of both active participants and platform earnings.

Beyond the question of prevalence is the challenge of how to actually think about platform work. For example, are these all actually jobs in the traditional sense of the word? Surveys consistently find that a majority of the workers who use platforms are working on them only part-time and part-year, to smooth over periods of unemployment or to supplement their income. In the extreme case, do we count two hours’ tagging photos for Mechanical Turk as a job? Another question is whether this is actually new economic activity—or is it just the moon-lighting work of old, now recorded via the advent of platforms.

And finally, how do we define the universe of on-demand workers? In addition to the 0.4 percent of workers who use labor platforms, another 0.9 percent use capital platforms such as Airbnb and Etsy, but such activity might be better described as small businesses selling or renting assets. Do we include all independent contractors in the universe, regardless of whether they are working online or offline? If so, the size of the workforce becomes larger (between 6 and 9 percent) but now includes occupations such as lawyers, real estate brokers, and construction workers who do not readily fit our image of emerging forms of gig work.

We are only beginning to understand this rapidly shifting landscape. In fact, the irony of our current moment is that Uber is standing in for a problem—technology destroying standard jobs—that it does not actually describe, because many taxi drivers were independent contractors before the advent of Uber. Going forward, we will need to be more rigorous in identifying the specific firm practices, job characteristics, and employment relationships that have changed. In the process, researchers will likely need to shift the unit of analysis from jobs to income-generating work, which can be variously performed as employees, as independent contractors, or as business owners. That shift will also necessitate moving beyond worker surveys as our main source of information, drawing on administrative data, employer surveys, industry trade groups, and big data generated by the on-demand platforms themselves.

Still, the bottom line is that, right now, on-demand platform work is far less prevalent than current media accounts would suggest. But that doesn’t mean nothing has changed.

**The Bigger Picture: Corporate Strategies and Domestic Outsourcing**

In a new working paper, my colleagues and I argue that on-demand platform work should be integrated into a broader analysis of the long-term trend of domestic outsourcing in the United States, both online and offline. We define domestic outsourcing as firms’ or the government’s contracting out business functions—the provision of goods and services—to other firms or independent contractors (Bernhardt, Batt, Houseman, and Appelbaum 2016). Our review of the available research suggests that domestic outsourcing takes place on a much larger scale and affects many more workers than has been recognized—ranging from low-wage service workers such as janitors, security guards, and hotel housekeepers to professional and technical workers such as programmers, health care technicians, and accountants.

This broader analysis is useful because it differentiates changes in the organization of production from changes in the organization of work and because it places corporate strategy at the center of the analysis. Specifically, we argue that the best way to analyze changes in the labor market is to start at the firm level and ask how and why firms have reorganized their production via contracting out (Figure 1). This practice can include the use of subcontractors, vendors, suppliers, temp agencies, independent contractors, and franchising.

Then the next question is how these changes in the organization of produc-
tion affect the organization of work and job quality—wages, benefits, work hours, health and safety, and the employment relationship.

Finally, in a world of increased bundling of various forms of income-generating work, we identify a third level of analysis—namely, the effect on workers and their ability to establish wage growth and employment stability across jobs and across their careers.

A key point is that in our framework, contracting out at the firm level doesn’t necessarily result in nonstandard or contingent jobs; the impact on job quality is an empirical question. For example, contracted workers may end up in standard employment relationships with permanent jobs, just working for a different employer (think of food service workers now employed by a food services contractor firm).

However, compared to their in-house counterparts, their wages are likely to be lower and benefits may be nonexistent, contributing to growing inequality. In support of this argument, recent empirical research demonstrates that the majority of the growth in wage inequality in the United States has occurred between firms, not within them. This pattern is what we would expect if firms are increasingly contracting out their low-wage jobs to firms that largely handle just those types of jobs.

Unfortunately, we currently have very little good data at the national level to rigorously assess the prevalence of domestic outsourcing or its impact on job quality. But from what is available, we do know that contracting out has become a central part of U.S. corporations’ business strategy. For example, in particular industries, establishment surveys have found that three-quarters of firms contract out some of their human resources functions; that about half of institutional food sales are contracted out; and that logistics outsourcing accounts for about half of business spending on transportation. Negative effects of outsourcing on wages have been shown for specific occupations such as janitors, security guards, and call center workers. And a recent survey estimated that all of the net employment growth in the U.S. economy from 2005 to 2015 appears to have occurred in alternative work arrangements, the two key ones being on-site contract workers (a subset of contract workers) and independent contractors (Katz and Krueger 2016).

The upshot is that an exclusive focus on Uber threatens to derail us from an accurate understanding of the range of corporate strategies that are reshaping the U.S. labor market. In particular, a substantial portion of the workforce still works in standard employment relationships (some at contractor firms), but with the low wages, insecure hours, and few benefits that are commonly associated with gig work. If policymakers operate on the assumption that most workers no longer have employers, they are unlikely to focus on using and strengthening the many regulatory and legislative levers that still exist to hold employers responsible for these workers.

Our task, then, is to analyze the full matrix of drivers that are changing firms’ decisions about how to organize production—financialization, deregulation, globalization, deunionization, and technology—and the impact those decisions are having on the wage structure and the employment relationship in different sectors of the economy.

Policy Responses

Even as the public discourse has concluded that regular jobs are a thing of the past, the recent trend in policy campaigns has been to strengthen and even add labor standards for regular jobs. The signal event of the past several years is of course the Fight for $15. Three and a half years after a handful of fast food worker strikes started the movement, the economic justice landscape looks utterly transformed. Currently, 34 cities and counties have raised their minimum wage, nine of them to $15 an hour; 29 states have minimum wage rates higher than the federal level, with two going to $15 soon. Activists are also focused on ending exclusions from minimum wage coverage by, for example, eliminating the subminimum wage for tipped workers and fully covering domestic workers.

And the movement has gone beyond wages, with five states, 22 cities, and one county now having paid sick day laws—a labor standard that had not historically existed in the United States. The newest trend is to pass paid family leave laws (five states and one city) and fair scheduling laws to rein in just-in-time scheduling in retail and other sectors (currently one city, with dozens considering similar legislation). It is important to understand that these measures are high-impact laws that will significantly transform the lives of low-wage workers—especially women, immigrant workers, and workers of color.
By full implementation, the Los Angeles $15 minimum wage law will give 39 percent of the workforce a pay increase, on average $4,400 a year for workers who are currently making $16,000 a year. In fact, the National Employment Law Project estimates that since November 2012, nearly 17 million workers have received wage increases as a result of these new laws, and nearly 10 million will gradually reach $15 an hour. Five years from now, we will very likely see the impact of this profound policy shift in our aggregate measures of wage inequality.

Efforts to address the gig economy have largely run on a separate, parallel track. Currently, labor advocates and policymakers are focusing on several broad policy proposals, none of which are new but which have taken on new life.

One idea is to create a third legal category of workers between employees and independent contractors, one that has some but not all of the rights and protections of employees. Motivated by the advent of Uber, the most recent version has been set forth by Seth Harris and Alan Krueger in their proposal to create a category of “independent worker.” Of the many responses being considered to the gig economy, this one is the most hotly debated. Should we fight to make new-economy workers into regular employees, or should we accept their independent-contractor classification and at least try to provide some protections under employment and labor laws?

It is striking how this debate has become so narrowly focused on the specifics of Uber’s terms of engagement with its drivers (such as the ability for drivers to select their customers and set the price for their services, and whether it is possible to measure drivers’ work hours). We are running the risk of rewriting U.S. employment and labor law around a single

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**Labor’s Love Lost: The Rise and Fall of the Working-Class Family in America**
Andrew J. Cherlin • Russell Sage, 2014

*From the publisher’s description…*

Two generations ago, young men and women with only a high-school degree would have entered the plentiful industrial occupations which then sustained the middle-class ideal of a male-breadwinner family. Such jobs have all but vanished over the past forty years, and in their absence ever-growing numbers of young adults now hold precarious, low-paid jobs with few fringe benefits. Facing such insecure economic prospects, less-educated young adults are increasingly forgoing marriage and are having children within unstable cohabiting relationships. This has created a large marriage gap between them and their more affluent, college-educated peers.

In *Labor’s Love Lost*, noted sociologist Andrew Cherlin offers a new historical assessment of the rise and fall of working-class families in America, demonstrating how momentous social and economic transformations have contributed to the collapse of this once-stable social class and what this seismic cultural shift means for the nation’s future.

Cherlin shows that the fall of the working-class family from its mid-twentieth century peak is not that the male-breadwinner family has declined, but that nothing stable has replaced it. The breakdown of a stable family structure has serious consequences for low-income families, particularly for children, many of whom underperform in school, thereby reducing their future employment prospects and perpetuating an intergenerational cycle of economic disadvantage. To address this disparity, Cherlin recommends policies to foster educational opportunities for children and adolescents from disadvantaged families. He also stresses the need for labor market interventions, such as subsidizing low wages through tax credits and raising the minimum wage.

*Labor’s Love Lost* provides a compelling analysis of the historical dynamics and ramifications of the growing number of young adults disconnected from steady, decent-paying jobs and from marriage.
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company’s economic model that we imperfectly understand and that affects only a very small number of workers. It seems wise to pause and take a big breath.

One alternative, recently supported by Senator Elizabeth Warren, is to continue the fight against misclassification and, at the same time, work to give independent contractors the right to organize (which is being attempted in Seattle) and access to portable benefits such as health care and retirement. Both strategies will confront thorny legal and policy design barriers, but this type of experimentation is much needed. In the case of portable benefits, it would also be welcomed by many low-wage workers who have standard jobs yet frequently switch employers (e.g., in restaurants and retail).

Without a doubt, ultimately we will need to modernize our legal and regulatory framework for the twenty-first-century workplace to reflect new configurations of economic power. The firm-centered analysis laid out in this article suggests that tinkering with expanded definitions of “employee” is not the only option.

Legal scholars such as Mark Barenberg and Brishen Rogers are developing proposals to hold employers accountable for working conditions that may be removed from their immediate control, but that they nevertheless affect via their economic market power over firms in their production networks.

The obvious application is to hold companies like Nike responsible for working conditions at their overseas suppliers, but the concept could easily be applied to domestic production networks to address what David Weil has called “the fissured workplace.” In other words, the employment relationship may no longer be the only, or even main, legal anchor of workers’ rights.

The Job Is Dead! Long Live the Job!

The future-of-work debates have had a tendency to polarize into two camps. In the research world, outsize claims that everyone will be a gig worker by 2020 trigger skeptical blog posts unable to find massive increases in the data. On the ground, efforts to experiment with organizing in the new economy run the risk of seeming to undermine traditional labor goals, such as fighting misclassification of independent contractors. And policymakers get caught in the middle, buffeted back and forth.

In fact, everyone is tackling the same beast. The profound shift in power between capital and labor over the past four decades has taken many different forms in the labor market. As a result, there is a natural tendency to see a disaggregated economy of different types of jobs and workers that seem to have little in common.

But the root cause remains the same: the ascent of shareholder capitalism and business models based on relentlessly cutting labor costs, whether it’s through holding down wages, cutting health and pension benefits, wage theft, just-in-time scheduling, discrimination, or the many varieties of contracting out.

Our task, then, is to develop a shared analysis of economic restructuring, the political and financial systems that sustain it, and the enduring hierarchies of race and gender without which it could not function.

It has taken decades for Americans to venture a national conversation about inequality and work. There is currently great potential to win economic justice policies, to find new ways of organizing workers, and even to direct the future trajectory of technology’s impact.

This is an opportunity not to be missed.

References


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