



Congress Debates Its Role In The Gig Economy

Insights

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Should the legislative branch of the federal government focus its efforts on regulating the gig economy at the present time, or should they stick to bigger picture topics to occupy their time (such as healthcare or updating the federal tax code)? Should Congress step in and develop a system to provide employee benefits to gig workers? And the million dollar question: should our federal representatives take a stab at revising the independent contractor misclassification test to account for the changes in modern society brought about by the advent of gig work? Due to the growth and sheer breadth of the gig economy, these are but a few of the issues that need to be resolved.

What Should the Federal Government Do?

Recently, the House Education and Workplace Committee took up these and related issues at a congressional hearing, hearing from both sides of the debate. Employee advocates believe the federal government should provide employment benefits to gig workers on par with benefits provided to W2 employees in traditional employer-employee relationships. These benefits include workers' compensation insurance, health insurance, disability insurance, and other benefits. Employer advocacy groups contend that the federal government should allow gig employers to operate without unnecessary, cumbersome regulations.

House Education Workforce Committee Hearing

The discussion during the meeting was primarily focused on: (1) protecting gig workers, and (2) facilitating continued growth of the gig economy. As expected, panelists expressed varying opinions regarding the federal government's role in the gig economy, including creating a third category of worker classification. Employer and employee advocates disagree on many issues. But both sides seem to agree that employment categories defined in a prior era does not fit neatly into the gig economy. And in light of the rapid growth in this area, the Committee seemed to agree that these are issues that will soon need to be addressed.

The gig economy has grown rapidly and all signs point to this trend continuing into the future. In fact, according to a 2016 study by economists Lawrence Katz and Alan Krueger, 94 percent of net employment growth in the United States economy from 2005 to 2015 occurred in alternative work arrangements, which encompasses the gig economy.

Both employers and employees have benefitted from the growth of the gig economy. Some employer benefits include reduced start-up costs, a reduction in transaction costs, and cost savings

associated with hiring independent contractors. The gig economy has provided opportunities for workers to earn supplemental income and to become business owners. The growth of the gig economy, however, has not come without its own unique set of problems.

Democrats and Republicans have talked generally about updating federal laws impacting the gig economy. To that end, Democrats in Congress recently introduced the “Portable Benefits for Independent Workers Pilot Program.” If passed, the bill would create a Labor Department grant program aimed at local government and nonprofits to experiment with health insurance and other portable benefits such as workers’ compensation, skills training, disability coverage, health insurance coverage, retirement saving, income security, and short-term saving. The House version of the bill has three Democratic co-sponsors and is assigned to the Workforce Committee. Whether this bill is passed into law remains to be seen. It is clear, however, that as the gig economy continues to grow, these issues will persist, and advocates will demand viable solutions.