MILLENNIALS AND THE GIG ECONOMY

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MILLENNIALS AND THE GIG ECONOMY

WEDNESDAY, JUNE 6, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 11:05 a.m., in Room 2360, Rayburn House Office Building, Hon. Steve Chabot [chairman of the Committee] presiding.

Present: Representatives Chabot, King, Luetkemeyer, Brat, Knight, Kelly, Blum, Comer, González-Colón, Fitzpatrick, Marshall, Norman, Curtis, Velázquez, Evans, Murphy, Lawson, Clarke, Chu, Adams, Espaillat, and Schneider.

Chairman CHABOT. Good morning. The Committee will now come to order. And as folks have to exit, they could continue to do that, but just do it quietly, if you would.

Throughout history, technological advances have shaped the economic landscape. With each advance, we see an increase in efficiency or output within the market. Today, we will discuss an example of an economic market that is not only shaped by technology but defined by it, the so-called gig economy. Today's hearing will allow us to explore the intricacies of a gig economy while diving deeper into the questions of who is participating in it, what does working in it look like, and how is its growth affecting small businesses.

The concept of the gig economy is not new. It is a marketplace of workers whose businesses are a collection of individual projects or gigs. A gig can range from a short-term contract lasting weeks or months to a single task that takes hours to complete. This notion of short-term contractual workers dates back centuries but has been re-envisioned with the inclusion of technology.

The gig economy is characterized by the use of technology as a means of connecting workers to employers. Digital platforms and mobile apps have been created to not only provide these connections but also to provide low-cost marketing and basic business tools to those working within the gig economy. Through the inclusion of technology, the economy that we just mentioned has become more efficient and attracted more and more market participants.

While the exact number of workers in the gig economy can be difficult to estimate, the Bureau of Labor Statistics estimates that the number of Americans earning income outside the traditional 9-to-5 job to be more than 53 million individuals, approximately one in three workers. On average, those workers are currently estimated to be between 47 and 50 years old. By 2020, however, roughly 42 percent of those workers are expected to be between 22 and 37 years old or of the millennial generation.

Why are so many millennials pursuing careers in the gig economy? Our witnesses today will offer insight into this question and many others. We will hear about the role of coworking in the gig economy, the reality of being an entrepreneur, and small business impacts of the gig economy.

I look forward to today's discussion, and I want to thank the witnesses for testifying here shortly, and I would now like to yield to our Ranking Member, Ms. Velázquez, for her opening statement.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Technology has always been a catalyst for entrepreneurship. Most recently, the gig economy has created new channels for entrepreneurs to sell goods and services. Millennials are establishing new digital platforms and markets to share everything from apartment space to transportation to artisan goods.

These rapidly changing dynamics have called into question more traditional definitions of a business owner and an employee. The majority of gig economy workers tend to be part-time and independent contractors, many of whom appreciate the flexibility and autonomy of this new sector. These jobs' flexibility allow millennials to have different work experiences without significant risks or sacrifices, so they can gain job experiences and build their professional networks quickly.

Additionally, the gig economy affords many millennials greater workplace independence and improves work-life balance. Not only can they determine their hours; they often control the workday to select business partners and choose their work projects.

Despite these benefits, we should also acknowledge one reason for this sector's rapid growth may be rooted in broader economic struggles. Many millennials were hit hard by the 2008 recession, when they were either entering the job market or in the early stages of their careers. This disruption caused some millennial workers to be more flexible on what they view as work and how they earn a living.

The prolific growth of the gig economy also raises important labor policy implications. While many of the workers in the gig economy enjoy flexibility, they must be protected from unscrupulous business practices. Most firms operating in the gig economy classify their workers as independent contractors, not employees. Such a categorization saves businesses money through reduced benefits and tax withholding.

Businesses and courts have long struggled to determine whether certain workers constitute employees or independent contractors. Courts are currently overflowing with lawsuits over whether companies have misclassified employees, and many of these cases stem from the gig economy. As always, the challenge is ensuring businesses and employees are protected without discouraging innovation and economic opportunity.

As this technological revolution advances, government policy must keep pace. It is, therefore, important this committee deepen its understanding of what is happening in the gig economy and has a grasp on how we can minimize risk for millennial employees while maximizing growth and productivity for small businesses.

I look forward to the insights of this panel on this topic, and I want to take this opportunity to thank everyone that took time to be here with us this morning. Thank you.

I yield back.

Chairman CHABOT. Thank you very much.

The gentlelady yields back.

And I would now like to take just a moment to explain our timing, which, in general, is pretty simple. You get 5 minutes to testify. The green light will be on for four minutes; the yellow light will let you know you have got a minute to wrap up; and then the red light will come on and you are supposed to stop then. We will give you a little bit of leeway but not too much. We would ask you to stay within that time.

And if Committee members have an opening statement prepared, I would ask that they be submitted for the record.

And our first witness will be Betsy Dougert. Ms. Dougert serves as the Director of Communications at the SCORE Association, responsible for the Association's communications, planning strategy, budget, and metrics. Prior to her time with SCORE, Ms. Dougert served as Director of Communications and publications at the—could you pronounce that school?

Ms. DOUGERT. Salesianum School.

Chairman CHABOT. Salesianum School. Boy, I am glad I didn't try to do that. And the Marketing and Communications Manager at Sacred Heart Academy at Bryn Mawr. Ms. Dougert earned a Bachelor of Arts degree in literary and cultural studies from the College of William and Mary—glad to hear that, my alma mater—as well as a Master's Degree in communications from Villanova University. We thank you for being here.

And our next witness will be Ryan Morris, who is the owner of Ruff House Dog Training in Stafford, Virginia. Ruff House Dog Training specializes in personalized dog training to address the specific needs of both the animal and the family. Previously, Mr. Morris has served as a Junior Analyst at Pivotal Practices Consulting LLC and a Management Analyst at CGI. Additionally, Mr. Morris previously served his country in the U.S. Marine Corps, and we thank you for your service. Mr. Morris received a Bachelor's Degree from the American Military University. And, again, we thank you for being here as well.

And then our third witness will be Anne Kirby. Ms. Kirby serves as the Founder and Art Director of The Sweet Core, a creative studio and coworking space in Lancaster, Pennsylvania. In addition to her work at The Sweet Core, Ms. Kirby is the owner of Perkup & Company, a social enterprise cafe, and a Founding Member of The Candy Factory and Rock Candy, two coworking spaces in Lancaster. Prior to her current positions, Ms. Kirby worked as an Art Director at Kinectiv, a Creative Partner for Not Bad Design LLC, and a Creative Director for Hunter Kirby Design. And we thank you for being here as well, Ms. Kirby.

And I would now like to yield to the Ranking Member, Ms. Velázquez, to introduce our fourth and final witness.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

It is my pleasure to introduce Mr. Steven Olikara, founder and president of the Millennial Action Project, a nonpartisan nonprofit engaging millennial policymakers and leaders across the country. He also serves as senior adviser to recording artist Akon Lighting Africa, an initiative to electrify over 1 million homes in Africa with solar power. Mr. Olikara was a 2-month fellow at the World Bank and is a graduate of the University of Wisconsin. Thank you and welcome.

Chairman CHABOT. Thank you. We thank and welcome all the witnesses here this morning.

And, Ms. Dougert, you are recognized for 5 minutes.

STATEMENTS OF BETSY DOUGERT, DIRECTOR OF COMMUNICATIONS, SCORE ASSOCIATION, HERNDON, VA; RYAN MORRIS, OWNER, RUFF HOUSE DOG TRAINING, STAFFORD, VA; ANNE KIRBY, FOUNDER, THE SWEET CORE, LANCASTER, PA; AND STEVEN OLIKARA, FOUNDER AND PRESIDENT, MILLENNIAL ACTION PROJECT, WASHINGTON, D.C.

STATEMENT OF BETSY DOUGERT

Ms. DOUGERT. Chairman Chabot, Ranking Member Velázquez, and members of the House Small Business Committee, thank you for the opportunity to offer testimony on millennials and the gig economy. The face of U.S. employment is changing, and recent decades have shown a marked increase in participation in the gig economy.

Businesses are increasingly hiring independent workers, also called contractors or freelancers, to fill key roles within their businesses. At the same time, increasing numbers of people are entering the independent workforce. According to the U.S. Census, gig workers can be defined as small unincorporated businesses which may or may not be the owner's principal source of income. Gig workers have a high degree of autonomy, typically have a short-term relationship with their clients, and receive payment by task, assignment, or sales. Research estimates that there are currently between 54 million and 68 million independent workers in the U.S., making up an estimated 20 to 30 percent of the working age population.

Not everyone enters the gig economy for the same reason, nor are they alike in their earnings. Research from McKinsey shows that 72 percent of gig economy workers voluntarily enter the gig economy because of the freedom it affords them. Nearly a third of this group depends on gig work to provide their primary source of income, while 40 percent earn supplemental income. A much smaller group, 28 percent, of gig economy workers enters the gig economy out of necessity as opposed to choice. They are split 50/50, with half of them relying on gig work as their primary source of income and the other half earning supplemental income.

How can we explain this upswing in gig work? First, the evolution of technology has made it easier and cheaper than ever for gig workers to start their own businesses, to find clients, and to conduct business from anywhere in the world. Next, today's independent workers want to feel passionate about their work. They value flexible scheduling and decisionmaking power.

The good news for these independent workers is that small businesses, which already employ half of American workers, show increasing demand for qualified gig workers. In 2017, SCORE's small business owners hired 122,000 independent contractors, which is double the 61,000 full-time employees they hired. It is also a dramatic increase from the 31,000 independent contractors they hired in 2016. Twenty percent of small businesses surveyed by SCORE's Megaphone of Main Street data report in 2017 replaced employees, both full time and part time, with contractors. More than half did so because the job demanded specialized knowledge, followed by 41 percent who cited temporary or seasonal needs. One surprising finding was that nearly half, 47 percent of nonemployer firms, reported hiring people to help them run their business, for an average of 3.2 workers, including the owner. This dispels common assumptions that solopreneurs are running their businesses by themselves and shows that employment statistics that only count traditional employees may be underestimating the full economic impact of nonemployer firms.

So how do millennials fit into this new gig economy? First, millennials represent the biggest share of the U.S. workforce, at 35 percent. Next, statistics point to millennials making up a bigger share of the gig economy than other generations of workers. Forty-seven percent of millennials freelance compared to 36 percent of the overall U.S. working population.

When it comes to millennials owning their own small businesses, data from SCORE shows that more than two-thirds of millennial entrepreneurs depend on their business as their primary source of income. Similar to the general population of small business owners, financing remains a significant challenge. Just 29 percent of millennial business owners sought loans or financing for their small business in 2017, and only a third of those who sought financing successfully obtained it.

Despite these challenges, millennial small business owners are an optimistic group. 2017 data from SCORE show that 82 percent of millennial entrepreneurs reported feeling optimistic about their business growth, compared to 69 percent of all business owners. Future discussions about U.S. jobs, employment, and economic impact will need to take into account the many workers who participate in the gig economy.

As businesses continue to increase their employment of gig economy workers, solopreneurs will most likely continue to rise at rates that outpace other types of small businesses. SCORE looks forward to continuing to serve the growing independent workforce, just as we serve all American entrepreneurs who dream of starting or growing a business.

Chairman CHABOT. Thank you very much.

Mr. Morris, you are recognized for 5 minutes.

STATEMENT OF RYAN MORRIS

Mr. MORRIS. Good morning, Chairman, Ranking Member, and members of the Committee. I want to say thank you for allowing me to come and speak to you this morning.

Again, my name is Ryan Morris, and I am the owner and founder of Ruff House Dog Training. I am also a 10-year Marine vet who recently got out in 2014.

So my story is I—and during my time in the Marine Corps, you know, I have been to some great places and I have been to some not so great places. And my job, I had to—I was responsible for putting smiles on people's faces. And I did that in those less-than-happy places, and it made me feel good. And I said: I would like to do that. And so, when I got out, you know, I was job hopping. And if you have ever, you know, had—done some activity a lot and then you just stop, you know, your body has a chance to catch up and say: Oh, this hurts, and, oh, that hurts. Right? So I said—I said to my wife, I said: Honey, can you give me a massage?

And she said no, and so I said: Okay. All right. Well, I said: How about if you let me get a massage chair? And I am not talking about these, you know, the pads that you can put in these chairs. See, I am talking about those real deal rocket ships that swallow you up and do your back and your neck and your toes, all of these things.

And, of course, she said no again. And feel free to put whatever word you want in front of that.

But so this got me to thinking. You know, how can I make some money on the side to not dig into our own combined income to get this massage chair? So one day I was scrolling through social media, and I saw this ad from a company called Thumbtack. It said: Dog trainers wanted. And I said: Oh, this is interesting.

So I clicked that. And that was in October 2015. In January 2016, I had broken four figures. I said: Man, this is great. You know, I am still working my full-time job. And I was like: This is wonderful. So, come June 2016, I had enough money to get my massage chair. Oh boy, right?

So, you know, I am at that point, and I am saying: This is a lot of money for this chair, you know.

But I did some thinking and I said: This is the reason that I set out to do this business. And I got it. And it serves more than a massage chair to me. It is more like a trophy to say that no matter what you set out to do, you can accomplish your goals, given the right tools and guidance.

Now, speaking of guidance, as I said, I was in the Marine Corps. And every time somebody transitions from the Marine Corps or the military, period, they have a transition program to help you, whether you want to go to college or, you know, start your own business or just work a traditional 9 to 5.

They also—well, not the military, but there is also a program called the ACP, the American Corporate Partners, which pairs you with a mentor that has a similar background that you do and a similar path that you express interest in, which is great. You also have the SCORE program that, you know, helps you kind of put a reality check to your business plans. It helps people who maybe have direction or don't have direction to kind of find themselves, okay.

So I say all that. And, you know, in my opinion, that American Dream is, you know, to be able to do something that you really enjoy doing and could do it without getting paid and get paid for it, you know. I get to choose who I work for, when I work, how long I work. I didn't have to ask anybody to be here today. I didn't have to juggle and say: Well, if I come here today, I won't have enough leave for my 2-week vacation, you know. And that freedom and just almost carefree attitude is why I think a lot of people nowadays are seeking this freelance kind of structure, if you will.

And I thank you again for letting me speak, and I look forward to your questions.

Chairman CHABOT. Thank you very much.

Ms. Kirby, you are recognized for 5 minutes.

STATEMENT OF ANNE KIRBY

Ms. KIRBY. Chairman Chabot, Ranking Member Velázquez, and members of the full Committee, thank you for inviting me today and for giving me the opportunity to testify on coworking and its role in what is known as the gig or freelance economy.

My name is Anne Kirby, and I am the founder of The Candy Factory, a coworking space in Lancaster, Pennsylvania. Coworking spaces are about building community. Per the coworking wiki, the coworking concept is simple. Independent professionals and those with workplace flexibility work better together than they do alone. According to the 2017 Global Coworking Survey by industry magazine Deskmag, an estimated 1.7 million people will be working in approximately 19,000 coworking spaces globally by the end of 2018. Twenty-nine percent of all spaces have opened just this past year, and nationally this growth is in step with the rise of the gig economy.

Coworking is appealing for many reasons. Mostly located in urban centers where commercial rates are high, flexible memberships mean less risk, allowing members to use the space as needed, avoiding the high cost of long-term leases. Space operators manage all aspects of the facility, saving members valuable time and money.

The gig economy has also helped drive the tech startup culture. With the emergence of open source, skill sharing, online collaboration tools, and social networks, we are connecting in ways we could never have imagined. We are not just working, but we are building relationships.

Freelancing in America 2017, commissioned by Upwork and the Freelancer Union, estimates that 57.3 million Americans, or 36 percent of the U.S. workforce, are freelancing. This report, considered one of the most extensive studies on the topic, has predicted that the majority of the U.S. workforce will be freelancing by 2027, millennials holding first place, with 47 percent freelancing.

These numbers speak volumes. We are facing new challenges. How and where we work is changing, as are the skills needed to be successful. Coworking spaces play a critical role in this ever-evolving ecosystem, providing not only an escape from isolation but also access to resources.

I have been an active member of the freelancer economy for over 18 years and spent the last 11 years as a community builder. During that time, I have learned that success in the gig economy involves thinking collaboratively while seeking out low-cost or no-cost resources.

After working from home for many years, I realized I was craving social interaction with my peers. I immersed myself in the emerging coworking movement and founded The Candy Factory in

2010. Over the past 8 years, The Candy Factory has grown, spanning across two locations and housing a community of close to 150 members, with room to grow. Being the first coworking space in central Pennsylvania, our diverse membership is made up of freelancers, remote workers, small business owners, startups, nonprofits, and students. Thanks to coworking, small businesses are thriving. Take, for example, Candy Factory member Doug Kauffman, a young certified accountant who formed Kauffman CPA after leaving his corporate job in 2014. Since then, he has been incubating his business in our space and has become a go-to resource for many of us, including myself.

Partnerships with SCORE, SBA, Ben Franklin Technology and others help our members stay competitive, and the coworking space has become a natural client pipeline for resource providers. SCORE has recognized this benefit and is partnering with spaces throughout the country. And personally, SCORE and my mentor, Jerry Glenn, have played an essential role in my business development, offering third-party perspective, HR expertise, and referrals.

Along with access to affordable real estate, other challenges for our members range from healthcare to education. We are helping to address rising healthcare costs through a membership-based primary care service called Rock Medical. This service does not replace health insurance, but instead gives members access to healthcare for a low monthly fee. Education is also critical to maintaining a prosperous gig economy. For example, the Pittsburgh-based co-op Work Hard started Academy Pittsburgh, a 12-week code boot camp that gives their students real work experience in popular coding languages. We understand that it is essential to work with our lawmakers on policy, from simplifying the tax process for solo entrepreneurs and 1099 laws to infrastructure. Addressing these issues will allow us to remain competitive in the global market.

Coworking spaces are here to help empower, connect, educate, and support the needs of the evolving workforce, and we look forward to partnering with our government to help enact change and support policy that will have a positive economic impact on the gig economy and those associated with it.

Thank you again for your support and for allowing me to testify.

Chairman CHABOT. Thank you very much.

Mr. Olikara, you are recognized for 5 minutes.

STATEMENT OF STEVEN OLIKARA

Mr. OLIKARA. Good morning. Thank you, Chairman Chabot, Ranking Member Velázquez, and members of the Committee. It is an honor to join you today.

My name is Steven Olikara. I am the founder and president of the Millennial Action Project, or MAP for short. We are the largest nonpartisan organization of millennial policymakers in the United States. In 2013, we organized the first ever bipartisan caucus for millennials here in Congress, called the Future Caucus, and since then, we have expanded that model into 26 States. Today, we engage over 600 millennial policymakers and thousands of millennial leaders across the United States.

I would like to recognize Congresswoman Stephanie Murphy, who serves as the vice chair of our Future Caucus, and Congresswoman Velázquez, who is a member as well and probably has the highest concentration of millennials in her district. I have been there; it is a lot of fun.

MAP and its Future Caucus network are on the front lines of creating and adapting policies to support this new economy. When we founded MAP in 2013, we noticed that millennial entrepreneurs were creating this new wave of gig work. Most notably, ride-sharing services at the time. This new sharing economy was not only disrupting old and incumbent industries, but it was also disrupting old and outdated government regulations. Not surprisingly, our millennial lawmakers, Democrats, Republicans, and Independents, were early adopters. They were rejecting the false choice between innovation and safety. They brought both parties together to create the first State laws authorizing these services, while also putting in place crucial consumer protections. Through MAP, we helped bring these best practices together from around the country.

And, interestingly, the divide that emerged was not so much between the left versus the right, it was really the future versus the past. Now, since then, entrepreneurs have expanded these on-demand services to many other industries, from meal delivery to hospitality, which really highlights millennials peer-to-peer network-driven approach to solving problems. Other millennials, as we have already discussed here, are simply choosing to be their own bosses and pursuing their passions, perhaps as a creative freelancer or a consultant on socially responsible business.

We know from studies that this generation of workers will not likely spend their entire career at one company. Increasingly, we will see workers moving from gig to gig. At their best, these opportunities will unleash creativity, create a more dynamic U.S. economy, and provide more flexibility to engage in work that best fits the worker. However, this emerging gig workforce also raises a number of issues, from access to health benefits to retirement security to disability and unemployment insurance. In short, the social contract we created in the 20th century needs to be updated for the 21st century.

For context on why these opportunities are important, the unemployment rate among millennials today remains above the national average, around 8.5 percent. And that doesn't include the roughly 50 percent of millennials who report feeling underemployed. So, while we are the largest workforce in the United States today, the labor force participation rate in this age range has actually declined over the past decade, the lowest growth rate among all generations. At the same time, we are seeing gig work growing. Actually, the growth rate for gig work is outpacing the overall employment growth in our country. And millennials are disproportionately taking on this work. Not only that, studies have found that millennials are more willingly choosing this type of work, preferring the added flexibility. At the same time, millennials are undergoing this work with high debt levels, because of student debt and limited access to benefits. So, while the proportion of household income millennials receive from gig work is increasing, most millennial gig workers make less than their traditional full-time employed counterparts.

So, with these trends, we need to consider the disruption between the traditional employee and employer relationship, particularly around those benefits that are difficult or impossible to obtain in this independent workforce. And if you take retirement as an issue, for example, if you look at the long-term trends, millennials are likely to have lower income replacement from Social Security, less likely to have traditional pensions, and more likely to have higher life expectancies. So our country cannot afford to have a gig economy that depresses retirement savings. We need to create an economy that does the opposite.

We also need to look at the portability of benefits from gig to gig, such as healthcare, retirement savings, workers' comp and others. States, as the laboratories of innovation, are already drafting their own legislative plans that allow employees to move from gig to gig more seamlessly. And at the Federal level, there is already bipartisan legislation by Future Caucus Member Senator Todd Young, along with Senator Mark Warner, that would further support this type of experimentation at the State and local level.

As the gig workforce grows, we need to be proactive in creating this 21st century social contract because studies show this workforce is only going to grow, and about 42 percent of these workers by 2020 will be millennials. I often hear from my millennial friends that they feel penalized for moving between job to job as they are pursuing their passions. We need to take steps to support this backbone of the U.S. economy so it is properly supported to promote innovation, provide security for workers, and maximize this new generation's potential for economic growth.

Again, I want to thank Chairman Chabot and Ranking Member Velázquez and all of those on the Committee for inviting me to speak on this panel today. Thank you.

Chairman CHABOT. Thank you very much.

And now the members will have 5 minutes to ask questions, and I will begin by recognizing myself for 5 minutes.

Ms. Dougert, I will begin with you. Just how cool is it to be a graduate of the College of William and Mary? No, no.

Ms. DOUGERT. Chairman Chabot, it is fantastic. Pride, pride for life.

Chairman CHABOT. Enough said. I yield back my time. No.

Ms. DOUGERT. I am glad that is settled.

Chairman CHABOT. Now my real question. We didn't prearrange this, right?

My real question. You mentioned that only a third of millennials successfully received the financing that they sought. In general, I know it varies every time, but what do the other two-thirds then do? Do they not ever get off the ground? Do they not expand? Do they, you know—do they find some other way, or what do you hear out there?

Ms. DOUGERT. Yeah. That is a great question. And just to recap, the exact statistics are that a third of millennials are seeking financing for their small businesses and a third of that third are successfully obtaining it. So it is actually even a gloomier picture than what you might think initially. And that is actually true for the greater population of small business owners as well. We know that only about a quarter of them are successfully obtaining financing in the traditional sense, loans and grants.

So what our small business owner clients at SCORE are telling us that they do instead is a lot of self-funding. So the average small business is started on about $10,000 or less. And people are turning to methods, such as credit cards, crowdfunding, family loans and personal loans to finance their small businesses.

Chairman CHABOT. Very good. Thank you very much.

Mr. Morris, I will go to you next. Again, thank you for your service to our country.

How do the skills that you picked up in the Marine Corps translate to your success in the private sector? And you have obviously done very well. How would you respond to that?

Mr. MORRIS. Thank you, sir. Well, the Marine Corps, as you know, is the best service out there, right? And they set you up for success. They give you that mindset that you do things right the first time so you don't have to, you know, do it over and over and over again.

And, again, being what I did in the Marine Corps, it gives you the different challenges of dealing with people who are, you know, from this place who have never done this job, whatever that may be. And you have to adapt. And one thing that the Marine Corps does is teach you how to adapt. It will make you an adult even if you are not ready. So I think that is how, you know, the military has helped me succeed, just knowing that, you know, you got one shot, and sometimes that is all you get.

Chairman CHABOT. Thank you very much.

Mr. MORRIS. Yes, sir.

Chairman CHABOT. Ms. Kirby, I will go to you next. Could you discuss—you mentioned SCORE had been important. Would you tell us how SCORE did impact your business, either early on or how it is still continuing to affect you?

Ms. KIRBY. SCORE has been an amazing asset, not just for my business but for a majority of our members. Our other SCORE clients actually participate in SCORE workshops or roundtables and activities. But for me personally, with my mentor, he really helped me step outside of my day to day and helped me kind of take a third-party perspective and hard look at my company.

I was running multiple projects, and I really needed someone to kind of step in and just—and help me assess the numbers, take a look at HR issues that I was having. So I came to SCORE a little later in my career. A lot of individuals will go to SCORE initially, like I have this idea, help me get this rolling. But I really feel that SCORE is beneficial for companies no matter what phase of development that they are in. And I came to them later in my career, because of the growth that we were seeing and I needed help navigating that.

The other thing is they really become a family. The mentors really come to the table, I have found, bringing their expertise and then also their referrals and their networks, which is just such an important asset to a small business who is looking to grow.

Chairman CHABOT. Very good. Thank you very much.

And, Mr. Olikara, I know it is hard to predict the future, but how do you see the gig economy changing as millennials age, and do you see any further out what is coming beyond that with the future generations? How do you see all that?

Mr. OLIKARA. Yes, absolutely. I think we are going to see a rapid expansion of the gig economy, and it is going to—again, we are just seeing the beginning of the types of industries that it can enter into. Because of the increasing need for on-demand services and demand for that, you are going to see millennial entrepreneurs create all sorts of businesses to make our lives easier.

But then, on the flip side, as you project out over the next 10 to 20 years, as this workforce is aging and they are thinking about starting families and buying cars and buying houses, then we have to make sure that they have some basic security that undergirds that type of work. So you are going to have some dynamic entrepreneurs creating the services, and then you are going to have a number of gig-style workers who will be not employed but working as 1099 employees primarily in those services. And I think if we provide some basic level of security for those workers, that can serve as a platform for more and more innovation. And I think the entrepreneurs starting those businesses want to see their workers properly supported.

Chairman CHABOT. Thank you very much. My time is expired.

The Ranking Member, the gentlelady from New York, is recognized for 5 minutes.

Ms. VELÁZQUEZ. Thank you. And, really, it has been quite an interesting panel. Thank you so much for being here.

Mr. Olikara, I have 200,000 millennials in my district.

Mr. OLIKARA. Do you like all of them?

Ms. VELÁZQUEZ. A lot of energy. It is a lot of energy, I can tell you that. We did an event in my district where we had a panel such as this one to listen to them.

So, Mr. Olikara, our nation's student loan debt is nearing $1.5 trillion, and small business startups are lagging.

Mr. OLIKARA. Right.

Ms. VELÁZQUEZ. What can we do to help millennial entrepreneurs deal with their student loan debt while trying to start a business?

Mr. OLIKARA. Thank you, Congresswoman. This is a huge, huge issue for millennials. The student loan debt crisis is weighing down millennial entrepreneurship right now. Currently, if you total student loan debt, it exceeds credit card debt in this country, and roughly, each millennial has about $26,500 of student loan debt.

And what is interesting is that picture is contrasting this other picture that is emerging of millennials who want to start businesses. The Kauffman Foundation found over half of millennials have either started businesses or would like to start one. And the first thing you need when you start a business is financing. And if you are not personally wealthy yourself, you have to go out and find other forms of financing.

So I think there are a couple things that we need to look at. One is that we can help incentivize employers to provide student loan repayment programs. So the jobs that millennials have prior to starting their businesses could help start to pay down their student loan debt.

And then, for other millennials who are deciding to perhaps go into public service, we need to have stronger public service loan deferment or forgiveness for those millennials. But I think the big picture here is it is not important just for millennials; it is important for the entire economy because studies have found, since 1980, virtually all net new job creation has come from these types of startups. So, if we want to see economic growth for the entire country, we need to do a lot more to reduce the burden of student loan debt on millennials.

Ms. VELÁZQUEZ. I invite you to look into my legislation, H.R. 201, to reward young entrepreneurs by offering loan forgiveness when they start a business.

Ms. Dougert, the gig economy has changed the way employees and business owners are defined. What is the primary difference between a solopreneur and an employee, and why would a worker want to be a solopreneur instead of an employee?

Ms. DOUGERT. Thank you for the question. So, when we are talking about solopreneurs and nonemployer firms, we are referring to small businesses that technically have zero employees but, as the statistics are showing, are employing an average of 2.2 people beyond themselves to run their business operations. So, while there are no employees helping out, there are gig workers helping to run these solopreneur nonemployer firms and operations.

Ms. VELÁZQUEZ. Anything else?

Ms. DOUGERT. Does that answer your question?

Ms. VELÁZQUEZ. Yes, yes.

Ms. Kirby—thank you—as an entrepreneur who is also a mother, can you talk about the opportunities and challenges that mothers working in the gig economy face?

Ms. KIRBY. Well, there is a lot. Speaking to debt, which I think—and access to financing is definitely always an issue across the board. As for mothers, childcare, we are finding a lot of women who would like the opportunity to be able to explore their passions but feel that the cost of childcare is cost-prohibitive, and they are choosing not to explore those businesses.

We are looking at solutions of coworking and childcare, so childcare being provided within our coworking spaces. That is definitely something that is on the rise that we are seeing more and more of. As a female entrepreneur, I also run a networking group called Kick-Ass Female Entrepreneurs, with 1,200 women throughout Central PA. And childcare is probably one of the number one issues that we face.

Ms. VELÁZQUEZ. Well, the Democratic Women's Caucus has four pillars, and one of them is childcare, to help women.

Mr. Olikara, over 20 million people gained health insurance through the ACA, but the continuing effort to undermine the law has undone much of this accomplishment. Can you talk about the importance of the ACA and the access to adequate healthcare for millennial entrepreneurs?

Mr. OLIKARA. Sure. Thank you, Congresswoman. Well, it has been extremely helpful not only for this emerging workforce but for me personally. I used to be in the gig economy, and one of the most important things during that time period was being able to stay on my parents' health insurance plan, because I was under the age of 26 at that time. And I remember thinking as I was taking advantage of those benefits that I wish we could just take the partisanship out of that issue because if you think about it, that provision in the healthcare law has helped bolster the entrepreneurial prospects of a generation of young people who otherwise wouldn't have that type of health security.

So I think that is extremely powerful and relates to the earlier point I was making in terms of creating this platform for young entrepreneurs to succeed. That includes healthcare benefits but also many of the other benefits that we have been talking about. It is not so much a debate, in my opinion, between, you know, big and small government. It is how government can be a jumping-off point for entrepreneurs to succeed and create growth in the economy.

Ms. VELÁZQUEZ. Thank you.

Chairman CHABOT. Thank you. The Ranking Member's time has expired.

The gentleman from Iowa, Mr. King, is recognized for 5 minutes.

Mr. KING. Thank you, Mr. Chairman.

I want to thank all the witnesses for your testimony.

I am sitting here thinking how things might have changed. I was a young entrepreneur in 1975, when I looked around, and I came home, and I told my wife: Today I am a man.

And she looked at me with that bored "what else is new?" Well, it actually was new because I had decided to take responsibility for our lives together. And a couple of months later, I managed to convince a banker to loan me 100 percent to buy an old beaten-up bulldozer. And the rest is I guess a long saga of ups and downs that today is a second-generation company that is I think very successful, at least by my standards.

And a week ago Monday, the banker that loaned me that money and took a bit of risk to do so passed away, and we celebrated his life, how many lives he changed with that financing. And just through the things that that enabled me to do, from a company that is spreading out and taking care of the third generation of my family, the politics that flowed from it, the career that flowed from it. My message to them was there is a lot of us that had a wonderful life because of the one wonderful thing that he did.

So, when I listen to the difficulty in reaching financing, Ms. Dougert, and one-third of one-third is one out of nine. So I want to ask you first, what are some of the reasons for turning down the finances on that? What are some of the barriers that are there? Are they different now than they were then?

Ms. DOUGERT. Sorry, can you clarify turning down? You mean why——

Mr. KING. When they are denied financing. I mean, I am going to say here are some things I know. Like, you don't have a cashflow plan that works. You don't have any capital. We don't really measure that you have the character to come through, the judgment of those kind of things.

Is that generally still the same reasons that were there 43 years ago, when I began a business? Because I had a few that said no to me. I had to find a way to sell them. And I think this marine knows how to solve some of these problems too. But you can't let up. So what I am trying to get to is, yes, we have a gig economy going on, and that is a result of a number of things and you have described some of that, but the barriers seem to be the same to me. You have to find—you have to have the instinct and the intuition to find a way to penetrate in, get your start.

Maybe I will swing over here to Ms. Kirby. You have done this. You have got this operation going on with about 16,000 square feet and lots of people churning around in there.

Can you tell us a little more about day-to-day? I didn't get that out of your testimony. How did this get built? What does it look like when you walk in there and you see this buzz of activity? Tell me how that all came together in your mind and how it looks today.

Ms. KIRBY. Well, I was working from home, and I was really isolated, so I was looking for opportunities to network. And I started a group called the Creative House of Lancaster back in 2007. And that was just a meetup basically of freelancers and creatives, and we started just getting together once a month. And we identified a need fairly quickly that we were all kind of working from home and isolated and needed that support.

So what I did was I grew a community for 3 years before I opened up the coworking space. And that is something that we actually advocate for a lot of coworking spaces to do. It is not a "if you build it, they will come" kind of philosophy. If you can grow that community first, then you have the support that you need. We opened our doors in 2010 with 15 members, and we were completely sustainable because we asked those members to come to the table and actually help get this space open.

That was when we first started in our first location, which was about 5,000 square feet, and we have grown to two locations and 16,000 square feet. Again, we just go back to our community. We say, hey, together, we can actually, you know, share space, share resources. But——

Mr. KING. Did you have trouble with financing?

Ms. KIRBY. So it was really funded by the membership. And because I run my design and marketing company out of The Candy Factory, I actually don't pull any salary from The Candy Factory, so it is all reinvested into the growth of it.

Mr. KING. I get it. You are a natural entrepreneur. You saw the need, you built your company. You saw the need, you built the community. And then the demand is what set this up then.

Ms. KIRBY. Right.

Mr. KING. And I would say that to anybody out there is that don't grow to anticipated demand, but grow to that demand that exists so that you are satisfying your customers.

Just as my clock ticks down, I just want to say that my observations are that there are some barriers that are greater than there used to be, and I believe one of them is the ACA because we have unaffordable healthcare. And the other one is Dodd-Frank and achieving finances. I talk to bankers consistently, and they say: I can't give those kinds of loans anymore because I am too tied down by too much heavy regulation.

So I think some of these solutions are open the door up so that a little more risk can be taken by the lenders, and they can take the risk with the borrowers.

And another thing that, if the Chairman will indulge me and just a concluding statement here, is that I think that your generation, the youngest among you anyway, has lost something that used to be. And that is that young people—when I was a young man looking at these, we would say—we would look around, and we would come up with an idea, and we would say: Well, there is no law against it. It meets our moral standards; let's go do it.

Now I hear: Nobody is doing this. There must be a rule against it. I guess we have to get permission.

If you think in terms of you have to get permission, it is a lot harder to be a successful and robust entrepreneur.

So I appreciate the testimony here today.

And thank you, Mr. Chairman. I yield back the balance of my time.

Chairman CHABOT. I thank the gentleman. The gentleman's time has expired.

The gentleman from Pennsylvania, Mr. Evans, who is the Ranking Member of the Subcommittee on Economic Growth, Tax and Capital Access, is recognized for 5 minutes.

Mr. EVANS. Thank you, Mr. Chairman.

I would like to ask this question to the panel as we talk about this gig economy. The current subcontracting process is vast and sometimes complex while the contracting economy is ever merging with the gig economy. So I am interested in asking you that question across the board because you describe this gig economy, and then we have the subcontracting process.

Obviously, the Federal Government is huge as opportunity. Is there some way that you view, in terms of bringing that together, that contracting economy merging with the gig economy and your thoughts? Start down the line. Anybody have a reaction? I feel like you have a reaction——

Mr. OLIKARA. I always have a reaction. Well, I think, if I understand your question correctly, you have the contract economy and the gig economy, and those create slightly different types of work.

Mr. EVANS. Correct.

Mr. OLIKARA. And then creates potentially some confusion as here thinking about benefits and just doing your taxes and things of that nature. That is an interesting point that I honestly hadn't thought of previously, but I do think if there was some level of merging between all of the paperwork that is required for the separate economies, then I do think it would make it to be a more seamless and easy process for the workers who are going through this.

I will say, you know, in the early days of being an entrepreneur, I was self-employed, and I remember thinking just the difficulty of dealing with all the paperwork and all the things that you actually take for granted when you have a traditional employer. So I think the things that we can do to make that easier for these young entrepreneurs, especially in those early days when they are just starting out, would be very helpful.

Ms. KIRBY. One thing that we try to do, kind of piggybacking off of that, is we really try to get small businesses or if you have an idea to the resources that they need as soon as possible. And that is why I think coworking is so essential is because we become these pipelines.

And I really think that helping identify what you are, how you incorporate and your business plan and figuring out taxes, which is incredibly difficult, kind of helps define contract versus freelancer, that kind of thing. But I think it is really access to resource and support and information. And I think that that is something that we need to keep continuing to grow.

Mr. EVANS. Any thoughts, Mr. Morris?

Mr. MORRIS. No, sir.

Mr. EVANS. Any thoughts?

Ms. DOUGERT. I think another important step to take going forward is to make sure that we are properly counting these types of workers because, right now, you hear a lot of different terminology from the workers themselves being independent contractors, freelancers, gig economy workers, and then, on the small business side, nonemployer firms, solopreneur firms. And we know that some of these gig workers may, in fact, be running small businesses and not even realize it and just think of themselves as a babysitter, a part-time dog walker. So I think until we know who exactly we are talking about and how many of them there are, we will possibly be underestimating the economic impact. And I think that that is a good first step.

Mr. EVANS. Ms. Kirby, the prediction that the majority of the U.S. workforce will be freelance by 2027, does this mean the end of traditional companies as we know it, and what is the most prevalent gig business in Lancaster? Since I am from the great State of Pennsylvania.

Ms. KIRBY. Yes. Well, what we are seeing is more and more companies are seeing the value in hiring freelancers. They are saving time, money, on-boarding, all of that. So that is one thing that we are seeing as why this is growing so rapidly, and the benefit it can actually have for small businesses as a whole is being able to bring these contractors in who are experts and then their companies can scale. That is something that we do with The Sweet Core is that we are a small team of six, but as a company comes to us and has specific needs, we can bring in experts from inhouse, from The Candy Factory, and scale as we need it. So I think that that is a huge benefit.

I think for the largest gig company you were saying in——

Mr. EVANS. Yes.

Ms. KIRBY. Oh, well, that is a good one. I am not 100 percent. I can actually get that information and send that to you in writing, if that is okay.

Mr. EVANS. Mr. Morris, again, thank you for your service. Obviously, as a former member of the military, you probably were the ideal person to start your business, requiring discipline and motivation and ability. You know, who are your role models, as you were pushing to think about entering this aspect of dealing with the economy?

Mr. MORRIS. That is a great question. And surprisingly enough, some of my inspiration, so to speak, would be some of the people that were my officers, who looked at me and said, in so many words: I don't see anything in you, you know.

And a lot of times, it is those who kind of push you down that help you. You know, you say—and this is what was in my mind when I started this: One day you are going to work for me.

So that was my motivation. I don't care how old you are; you are going to work for me one day. So that was my motivation.

Mr. EVANS. Thank you, Mr. Chairman.

Chairman CHABOT. Excellent answer.

The gentleman's time has expired.

The gentleman from Iowa, Mr. Blum, who is the Chairman of the Subcommittee on Agriculture, Energy, and Trade, is recognized for 5 minutes.

Mr. BLUM. Thank you, Chairman Chabot.

And thank you to our panelists for being here today.

Mr. Morris, thank you for your service to our country, and I love your attitude.

Mr. MORRIS. Thank you, sir.

Mr. BLUM. As I am thinking of the gig economy and whatever we call this, I am 63. So, back in my day, we used to think of your retirement as a three-legged stool, of which the person contributed to their retirement; the corporation, back in those days that they worked for for 20, 30, 40 years, contributed to their retirement; and then, lastly, the government contributed to it.

And when I hear about the gig, the entrepreneurial type of economy, what immediately comes to my mind is so that corporate piece, most, not all, most corporations offer 401(k). They offer health insurance. They offer disability. They offer some type of retirement plans. If you're home in your garage—and I was one of those folks—working for yourself, you don't have those benefits.

I somewhat see this trend putting pressure on our rapidly depleting government social program resources. The Trustees Report just came out yesterday. And Social Security they say will be out of money in 2034; and Medicare will be out of money in 8 years, 2026. So, not having a corporation there to help you with some of these things, tell me about what are your thoughts about that?

A lot of people stay at companies because they have a retirement, which takes some of the pressure off the government; because they have benefits, takes pressure off the government. When you are doing your own thing, which I did, which I think is great, you don't have those things. So, all of a sudden, when you are in need, it is falling pretty much solely on the government. Thoughts on that?

Ms. DOUGERT. Yeah. It is a great question. And those statistics are certainly sobering. I think that millennial gig economy workers are incredibly self-motivated as a group. That is part of their success is that they are excited about getting out of bed every morning and pursuing successful work that they believe in. And they value freedom and flexibility. But with great freedom comes responsibility.

So we would hope and some statistics are pointing to millennial gig economy workers making enough money that they can potentially be putting it aside for their own retirement and healthcare and long-term planning. So this is an incredibly motivated and smart group of individuals, and I would certainly hope that they are planning to continue taking care of themselves as much as they can.

Mr. BLUM. Mr. Morris.

Mr. MORRIS. Me personally, I think that the millennials now are so concerned about right now. You know, we got the Instagram or the Facebook and all of these things that give information right now. I think the job market, at least as far as the freelancing is concerned, is in that same kind of path. I want something right now. And, like I said, I started my business because I wanted a massage chair. There was no, you know, future, "Oh, I want a big house, you know, in 30 years." I just wanted a massage chair. And it has turned into this—I will call it an empire, but it has turned into this empire that, you know, has been wonderful for me.

So I don't honestly know if we are thinking of retirement or Medicaid, Medicare, whatever, because, you know, we are young, we are healthy and, you know, we are not worried about those things right now. That is my thoughts.

Mr. BLUM. And that is a concern for the government. That would be of concern. Our savings rate I think is not very high in this country, maybe a percent. So I am just concerned that, because we are thinking of the here and now, that there is not being moneys set aside. I am not advocating working for big corporations; don't get me wrong. I am just concerned about the rapidly depleting government resources, that the money is not set aside.

Ms. Kirby.

Ms. KIRBY. I am optimistic. I mean, I see some amazing creative innovative young individuals working out of our space who are actually coming up with ways to be able to save money. We have a 19-year-old software developer who is investing. It comes down to education. He had education to learn how to properly invest, to properly save. I think a lot of people have kind of missed that. So I think coming—resources and education are really key. But I am seeing our members kind of rally behind each other as well and collectively try to support each other. But I think that those are all topics that are top of mind for this generation as well as the rest of us who are self-employed.

And so trying to come up with creative solutions to help as much as possible, like the medical membership program, that kind of thing. How do we reduce some of the cost so that we can save more and we can give back more as well? And maybe that happens collectively.

Mr. BLUM. If the chair would indulge me, could our last witness answer the question? Thank you very much.

Mr. OLIKARA. Thank you, Congressman.

Just to add one piece to that, I think if—you are right about I think the long-term concerns. If we want to focus on just a few years of where having some security would be very helpful, it is just in those early days of starting your company. As I am sure you recall from your own story, those are often the most difficult. And for the successful millennial entrepreneurs, then they can start to create more traditional HR platforms and create payroll and things like that. So they might be able to get onto a more normal field of, you know, human resources and benefits after they get their startup going for a little bit. So, in terms of our, you know, policy, if we can figure out a way just to be supportive in those early days, in the first, you know, year or 2 years, 3 years, then I think that can have a huge, huge impact.

Mr. BLUM. Thank you for your indulgence. I yield back.

Chairman CHABOT. The gentleman's time has expired.

And, Mr. Morris, I think I am speaking for a lot of us here, but we have got to see this massage chair.

Mr. MORRIS. It is, indeed, a rocket ship.

Chairman CHABOT. It sounds like it.

I would now like to yield to the gentlelady from New York, Ms. Clarke, for 5 minutes. Thank you.

Ms. CLARKE. Thank you, Mr. Chairman.

I thank our Ranking Member. I thank our expert witness for your testimony today.

I just have a quick question as a followup to my colleagues. Are all of you paying into social security and Medicare?

Mr. MORRIS. I am not.

Ms. CLARKE. You are not?

Mr. MORRIS. No.

Ms. CLARKE. Interesting, okay. I thought that that was something that was mandatory, but I guess not.

Let me just ask a couple of questions for this panel. Piggybacking off of a question that Ranking Member Velázquez spoke of initially, some workers in the gig economy classify themselves as small businesses, but they gain neither loyal employees nor control over the product or business that they want to grow.

So is it fair for them to be considered small businesses? If not, doesn't that strengthen the argument that they are more like employees? And I want all of you to give some thought to that.

Mr. MORRIS. I am sorry; I missed part of the question.

Ms. CLARKE. Sure. Some workers in the gig economy classify themselves as small businesses, but they gain neither loyal employees nor control over the product or business that they want to grow, so they don't have a controlling interest.

So is it fair for them to be considered small businesses? And if not, doesn't that strengthen the argument that they are more like employees?

Ms. DOUGERT. May I start?

Ms. CLARKE. Sure. That was actually for the whole panel.

Ms. DOUGERT. Okay. I will kick it off. So, at SCORE, we follow the U.S. Small Businesses Administration's definition of what counts as a small business, which can vary in terms of the number of employees and the amount of revenue that qualifies. It is widely still accepted that fewer than 500 employees counts as a small business, which a lot of people would argue is quite a broad definition.

But we believe that any entrepreneur, whether they are officially a solopreneur or a gig economy worker, could be considered as working for or owning a small business because of the business activities that they engage in. So, regardless of their official classification as a sole proprietor or a C corp or what have you, they are most likely serving multiple clients. They are possibly engaging contractors to support them in their business operations, and they have the ability to keep growing or to fail.

So, actually, 43 percent of SCORE clients are considered prestart business owners, meaning they are still in the idea phase. They are planning. They are learning how to structure their business activities to help them achieve success. And we are very proud to support them in their dream of growing or even starting their small business.

Ms. CLARKE. Did anyone else want to try at that particular question? I see heads nodding.

Ms. KIRBY. Just to add to that, I mean, I think a lot of our solopreneurs are doing just what you had said, where they are working with multiple clients. They are able to then go into these companies and offer the expertise that they have to help those companies continue to grow. So classifying them I think as small businesses does make sense because they are a small business offering a service and then scaling potential other businesses as well.

And we see a lot of our solopreneurs actually grow into a more kind of official company with hiring additional either contract employees or hiring employees. So they are using that as a place to kind of spearhead to a larger company.

Ms. CLARKE. Let me ask you, Mr. Olikara, how do we assure that the gig economy workers get paid and sick leave?

Mr. OLIKARA. Thank you, Congresswoman.

I think it is a very good question. We are seeing a few models at the State level that we should look at closely, bipartisan models that, again, in the early days of being an entrepreneur. In the State of Washington, for example, they have a bill right now that would require, you know, gig economy services to pay into basically a portable benefits entity that would provide those benefits like childcare, sick leave, et cetera. And then, as a result, when they are moving from gig to gig, those benefits would stay with them.

Ms. CLARKE. It is portable.

Mr. OLIKARA. Yes, it is portable. Exactly, exactly. And I think that is good for not only, you know, a particular State, but it is good for our whole country because that really helps that entrepreneur have the security to be able to really get their business going. So I think that is one option.

Ms. CLARKE. This is a law that they are developing in Washington State?

Mr. OLIKARA. It hasn't become law yet. It is a bill that has been drafted and introduced. And there are a few examples of that around the country as well.

Ms. CLARKE. Very well.

Mr. Chairman, I yield back.

I thank all of you once again for your expert witness here today.

Chairman CHABOT. Thank you very much. The gentlelady's time has expired.

The gentleman from Utah, Mr. Curtis, is recognized for 5 minutes.

Mr. CURTIS. Thank you very much, Mr. Chairman.

And, Ranking Member, I don't want to contest your claim about the most amount of millennials, but I will say this, that my district has the youngest age of all districts in Congress at 27 and a half years of age, and certainly, we have a lot of millennials in that group. Utah was actually ranked in the top 10 for the best places for millennials, and we are in the top five for unemployment for millennials.

Now, I know you are looking at me and you are seeing my hairline and my pending AARP age, but I consider myself a millennial.

Mr. OLIKARA. We accept you, Congressman.

Mr. CURTIS. Thank you. I think if you could see my socks. Like you, I struggle what to watch on Netflix. I mean, I am right there with all of you. I actually believe being a millennial is far more a state of mind than an age.

Mr. OLIKARA. Absolutely.

Mr. CURTIS. And to demonstrate that, and I will apologize to my fellow colleagues here who may not be up on their GIFs and their memes, I actually think that me and Steve Buscemi have a lot in common. How do you do, fellow kids, right?

Now, with that in mind and my feeling like I have a connection with millennials, I have observed a couple of problems that I would like to brainstorm with you. And one of them is the seemingly lack of desire or unwillingness to engage in government. And a lot of the things that you are asking for need engagement. They need advocates.

Can you give me, from your perspective, anything that you have seen that successfully engages them in government and gets them to care about their Congressman or their voting or local officials?

Mr. OLIKARA. I can take a stab at that. Thank you, Congressman. It is the issue that keeps me up because it has truly been the calling of my life so far to be able to engage millennials in the political process. And the great dichotomy we have in our country today is that you have a highly idealistic generation that has the highest service participation rates in the country and yet at the same time have the least trust and confidence in government. There is a study from Harvard that showed a majority of millennials don't believe that government and politics will solve the problems that we face.

So it is my opinion that the way we start to change that narrative is demonstrate real impact through politics on the issues that matter. And I think this is the perfect example of it. If, you know, this Committee and this Congress can come together in a nonpartisan fashion to support millennial gig workers, that is an example of impact, and that creates a feeling of motivation for more millennials to engage in government.

It is a bit of a chicken and egg problem, as you are referring to, Congressman, because you actually need more engagement ideally to get the right policies done. And I just think it really falls on us, you know, it falls on the Millennial Action Project, it falls on Members of Congress to be actively engaging millennials in that process.

Mr. CURTIS. I agree with you in several areas. One, this is a demographic that is very giving. They will jump into a cause really very quickly. But to try to get them to jump into a civic government cause is more difficult.

And one of my worries is that, as we try to get them to do that or as we pass legislation that would accomplish some of the things, it is going to actually suck the life out of some of the innovation, right, and some of the beauty of what you have got. And we are trying to structure you, right? And part of your success is not being structured.

And so, to myself and my colleagues, you know, just a warning that, as we try to help you accomplish these goals, we have got to kind of come at it with your mindset rather than our traditional mindset of we are going to structurize this, and it worked for us, and it is going to work for you.

I don't know if you have any other comments on, how do we get them engaged? Another question I would have, I know, at least in my district, we don't have near the representation from women in our entrepreneurial demographics, and I am wondering if you have any suggestions on that as well.

Ms. KIRBY. I can speak to that a little bit. We have found that there are a lot of, you know, female entrepreneurs who are under the radar that we don't even really know are there. And so what we have actively tried to do is create opportunities for them to gather and to connect. And so that is what the meetup that we have every month is. So it is like drawing them out and showing them that there are resources here available, but there is also a network here to support each other, or if you are an aspiring entrepreneur, you don't even have to be a small business owner to participate. It is really about saying, how do we cultivate that? And a lot of times it is having some leaders within the community help stand up and help rally women.

Mr. CURTIS. I regret that we are out of time because I would love to continue this discussion and invite all of you to come out to my district in Utah to further this discussion and see if we can help you. Thank you.

Chairman CHABOT. Thank you very much. The gentleman's time has expired.

The gentlelady from North Carolina, Ms. Adams, who is the Ranking Member of the Subcommittee on Investigations, Oversight, and Regulations, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman.

And let me thank all of the folks who are testifying today. I don't necessarily consider myself in that group. I have children and grandchildren who are, though.

I was really fascinated by the story about the chair and the work that you are doing with dogs, and I thought you were going to get to where your dogs also participated in the chair and——

Mr. MORRIS. Absolutely not. The chair is too much money.

Ms. ADAMS. Just for you. Okay, all right. Now we have cleared that up.

Let me ask Ms. Dougert, I want to basically continue with the discussion about women. Mentoring has been mentioned as a helpful tool, and some studies suggest that women benefit even more from mentoring than men. So how do we better facilitate successful mentorships for millennial women?

Ms. DOUGERT. Thank you, Congresswoman Adams.

I would like to draw your attention to the latest Megaphone of Main Street data report from SCORE, which was on the topic of women's entrepreneurship. I would be happy to send that your way for more detailed statistics.

But basically, what that research shows is that women are starting businesses at a much faster rate than men, about five times the national average, and yes, that mentoring matters and mentoring works for women entrepreneurs, just as it does for all entrepreneurs.

One very interesting finding was that women entrepreneurs did not necessarily have more success with women mentors. That was something that we had expected to see and did not see in the research data. More important than the gender of the mentor was the effectiveness of the mentor. Five characteristics were pulled out as particularly important, things like their helpfulness, their listening skills, how respectful they were, how accurately they were able to assess an entrepreneur's particular situation with all of its unique challenges and advantages, and last and possibly most important, the ability to provide useful, specialized advice.

So that is great news for SCORE because we have always known that mentoring matters because it works. Small businesses are more successful when they have the help of an experienced mentor, like the 10,000 that we have at SCORE. And more than half of our clients are women, but we want to make sure that we are continuing to bring in all sorts of different clients and help them however they need to be helped.

Ms. ADAMS. Thank you. I was just really excited about SCORE, and I actually sponsored the bill for that, and I think it is doing a lot of good.

So let me ask Ms. Kirby, a mentor relationship adds enormous benefits to any entrepreneur, including building confidence, providing advice, facilitating a larger network, and helping to develop skills.

So what are some of the challenges that women face in assessing high-level mentors, in your opinion?

Ms. KIRBY. I think that one thing that we have noticed with dealing with female entrepreneurs is the fact that they do like to see other women in leadership roles helping guide them, whether or not the efficiency is there. But just seeing, you know, individuals who are going through similar struggles who can—you know, as women, we have unique challenges. And so we have found that if we can find women within our community who are leaders within the community to kind of help rally the women who are considering becoming solo—you know, entrepreneurs and/or trying to grow a business, if we can try to help pair them up with the resources that we have available. I think, again, it just comes down to access to low-cost/no-cost resources to help women especially connect to what is available there and really kind of encouraging leaders within our community to help kind of step up and actually give back as well.

Ms. ADAMS. Thank you. You can be what you see.

Mr. Olikara, how do we ensure that the gig economy workers get paid and sick leave?

Mr. OLIKARA. I think that is a very good question. Thank you, Congresswoman. I think on this topic of portable benefits, we are seeing some great innovations and experimentations at the State and local level. And I think under business as usual, those benefits are not going to be provided. So I do think there is something we need to do to provide paid and sick leave to gig economy workers.

Ms. ADAMS. Thank you.

Mr. Chair, I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

The gentleman from Florida, Mr. Lawson, who is Ranking Member of the Subcommittee on Health and Technology, is recognized for 5 minutes.

Mr. LAWSON. Thank you, Mr. Chairman.

And welcome to the Committee. I want to let you all know that I am from the government, and I am here to help you. And so my question, can all of you discuss the future of the gig economy and what role Federal regulations play in promoting, stiffen the growth of the gig economy?

Mr. MORRIS. I can't speak to the Federal portion, but as far as the future of the gig economy, I think platforms like what I am using, Thumbtack, which make it a lot easier to be put out in front of, you know, the bigger businesses that have the $20,000 and $30,000 for advertising. I think with those kind of tools and things, you know, people will start to say: Oh, man, I am great at underwater basket weaving, you know. Somebody wants that.

And they can use a platform like Thumbtack to put their name out there without spending, you know, the $10,000 and $20,000 and get recognized.

So I think the more that people start to see that their talent, whatever that may be, can be marketed and it doesn't cost an arm and a leg to begin or start, I think that is going to grow the gig or the freelance work exponentially.

Mr. LAWSON. I would like each one of you to comment on that question. How the Federal Government—I mean, I shouldn't say the Federal Government, but Federal regulations.

Ms. DOUGERT. So our clients tell us that they are not making the decision to start or grow their business, based on regulations, changes to the Tax Code, things like that. We know that it does affect them in their operations, and certainly any policies that are lessening the financial burden for entrepreneurs are a good thing. But when we have asked them, you know, whether some of the bigger changes in the past couple of years are affecting their decision to start or to expand, they tell us that it is really not affecting them on that level.

As to the technology portion of your question, I think that is a huge part of why the gig economy is continuing to grow and will continue to grow. The research shows that solopreneur firms are outpacing employer firms in their growth and that independent workers are also on a strong upward trajectory.

And I think technology is a huge part of that because different tools like videoconferencing, even things like online banking and virtual assisting, are making it more possible than ever to efficiently conduct business from anywhere in the world, wherever you want to be working. And all of these tools are only getting better and better as we move forward.

Mr. LAWSON. Ms. Kirby, did you want to respond?

Ms. KIRBY. I really can't speak to the Federal regulation piece. But I think for growth, why we think coworking is such an important essential role to the growth of the gig economy is the networking that happens and the collaboration that happens within our spaces. We also have a coworking visa program, which allows our members to have access to coworking spaces all over the world when they travel because you do find a lot of workers within the gig economy are a little more transient. They do travel a good bit as well. And so we want to make sure that they are tapping networks and resources that are available throughout the country and also globally.

Mr. OLIKARA. Thank you, Congressman. I will just add a couple quick comments here. Building on what Ms. Kirby mentioned, the most important thing that I think helps, you know, gig economy entrepreneurs is the power of networks, being able to easily get in contact with potential partners, potential buyers, potential vendors, et cetera. We actually work in a coworking space as well. I often talk about the office space dividend when you are surrounded around other entrepreneurs and other startups.

The hardest thing for entrepreneurs is often the administrative side of things, which I think does intersect with your question about Federal regulations. And I think all of you can probably speak to this. As a young entrepreneur, you get into that. You take the big leap of faith because you care about the mission of what you are trying to do. The whole administrative and compliance aspects of that are not what got you into it in the first place but are extremely important to be running as a legitimate business. And so I think thinking about those areas where we can streamline Federal regulations I think will have a very strong upward effect for these entrepreneurs.

Mr. LAWSON. Okay. Mr. Chairman, if I can get one answer from Ms.—and I know my time is running out. May I?

Chairman CHABOT. Yes.

Mr. LAWSON. Recently, we passed a major tax package, which everyone said that it bails out big businesses, and they are going to reinvest in the economy and stuff. How has the tax package that we passed really caused any problem for the gig economy, or have you even thought about it?

Ms. DOUGERT. Me?

Mr. LAWSON. Yes.

Ms. DOUGERT. So that question was asked in a different form at a hearing that the entrepreneurial development partners attended with the Subcommittee on Infrastructure that Congresswoman Adams runs. And the I think surprising answer was that it had not—I think there hadn't been enough time for it to affect the business owners' bottom lines, budgets, paychecks. So that the impact hadn't really sunk in yet because the consensus from them, which is consistent with what our SCORE clients have told us, is that it wasn't having a huge effect on them at the time.

Now, we know that, of course, it will have an effect on how they conduct business, possibly who they can hire, but I think it might be a little bit too soon to tell.

Chairman CHABOT. The gentleman's time has expired.

Mr. LAWSON. I yield back, Mr. Chairman.

Chairman CHABOT. Thank you very much. We have had lots of questions from both sides. I think it has been an excellent hearing this afternoon, and that is thanks to the really great panel that we have had here this morning and now into this afternoon.

The gig economy in some form or called perhaps by some other name has been with us for a long time, but with the growing importance of millennials in the American economy, it is even more important and growing all the time. So it is important for us to understand its role and to be able, through the policies that we impact here in this Committee and with the committees that we interact in, whether it is tax policy or regulations or access to capital, to understand it, and you have really helped us to do that.

So I want to thank each and every one of our panelists here for really great testimony here this morning, especially the one from William and Mary. But, you know, you guys were all great, all great. Go Tribe.

I would ask unanimous consent that members may have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned.

[Whereupon, at 11:05 a.m., the Committee was adjourned.]

APPENDIX

Elizabeth Dougert
Director of Communications
SCORE

Statement to the Committee on Small Business
United States House of Representatives
"Millennials and the Gig Economy"
June 6, 2018

What is the Gig Economy?

The face of U.S. employment is changing. In recent decades, there has been a marked increase in participation in the gig economy, on both the business side – as businesses increasingly hire contractors and part-time workers to fill key roles within businesses, and the worker side – as increasing numbers of people enter the independent workforce.

There are many different terms commonly used to describe gig economy workers, from "independent workers," "freelance workers," and "contractors," who may or may not own their own businesses, to "nonemployer firms," and "solopreneurs" who own their own businesses, but have zero employees. Despite this linguistic ambiguity, all share a common defining set of characteristics. Workers in the gig economy are their own bosses, as opposed to working for someone else. They have a high degree of autonomy and receive payment by task, assignment, or sales (as opposed to salary). Moreover, their work is often characterized by short-term client relationships. According to the U.S. Census, gig workers can be defined as, "small, unincorporated businesses, which may or may not be the owner's principal source of income."[1]

A 2016 McKinsey Global Institute analysis of published sources that analyzed independent workers as a percentage of the total U.S. working-age population estimated that there are between 54 and 68 million independent workers in the U.S.[2] In the U.S. and EU-15, independent workers constitute an estimated 20-30% of the working age population.[3]

Given these large numbers, gig workers have a significant – and steadily increasing – impact on the U.S. economy, these independent workers been increasing in number, even when other sectors of employment have been lagging:

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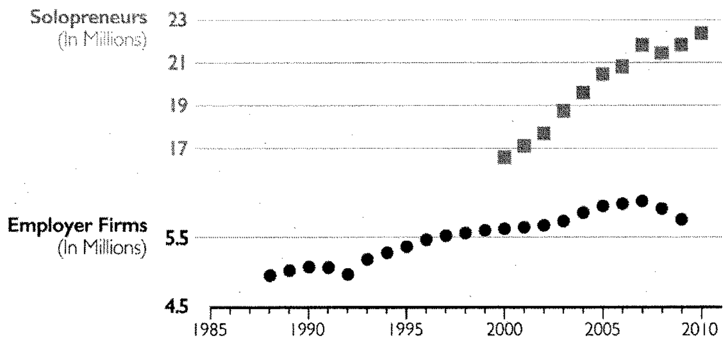
[1] https://www.census.gov/epcd/nonemployer/view/define.html
[2]https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Employment%20and%20Growth/Independent%20work%20Choice%20necessity%20and%20the%20gig%20economy/Independent-Work-Choice-necessity-and-the-gig-economy-Executive-Summary.ashx
[3]*Id.*



Source: U.S. Census Bureau, SUAB and Nonemployer Statistics.[3]

A study by Upwork (the world's largest freelancing website) and the Freelancers Union found that freelancers contributed $1.4 trillion of economic activity to the U.S. economy in 2017, an increase of 30% over the previous year.[4] The same study found that the population of freelancers grew three times faster than the general U.S. workforce from 2014-2017.[5]

Who Are Gig Economy Workers?

It is important to note that not all gig economy workers share the same reasons for working in the independent workforce, and they do not always achieve comparable earnings.

	Primary Income	Supplemental Income
Preferred Choice	"Free Agents" 32%	"Casual earners" 40%
Out of Necessity	"Reluctants" 14%	"Financially strapped" 14%

A study by the McKinsey Global Institute separated gig economy workers into four distinct categories. The first category consisted of gig economy workers who had chosen to enter the gig economy because of the freedom it afforded them. The first group in this category, called "free agents," made up 32% of respondents, and depended on their gig work to constitute their primary source of income. The second group in this category, described as "casual earners," had also voluntarily chosen to enter the gig economy, but only used their gig work to produce supplemental income. This was the largest segment of respondents, at 40%.[6]

The second major category of gig economy workers had entered the gig economy out of necessity – due to the shifting nature of their full-time employment. This group may have

[4] https://www.slideshare.net/upwork/freelancing-in-america-2017/1
[5] *Id.*
[6] https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Employment%20and%20Growth/Independent%20work%20Choice%20necessity%20and%20the%20gig%20economy/Independent-Work-Choice-necessity-and-the-gig-economy-Executive-Summary.ashx

experienced lay-offs or underemployment. 14% of respondents were characterized as the "reluctants," who entered the gig economy out of necessity and relied on their gig work as their primary source of income. Another 14%, defined as the "financially strapped," had also entered the gig economy out of necessity, but were only relying on their gig work to produce supplemental income.[7]

Gig economy workers are found in all industries, with the largest concentration (39%) found in "other services," a category of miscellaneous personal services that includes businesses such as beauty shops, laundry and cleaning services, and various repair shops. Following behind this number, 35.2% were in construction, and 33.9% were in agriculture/mining. After these top three categories came financial activities (22%), professional and business services (22%) and transportation and utilities (19.9%).[8]

Occupation[9]	% of Gig Economy Workers 2014
Other Services - personal services including beauty shops, laundry and cleaning services, repair shops, etc.	39.0%
Construction	35.2%
Agriculture & Mining	33.9%
Financial Activities	22.0%
Professional & Business Services	22.0%
Transportation & Utilities	19.9%
Information	15.1%
Wholesale & Retail Trade	8.5%

[7] https://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Employment%20and%20Growth/Independent%20work%20Choice%20necessity%20and%20the%20gig%20economy/Independent-Work-Choice-necessity-and-the-gig-economy-Executive-Summary.ashx
[8] http://gss.norc.org/get-the-data
[9] *Id.*

Education & Health Services	7.2%
Leisure & Hospitality	6.5%
Manufacturing	4.5%

Why This Rise in the Gig Economy?

How can we explain the upswing in gig or freelance work? A few key trend drivers include technological change, economic shifts and changing expectations around the nature of work.

First, the evolution of technology has made it easier and cheaper than ever for gig workers to start their own businesses (if they choose to do so), find clients, and conduct business from anywhere in the world. Examples include video conference, virtual assisting and online banking tools.

Next, structural shifts in the economy since the year 2000 have led to unemployment and underemployment levels that cannot provide enough high-quality jobs to meet the demands of new workers entering the U.S. workforce.

Finally, today's workers are interested in steering their personal and professional lives. They want to feel passionate about what they do for a living, and they value flexible scheduling, and decision-making power on what types of clients they engage.

Small Businesses and the Gig Economy

Small businesses have a powerful impact on U.S. employment, employing almost half of all workers in the U.S. Much of the economic recovery since the 2008 recession can be attributed to employment opportunities provided by small businesses.[10] Over the past year, hiring activity has been on an upward trend for small businesses, with plans to add workers hitting the highest level since 1999.[11]

Interestingly, there is a growing shift in the types of jobs generated by small businesses. While the number of firms that employ full-time workers has remained relatively flat, nonemployer businesses (also called solopreneurs) have been increasing. There has also been a marked increase in the use of gig economy workers, with businesses using contractors and part-time workers to fill key business roles.

SCORE's Client Engagement Survey shows that SCORE clients started 54,506 new businesses in FY2017. 26.5% of SCORE's mentored clients were nonemployers/solopreneurs, a number

[10] https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf
[11] https://www.wsj.com/articles/small-business-hiring-rises-in-july-1501770668

that climbed even higher when taking into account national webinar and local workshop attendees.

Also in 2017, SCORE clients who were operating small businesses hired 122,000 independent contractors, which is much higher than the 61,534 full-time employees (not counting the owner) they hired. This also constitutes a 288% increase from the 31,424 independent contractors SCORE clients hired in FY2016.

The Megaphone of Main Street: Small Business Jobs Report released by SCORE in 2017 showed that business owners were increasingly relying on gig economy workers to help them in business operations. While the small businesses surveyed were increasing hiring across the board, the greatest growth was found in gig economy positions. There was a 37% increase among small business owners in hiring gig workers over the past six months, compared to smaller increases of 13% for full-time employees, 22% for part-time employees, and 12% for part-time independent contractors.[12]

19.8% of small businesses surveyed reported replacing employees (both full-time and part-time) with contractors over the period of the previous six months. Small business owners preferred to hire contractors when the job demanded specialized knowledge (50.8% of respondents) or when they had temporary needs, including seasonal work (41% of respondents). More than a third of respondents (35.1%) would have liked to hire an employee instead of a contractor, but did not have the cash reserves to comfortably make payroll, leading them to hire a contractor instead.

Stemming from the top reason for hiring a contractor (specialized expertise), the top three business functions that business owners outsourced to contractors were technology (with 42% of respondents having hired a technology-related contractor), accounting (41% of respondents) and marketing (38% of respondents).

In contrast, business owners declined choosing contractors – instead choosing to hire employees – for reasons relating to consistency of work (57% of respondents) and commitment to the company, vision and brand (53% of respondents).

One particularly interesting finding was that 47% of nonemployer/solopreneur firms reported hiring other people part-time to help run the business, for an average of 3.2 workers, including the owner. This dispels common assumptions that solopreneurs are running their businesses solely by themselves, and shows that employment statistics that only count traditional employees may be underestimating the full economic impact of solopreneurs.

Millennials and the Gig Economy

Millennials represent the biggest share of the U.S. workforce, according to Pew research taken from U.S. Census figures[13]. More than one-third of workers in the U.S. (35%) were between the

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[12] https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Megaphone-Main-Street-Small-Business-Jobs-Report-Fall-2017_2.pdf

[13] http://www.pewresearch.org/fact-tank/2015/05/11/millennials-surpass-gen-xers-as-the-largest-generation-in-u-s-labor-force/

ages of 18 and 35 in 2017. Millennials represent a larger group than Generation X, and a larger group than Baby Boomers, who are increasingly retiring.

Statistics also point to millennials making up a bigger share of the gig economy than other generations of workers. For example, the Upwork/Freelancers Union 2017 survey finds that more millennials freelance (either full time or part time) than the average population. 47% of working millennials freelance, compared to 36% of the overall U.S. working population.[14]

Millennial Small Business Owners

While owning a small business will always be a challenge, results from SCORE's 2017 Client Engagement Survey, in which 1,342 millennial small business owners shared their experiences, paint a fairly optimistic picture of millennial small business ownership. In this section, all performance data on millennial small business owners was comparable to the general population of small business owners from other generations, except when specifically noted.

Data shows that more than two-thirds (67%) of millennial respondents depended (or expected to depend) on their business as their primary source of income.

In terms of business success, the largest share of millennial respondents (38%) reported expanding or aggressively expanding their size or revenues in the previous year. Just behind them at 34% were those millennial respondents who reported maintaining their current business size. 27% reported struggling to maintain size or revenues.

Looking to the year ahead, 60% of millennial business owners predicted an increase in revenues. Of the 40% of millennnial business owners who did not foresee a revenue increase, three-quarters of them (74%) predicted that business revenues would most likely stay the same in the year ahead, while 26% of them expected to see revenues decrease.

47% of millennial business owners reported no change in the number of people they employed over the previous year, while 26% increased the number of people they employed (both employees and contractors) and 4% reported a decrease. 20% answered NA, most likely due to not employing anyone at all.

Similar to the general population of small business owners, financing remains a significant challenge reported by millennial entrepreneurs. Just 29% of millennial business owners sought loans or financing for their small business, and only a third (33%) of those who sought financing successfully obtained it.

Given that such a small percentage of millennial business owners even tried to seek financing, much less successfully obtained it, this raises a question of whether millennial-owned small businesses might see even greater growth with better financing.

That being said, 2014 research from Intuit shows that 64% of U.S. small business owners start

[14] https://www.upwork.com/press/2017/10/17/freelancing-in-america-2017/

their business with $10,000 or less, and that these entrepreneurs are primarily self-funded.[15] This relatively low barrier to entry allows many entrepreneurs to start businesses without traditional financing.

When asked why they had sought financing for their small business, the largest share of millennial business owners (63%) sought financing to grow their business, per SCORE's 2017 Client Engagement Survey:

- To grow the business 63%
- Purchase new equipment 46%
- Help with cash flow 42%
- Launch new marketing campaign 32%
- Hire new employee/contractor 3%
- Purchase inventories 30%
- Launch new product 28%
- Open new location 21%
- Refinance existing debt 8%

Like many small business owners, millennials wish they had better financing options, but they are an optimistic group overall. The same SCORE survey showed higher levels of optimism in millennial small business owners, compared to the general population of small business owners. 82% of business owners ages 18-35 reported feeling very or somewhat optimistic about their business growth over the next six months, compared to 69% among all business owners.[16]

When asked what most concerned them about the year ahead, millennial business owners reported they were concerned about the ability to find and keep qualified workers (41%), above any other issue.

On average, compared to the general population of small business owners, millennial business owners were less concerned about policies that favor large businesses, (26% of millennials, compared to 48% of all business owners), and less concerned about proposed changes in healthcare (29% of millennials, compared to 36% of all business owners).

Looking Ahead

Future discussions about U.S. jobs, employment and the economy will need to take into account the many workers who participate in the gig economy full time or part time, in order to tell the whole story. The 30 million small businesses across the U.S. already employ almost half of all American workers, and 80% of those (23.8 million) are technically nonemployer firms.[17]

The term "nonemployer," which refers to a business not having any paid full-time employees, fails to tell the whole story of the powerful impact these types of small businesses have on employment. As shown above, data from SCORE reveals that nearly half (47%) of nonemployer

[15] https://fitsmallbusiness.com/small-business-statistics/
[16] https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Megaphone-Main-Street-Small-Business-Jobs-Report-Fall-2017_2.pdf
[17] https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2017-WEB.pdf

firms (or solopreneurs) pay or employ other workers, for an average of 3.2 workers, including the owner and any contractors, part-time workers and/or temporary help. This finding builds upon past research in the previous *Megaphone of Main Street* data report, which suggested that micro-businesses (0-4 employees) contributed more total jobs to the American economy than any other type of small business, when taking into account part-time workers.[18]

Steady increases in job creation and hiring activity bode well for American workers, but these jobs will not look like the full-time jobs of the past. Almost 20% of businesses surveyed reported replacing employees with contractors over the past six months, and, as previously stated in greater detail, business owners reported a 37% increase in hiring gig workers over the past six months, out-pacing any other category of worker.[19]

As the U.S. labor force increasingly participates in this new mobile, gig-based economy, and businesses continue to increase their employment of gig economy workers, solopreneurs will most likely continue to rise at rates that outpace other types of small businesses. Data cited above suggests that there are likely many gig workers who are not yet defined as sole proprietors or even small business owners, but who are using gig work as their primary or supplemental source of income, and are, in fact, running businesses. Going forward, these entrepreneurs will need guidance on best business practices that help them to successfully plan, grow and run their businesses.

SCORE's 10,000 experienced business mentors stand ready to support millennials, and all gig workers, through free mentoring and educational workshops designed to help them achieve their business goals.

Mentoring matters because it greatly increases the likelihood of a small business success. Entrepreneurs with access to a mentor are five times more likely to start a business than those who do not have a mentor.[20] SCORE's data also shows that mentored businesses are 12% more likely to remain in business during their critical first year of operations, compared to the national average.[21]

Working with a mentor at least five times greatly increases an entrepreneur's likelihood of business success. 30% of business owners (both men and women) who had just one interaction with a mentor reported business growth, a number that increased with subsequent interactions and peaked at 43% of business owners who had five or more mentoring interactions and reported growth.[22]

SCORE looks forward to continuing to serve the growing independent workforce, just as we serve all American entrepreneurs who dream of starting or growing a business. SCORE will

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[18] https://s3.amazonaws.com/mentoring.redesign/s3fs-public/Megaphone-main-street-volume-1-data-report-Apr-2017_0.pdf
[19] https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Megaphone-Main-Street-Small-Business-Jobs-Report-Fall-2017_2.pdf
[20] http://news.gallup.com/poll/150974/mentor-%20support-key-%20starting-business.aspx
[21] https://s3.amazonaws.com/mentoring.redesign/s3fs-public/SCORE-Megaphone-of-Main-Street-Women%E2%80%99s-Entrepreneurship-Spring-2018_1.pdf
[22] *Id.*

continue to provide guidance and education to business owners who choose to hire independent workers to support them in critical business functions, while offering the same help to the independent workers who are themselves running solopreneur firms. In this way, SCORE will continue to pursue its mission of fostering vibrant small business communities through mentoring and education, and will contribute to the economic recovery and job creation that small businesses deliver, in turn bolstering the American economy.

Testimony of Ryan Morris
Owner, Ruff House Dog Training
House Small Business Committee
June 6, 2018

Good morning, Chairman Chabot and Ranking Member Velasquez. It is a honor to be with you today and to share my story of how I founded my business. My name is Ryan Morris and I am the founder, owner and sole employee of Ruff House Dog Training.

I am an entrepreneur -- someone who was always seeking out more. Opportunity drives me. But it wasn't until a few years ago that I found my professional passion.

After high school I joined the Marine Corps and traveled the world to see some of the most beautiful places; some not so beautiful, not so happy places. Despite the conditions, I was always able to put a smile on faces. While abroad, I met my beautiful wife. In 2014, I separated after a ten year enlistment.

This is where my story truly begins.

After the military, I was job hopping and had three or four jobs in two years. Many of jobs were behind a desk, and my body started to tell-me, "Remember when you did push-ups and ran for seemingly no reason? This hurts, that hurts."

As my body was slowly accruing pain debt, I began to ask my wife for massages. She said no. I then asked her for a massage chair - one of the rocket ships that massage your feet, neck, back, and hands all at the same time. She again said no. Whatever word you think she said before that, you'd probably be right.

So here I am, trying to think how I'm going to make an extra $2,500 to buy the chair. While scrolling through Facebook, I saw an ad that said, "Dog Trainers Wanted" from a company called Thumbtack. Thumbtack helps small business owners and entrepreneurs find customers and they had customers in my area that were looking for dog trainers. So I signed up as an animal trainer in October 2015 and started to get clients right away.

By the next January, I had made over four figures just from dog training and by June, I had earned enough to get the massage chair. Now I'm thinking, this is a lot of money for a chair! Do I really want to spend this type of money on this thing? Then I said, this is the reason I started this business and it will serve as a reminder that I can do anything I set out to. The experience made me realize I could turn this into a full-time business, so I did. Now Ruff House Training is a successful full-time business with over 200 five-star reviews from customers. It gives me the flexibility I want and the ability to provide for my family.

One of the best things about running my own business is the freedom. I didn't have to take leave or ask permission to come here and speak today. I don't have to consult anyone and juggle whether I take leave for an event or save it so I can have a 6 day vacation. I don't have to abide by traditional hours. If there is an "American Dream," it's being able to do something you'd do for free and be paid for it. I've had so much fun working for myself, by myself, without restriction, I never want to go back to the traditional 9 to 5.

Of course, every entrepreneur faces challenges. For me, it's awareness and competing against bigger businesses with employees, company cars, banners and advertising budgets. I didn't have the budget to take out ads in magazines. Lucky for me, Thumbtack helped me find customers, and I was able to compete with the more established companies.

I have also benefited from several programs, designed to help people like me. When I left the military, I used the TRS program to help me transition into my civilian career as well as helpful resources on base.

I recently discovered the SCORE program. This program allows you to go and speak with a professional who has a similar background as you and has had/have their own business. You can bounce ideas off of them, share your business plan, get feedback and guidance, all for zero dollars. That's a wonderful resource!

Finally, the ACP program was a great resource to connect with someone with a similar background, in a field that you are looking to get into. These three resources have been so helpful to me and *should be utilized by more individuals*. We always think we know it all (especially Marines) until we open our eyes and encounter situations we never imagined could happen.

For me, it all began with a massage chair, but ended up following my passion to a career I love. Everyone should strive to get their message chair and live their dream.

Thank you for allowing me to share my story with you today.

Anne Kirby : The Candy Factory / Rock Candy
Coworking and its crucial role in what is known as the gig, or freelance, economy.
June 6th 2018

Chairman Chabot, Ranking Member Velazquez, and members of the full committee: Thank you for inviting me today and for giving me the opportunity to testify on coworking and its crucial role in what is known as the gig, or freelance, economy.

What is coworking? Per the coworking wiki, "the coworking concept is simple: independent professionals and those with workplace flexibility work better together than they do alone. Coworking spaces are about community-building and sustainability."

Most coworking spaces follow the guiding principles of community, collaboration, accessibility, openness, and sustainability. And while we share similar missions, we are all unique, catering to the individual needs of our members, and our numbers are growing.

According to the 2017 Deskmag Global coworking survey, an estimated 1.7 million people will be working in approximately 19,000 coworking spaces throughout the world by the end of 2018. 29% of all coworking spaces opened just this past year, and nationally, this growth is in step with the rise of the gig economy.

Coworking is appealing to gig workers, including millennials, for many reasons.
Here are a few of those reasons:

Less risk and responsibility; usually in ideal locations ordinarily unattainable - Flexible memberships allow members to use space on a daily, monthly or even hourly basis, avoiding having to navigate the high cost and long-term commitment of leases. Space operators manage the bills and utilities, and outfit and maintain their locations, saving members valuable time and money. Mostly located in urban centers where commercial space rates are high, coworking spaces provide access to working in cities. According to the Nielsen Millennials – Breaking the Myths report, the majority of millennials prefer to live in urban environments giving them access to entertainment, shopping, and restaurants with easy access to work, affording them the ability to walk or bike. Some couples choose to become a one or no car family, also helping to reduce monthly overhead.

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Networking - Coworking communities offer members many opportunities for networking with others, both in-person and virtually. The international coworking visa program allows members of spaces that opt-in free access to coworking spaces when they travel. Not only does this give them a place to work while on the road, but it also allows them to network with a broader community.

Startup Support - The rise in the gig economy has also helped drive the tech startup culture. Small teams in need of resources can find support and even funding at many coworking spaces, especially those who partner with investors, incubators, and tech accelerators.

Surrounding yourself with like-minded individuals - With the emergence of open source and skill sharing, like-minded individuals are supporting each other like never before, and online collaborative tools and social networks are connecting us in ways we could never have imagined. We're not just working; we're building relationships. This new way of thinking, working, and socializing is spurring growth and innovation, and coworking spaces are cultivating these communities and the next big ideas being created within them.

Studies show that those who are part of this fluid economy feel empowered, independent, happy, and creative, and companies embracing it are also benefiting, saving time and money. Hiring freelancers allow them to scale when needed as well as be able to hire experts for specific projects, reducing training costs and onboarding time.

So what does this all mean? Freelancing in America: 2017, commissioned by Upwork, a freelance community for hire and the Freelancer Union, a non-profit that promotes the interests of independent workers through advocacy, education, and services, estimates that 57.3 million Americans or 36% of the U.S. workforce are freelancing. This report is considered one of the most extensive studies on the U.S. Independent workforce and states that this demographic has contributed approximately $1.4 trillion annually to the economy. It also predicted that the majority of the U.S. workforce would be freelancers by 2027. Millennials, born roughly between 1980 and 1996 who are now ages 22-37, hold first place with 47% freelancing, which is more than any other generation.

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These numbers speak volumes. How and where we work is changing. We're facing new challenges, such as income predictability, work procurement, and funding. The skills we need to be successful are changing, and now more than ever we are looking to both our personal and professional networks to help guide us in this new economy. Coworking spaces play an essential role in the success of this ever-evolving ecosystem providing not only an escape from isolation but also access to resources and networks necessary to make it in today's gig economy.

We can not change this trajectory, and while freelancing does provide flexibility, it also can be a lonely and therefore unhealthy path. Recent findings from an epidemiological cohort study and published in the Psychological Medicine journal found that millennials who identify as being lonely, are twice as likely to experience depression and anxiety while research by employee assistance program provider Bensinger, Dupont & Associates found that approximately one in five millennials report experiencing depression. This drives home the continued need for social interaction and a level of structure which coworking spaces provide.

While social media has given some a sense of connection, it cannot replace face to face interaction with others; especially those facing the challenges of self-employment. Coworking communities help link those searching to be part of something bigger, offering opportunities to plug in and continue growing their skill set, while connecting them to essential resources.

While coworking offers its members access to low-cost office space with reduced risk, the coworking community is the greatest asset. As a community hub, coworking spaces provide relevant resources, access to events, opportunities for networking, and continued education. This is essential to those of us who are trailblazing in this new economy. Per the 2017 Freelancers Union Study, 65% of full-time freelancers are regularly updating their business and communications skills so they can remain uniquely marketable as automation continues to adversely affect many industries.

I have been an active member of the gig economy for over eighteen years and spent the last eleven years as a community builder within the coworking movement. During that time, I have learned that success in the gig economy involves thinking collaboratively while seeking out and accessing low cost or no cost resources.

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As a teenage mother in western Pennsylvania during the early 1990's, I was unsure of my future, and others' expectations for me were low. Luckily I had access to free community resources' that enabled me to finish high school and go on to college where I secured a degree in commercial art, design, and web development. My new network not only provided the emotional support I needed to be successful and the skills I needed to excel, but it also fostered my leadership skills and taught me the importance of giving back to my community. The support I received allowed me to build a foundation that launched me into the gig economy without even knowing it. It taught me the value of community engagement, mentorship, and collaboration that would be the building blocks for my venture into coworking.

After college, I moved to Lancaster, PA to work full time and build my freelance career. After working from home for a few years, I realized I was craving social interaction with my peers and was looking for opportunities to volunteer. I was feeling the effects of isolation. After several failed attempts at connecting with others through local networking groups, I decided to start my own. In 2007, I founded The Creative House of Lancaster for creatives and freelancers. As I grew this network, I quickly discovered that I was not alone in my feelings of isolation, and together we identified a real need.

Many of us were working from home or out of cafes. The few who leased offices were still isolated and were looking for more serendipitous forms of connections and encounters. I immersed myself in the emerging coworking movement and founded a coworking space called The Candy Factory in 2010.

Over the past eight years, The Candy Factory has grown to over 16,000 square feet of space spanning across two locations and houses a community of close to 150 members with room to grow. Being the first coworking space in Central PA, our diverse membership, made up of freelancers, remote workers, small business owners, startups, non-profits, and students we draw from all over the region. Our top age group represented is 30-40, spanning both the millennial and Gen X generations.

Many assume that the gig economy only involves the technology industry. While 60% of our members work in technology and creative fields, roughly 40% fall into business services like

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CPA's, attorneys, and consultants. Thanks to coworking, small businesses are thriving. Take, for example, Candy Factory member, Doug Kaufmann, a young certified accountant who formed Kaufmann CPA after leaving his corporate job in 2014. Since then he has been incubating his business in our space, scaling with salaried employees and contract workers. Additionally, he has also become a go-to resource for many who work out of the space, including myself.

While being a member of The Candy Factory is often enough for most of our members, 25% grow their companies until they need more physical space, with a majority utilizing vacant office space nearby in downtown Lancaster. Their growth is our success.

Our Partnerships with low cost or no cost business resources like SCORE, SBA, Ben Franklin Technology, and the ASSETS Women's business center give our members an advantage, making sure they stay competitive.

This past March, with funding support from the BB&T Economic Growth Fund at the Lancaster County Community Foundation, we partnered with Ben Franklin Technology Partners to launch Lancaster's first TechCelerator, which is conveniently housed in our space. This hub provides tech startup training, professional services as well as funding opportunities.

In addition, we frequently host free professional development events and workshops including SCORE Roundtables, Lunch and Learns, and Cultivate Lancaster, an entrepreneur forum that provides networking opportunities for the thriving network of entrepreneurs, small business owners, and business resource providers in Lancaster.

Personally, SCORE and my mentor Gerard Glenn have played an essential role in my business development and the success of my companies, offering third-party perspective, HR expertise, referrals and volunteer opportunities.

The power of these strategic partnerships and networks is demonstrated in this example. Last year, I presented as a guest speaker at a SCORE Roundtable on marketing. One of the attendees, who was also a SCORE Client, hired my agency for help with their marketing. When my client came to The Candy Factory for a meeting, they described other challenges they were facing with digitizing their internal processes. The business software they were considering would have cost them approximately $60,000 - $80,000. They asked if I had any ideas for a solution. I recommended another coworking member who has expertise developing similar business applications. He happened to be available and immediately joined the meeting to explore ideas for my client. The developer, who is also a SCORE client, secured the job, developed a solution, and saved my client $50,000+ in the process. This scenario is just one of many examples of how coworking relationships grow businesses, not only for members but also for their clients.

Coworking spaces become a natural client pipeline for resource providers. SCORE has recognized this benefit and is now partnering with coworking spaces all over the country. These partnerships are a win-win for all involved, with a majority of our members becoming SCORE clients or having attended SCORE sponsored workshops or Roundtables. We understand that as entrepreneurs we are always evolving, and mentors help guide us along this journey. Millennials especially benefit, with most having started their businesses right after college. Mentors are extremely valuable due to their lack of workplace experience.

As mentioned above, challenges for those in the gig economy that coworking addresses are affordable commercial real estate/housing, access to healthcare and ongoing education.

A relatively small city of 7 square miles and 60,000 residents, Lancaster City, has become a draw for transplants of all ages and cultures and thanks to an active business community, it has become a great place to start a business. This growth is also in part due to its proximity to larger metropolitan areas. However, like most thriving cities around the country, we see challenges such as access to inexpensive commercial space for small businesses and solo entrepreneurs where new ideas can be incubated and tested. Even The Candy Factory in its infancy would not have been able to afford commercial space in the current market. Collaborative spaces like coworking communities can help bridge that gap offering flexible reasonably priced workspaces in cities all over the world.

In addition to finding a place to work, participants in the gig economy also need affordable places to live. Coliving, a new idea that takes the same concepts and philosophy of coworking and applies them to shared living spaces, is on the rise in communities all over the world.

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Ecovillagers Cooperative, a member of The Candy Factory, and other similar organizations are looking to create real estate investment co-ops giving communities the power to invest in themselves.

We are helping to address rising health care costs for our coworking members through a membership-based primary care service called Rock Medical. This service does not replace health insurance but instead gives members access to unlimited primary care services including but not limited to, sick visits, minor procedures, and lab testing for a low monthly fee. Membership-based health services are designed to encourage wellness. For many of us in the gig economy, the only affordable health insurance option has become high deductible catastrophic coverage, designed to help pay for services only in the most serious of circumstances. Some of our members have decided to take the risk and go without healthcare coverage. While membership-based options like Rock Medical is not a replacement for health insurance, it does provide access to health care for those who can't otherwise afford it.

Access to education is also critical to maintaining a prosperous gig economy, and it can take many forms. Many young people that I have encountered through coworking are weighed down with vast amounts of college debt limiting their ability to explore their ideas and expand their skills. When it comes to ongoing education, we need to encourage our communities to think creatively, valuing trade schools, two-year degrees, and other solutions for access to education. For example, the Pittsburgh based co-op Work Hard, started Academy Pittsburgh, a 12-week intensive code boot camp that gives their students real work experience in popular coding languages like Ruby, JavaScript, and HTML/CSS, while connecting them to the technology community and potential employers in their area.

Online resources like Tree House are helping train the next generation of gig workers, giving them the skills they need to be competitive in this changing environment. Several of our members have not only used Tree House to enhance their skill set but have mentored high school interns in our space to the program. The Candy Factory also donates our space to Convert to Code, which hosts workshops and provides coding classes to elementary and high school students. So while coworking spaces are housing the current workforce, we are also helping train the next generation of gig workers.

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Coworking and collaborative spaces are essential to the gig economy as it continues to grow. It will be increasingly important for government at the local, state, and federal levels to form partnerships with these entities as we work together to acknowledge and face challenges. We understand these issues are complicated with many layers, but coworking spaces are part of the solution. For example, we work closely with our local government offering ourselves as a resource that can be tapped if needed and to keep them informed on changes we see in the small business community, especially in the realm of technology and startups. Coworking space managers have their finger on the pulse of what is changing in these industries and can be a valued asset for local government and revitalization plans.

We understand that it is essential to work with our lawmakers on policy, from simplifying the tax process for solo entrepreneurs and 1009 laws to infrastructure, especially in our rural area, addressing these issues will allow us to remain competitive in the global market.
Together we can support policy changes that will have a positive economic impact on the gig economy and those associated with it. For instance, Vermont just launched the "Remote Worker Grant Program," a new incentive to draw more gig economy workers to their state. The grant would help support relocation costs, access to coworking spaces and more. This program could be a possible model for other states looking to not only draw more remote works but also for those looking to build their gig economy.

With strong partnerships, increased awareness, and a mindset to give back and willingness to think more creatively on all sides, we are optimistic. Coworking spaces are here to help empower, connect, educate and support the needs of the evolving workforce and we look forward to partnering with our government to help enact positive change.

Thank you for again for your support and for allowing me to testify. I am happy to answer any questions.

Sources:
Freelancing in America: 2017, commissioned by Upwork & The Freelancers Union
https://www.freelancersunion.org
Report - https://www.slideshare.net/upwork/freelancing-in-america-2017/1

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https://www.upwork.com/

EcoVillagers
https://www.ecovillagers.org
Ecovillagers Cooperative will be the world's first real estate investment co-op for ecovillage neighborhoods. Ecovillagers Co-op will empower its member-owners to cooperatively plan, develop, finance, and steward neighborhoods with a mix of residential and commercial property.

Deskmag global coworking survey
www.Deskmag.com
Summary of report - http://www.deskmag.com/en/background-of-the-2018-global-coworking-survey-market-research
The nature of the spaces we work in determines how we work, the quality of our creation, and our satisfaction along the way. Until recently, the form and function of workspaces have been dictated by corporate tradition. A growing proportion of workers are now freelancers, contractors or small companies that have the opportunity to redefine the concept of the workspace for themselves.
Deskmag is the magazine about the new type of work and their places, how they look, how they function, how they could be improved and how we work in them.

Academy Pittsburgh a program of Work Hard Pgh.
https://workhardpgh.com
12 Weeks </> New Career
Get real-world experience in Ruby, C#, JavaScript, and HTML/CSS through project-based learning and connections to the larger technology community in Pittsburgh.
Impact & Community
Academy Pittsburgh's mission is to give back and strengthen the regional entrepreneurial ecosystem. Each session of our 12-week boot camp wraps with a service project for local nonprofits.

Millennials and Depression
https://www.independent.co.uk/life-style/millennials-lonely-depression-anxiety-mental-health-odds-doubling-unemployed-study-a8319686.html

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https://www.bna.com/millennials-report-higher-n57982084118

Convert to Code
http://convert2code.com
Convert to Code is a community organization that strives to facilitate learning of computer science and computer programming in the Lancaster, Pennsylvania area. Our vision is to provide a resource for local individuals to learn about coding and computer science in the increasingly tech-saturated society we live in, targeting middle school and high school-aged students.

Cultivate Lancaster
ttps://cultivatelancaster.com
Under the direction of the Lancaster City Alliance, ASSETS & the Women's Business Center at ASSETS, the bi-annual workshop series serves as a unique opportunity for Lancaster's business innovators, influential thinkers & motivated doers to meet, network & share their experiences – all the while learning about the valuable resources & small business support services that are available.

Lancaster - Lebanon SCORE Chapter
https://lancaster.score.org

ASSETS & Women's Business Center / B-Corp Assistance
https://assetspa.org

The Candy Factory / Rock Candy
www.CoworkingInLancaster.com

Coworking Wiki & Visa Program
http://wiki.coworking.org/w/page/16583831/FrontPage

Ben Franklin Technology Partners
https://benfranklin.org

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Rock Medical

http://rockmedical.com

We're rocking a new concept in healthcare — one designed to keep you and your family healthy. Receive unlimited access to primary care and preventive health services with no co-pays. Enjoy the convenience of same-day appointments and commonly prescribed medications right at your workplace. Visit us virtually using the latest technology. All sponsored by your employer at no cost to you. We remove the barriers to get you the care you need - when you need it.

Nielsen

http://www.nielsen.com/us/en/insights/news/2014/millennials-prefer-cities-to-suburbs-subways-to-driveways.html

2014 Report - http://www.nielsen.com/us/en/insights/reports/2014/millennials-breaking-the-myths.html

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State of Vermont - Remote Worker Grant Program.

https://legislature.vermont.gov/assets/Documents/2018/Docs/BILLS/S-0094/S-0094%20As%20Passed%20by%20Both%20House%20and%20Senate%20Unofficial.pdf

Forbes

https://www.forbes.com/sites/laurabegleybloom/2018/06/03/vermont-wants-to-pay-you-10000-to-move-there-and-work/#4849c17711c9

MAP
MILLENNIAL ACTION PROJECT

Millennials and the Gig Economy

Testimony of

Steven Olikara
Founder and President
Millennial Action Project

Before

Committee on Small Business
U.S. House of Representatives

The Honorable Steve Chabot, Chairman
The Honorable Nydia Velaquez, Ranking Member

June 6, 2018

Millennial Action Project | 1875 Connecticut Avenue NW, 10th Floor | Washington, DC 20009

Thank you Chairman Chabot, Ranking Member Velázquez, and members of the committee. It is an honor to be here and speak with you today. My name is Steven Olikara, and I am the Founding President of the Millennial Action Project, or MAP for short. We are the largest nonpartisan organization of millennial policymakers in the U.S. In 2013, we organized the nation's first and only bipartisan caucus for young members of Congress, the "Future Caucus," and have expanded that model into 26 state legislatures, engaging over 600 millennial policymakers and thousands of millennial leaders across the country. Through this network of Future Caucuses, our goal is to build the next generation to overcome partisan divisions on generational issues.

I would like to recognize Congresswoman Stephanie Murphy who serves as the vice-chair of our affiliated Congressional Future Caucus, a bipartisan effort dedicated to millennial issues in the House of Representatives, and Congresswoman Velázquez who is a Future Caucus member and who represents a high concentration of millennials in her district. On behalf of the Millennial Action Project, I am grateful that the Small Business Committee has convened to hear how the gig economy is spurring a new generation of millennial entrepreneurship, and the surrounding concerns we need to address.

Millennials in the Gig Economy

Among the issues we have focused on, MAP and its Future Caucus Network have been a leader in creating and adapting policies to support the new economy that millennials are increasingly shaping. When we founded MAP in 2013, we noticed that millennial entrepreneurs were creating a new wave of gig work—most notably with ridesharing services at the time. This new sharing economy, providing gig-style work, was not only disrupting old, incumbent industries, but also disrupting old and outdated government regulations.

Not surprisingly, our network of millennial policymakers, Democrats, Republicans, and Independents, were early adopters of these new technologies. Our Future Caucus chapters wanted to embrace the future. We rejected the false choice between innovation and safety. Our state-level chapters went to work, bringing both parties together to create the first state laws to authorize these new services, while putting in place crucial consumer protections. Through the Millennial Action Project, we helped share best practices from across the country on these issues. Interestingly, the political divide that emerged was not between left and right. It was between the future and the past. It was a great example of how a generational approach to policymaking can help to transcend old partisan fault lines.

Since then, entrepreneurs have expanded on-demand services to many other industries, from meal delivery to hospitality, highlighting millennials' peer-to-peer and network-driven approach to problem solving. Other millennials are simply choosing to be their own bosses and pursue their passions, perhaps as a creative freelancer, or as a consultant on socially-responsible business.

We know from many studies that this new generation of workers will not likely spend their entire career at one company. Increasingly, we will see workers moving from gig to gig. At their best, these opportunities will unleash creativity, promote a more dynamic U.S. economy, and provide new freedom and flexibility to engage in work that fits best for the worker.

However, this emerging gig workforce also raises a number of issues, from access to health benefits and retirement security, to disability and unemployment insurance, that policymakers will need to grapple with. In short, the social contract created in the 20th century will need to be updated for the 21st century.

Millennial Economic Trends

For context on why these new work opportunities can be useful, the unemployment rate among millennials has remained above the national average in recent years—today around 8.4%.[1] That figure does not include the roughly 50% of millennials who report feeling underemployed.[2] And although Millennials are currently the largest generation in the U.S. workforce, making up 35% of all workers, the labor force participation rate for the 18-34 age range has actually declined over the past decade—the lowest growth rate among all generations.[3]

At the same time, the Aspen Institute found that there has been rapid growth in gig economy employment, typically defined as individuals in temporary positions or self-employment who are frequently transferring between work opportunities. From 2002 to 2014, while overall employment increased 7.5 percent, gig economy workers increased between 9.4 percent and 15 percent, depending on the scope. Between 2010 and 2014, growth in independent contractors alone accounted for about 30 percent of all jobs added.[4]

Millennials are disproportionately taking on gig economy work. About 24% of Millennials are working as an independent contractor or freelancer, versus 15% of Gen Xers and just 9% of Boomers.[5] Studies have also found that millennials were more likely to willingly choose this type

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[1] U.S. Bureau of Labor Statistics, U.S. Youth Unemployment Rate, https://tradingeconomics.com/united-states/youth-unemployment-rate, (Trading Economics, 2018).
[2] Accenture, 2016 U.S. College Graduate Employment Study, https://www.accenture.com/t20160512T073844Z__w__/us-en/_acnmedia/PDF-18/Accenture-Strategy-2016-Grad-Research-Gig-Experience-Unleash-Talent.pdf#zoom=50, (Accenture, 2016), 4.
[3] Advisor Perspectives, Millennials and the Labor Force: A Look at the Trends, https://www.advisorperspectives.com/dshort/updates/2017/10/11/millennials-and-the-labor-force-a-look-at-the-trends, (Advisor Perspectives, Inc, 2018), Chart 4.
[4] The Aspen Institute, The Gig Economy: Research and Policy Implications of Regional, Economic, and Demographic Trends, https://assets.aspeninstitute.org/content/uploads/2017/02/Regional-and-Industry-Gig-Trends-2017.pdf (The Aspen Institute, 2017), 7.
[5] Prudential, Gig Economy Impact by Generation, http://www.prudential.com/media/managed/documents/rp/Gig-Workers-in-America_2018.pdf (Prudential Financial Inc., 2018), 4.

of work, preferring the added flexibility.[6] At the same time, millennials are undergoing this work with high debt levels and limited access to employer-sponsored benefits. While the proportion of household income millennials receive from gig work is increasing, most millennial gig workers make less than their traditional full-time employed counterparts.[7]

Early analysis of millennials in the gig workforce suggest they might be among our most entrepreneurial talent. They are more likely to defy convention, have emotional agility, and have a strong work ethic.[8]

Issues Facing the New Gig Workforce

With these trends, it's important to start considering this disruption of the traditional employer-employee relationship, particularly around retirement savings, the social safety net, and other benefits that are difficult or impossible to obtain in the independent workforce. Millennials involved in the gig economy lack the typically strong employer-sponsored benefits that provide economic and health security in both the short and long terms.

Let's take the retirement issue as an example. A study conducted by the National Institute on Retirement Security found that, "66 percent of working Millennials have nothing saved for retirement." It's also worth noting millennials aren't trying to avoid retirement plans either, as nine out of ten Millennials have been shown to participate in employer-sponsored retirement plans when eligible.[9] Due to the trend that millennials will likely have lower income replacement from Social Security, less likely to have traditional pensions, and will have higher life expectancies, Millennials will need to save significantly more than previous generations. That's why our country cannot afford to have a gig economy that depresses retirement savings; we need this economy to help do the opposite.

We also need to improve portability of benefits from gig to gig—benefits such as health care, retirement savings, workers compensation, disability and life insurance, paid sick leave, education and training benefits, and more. States including California, Connecticut, Illinois, Maryland, New York, and Oregon had all drafted their own legislative plans that would allow

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[6] Prudential, Gig Economy Impact by Generation, http://www.prudential.com/media/managed/documents/rp/Gig-Workers-in-America_2018.pdf (Prudential Financial Inc., 2018), 6.
[7] Deloitte Insights, Decoding millennials in the gig economy, https://www2.deloitte.com/insights/us/en/focus/technology-and-the-future-of-work/millennials-in-the-gig-economy.html, (Deloitte Insights, 2018).
[8] Deloitte Insights, Decoding millennials in the gig economy, https://www2.deloitte.com/insights/us/en/focus/technology-and-the-future-of-work/millennials-in-the-gig-economy.html, (Deloitte Insights, 2018).
[9] NIRS, New Research Finds 95 Percent of Millennials Not Saving Adequately For Retirement, https://www.nirsonline.org/2018/02/new-research-finds-95-percent-of-millennials-not-saving-adequately-for-retirement/, (National Institute on Retirement Security, 2018).

retirement accounts to follow employees from job to job more seamlessly.[10] The programs would ease some of the strain on small businesses by waiving certain fees and having state-appointed money managers take care of retirement-plan administration. This route was designed to not only benefit those within temporary positions, but also encourage more employers to actively participate in matching programs such as 401(k)s. At the federal level, there is currently bipartisan legislation sponsored by a Future Caucus member, Senator Todd Young, and Senator Mark Warner that would further support states and localities to experiment with portable benefits.

As the gig workforce grows, we must be proactive in creating a 21st century social contract that serves as a platform for entrepreneurship and innovation. Studies predict that by 2020, more than 40% of the US workforce will be in the gig workforce,[11] which equates to roughly 60 million people. About 42 percent of those workers are likely to be millennials.[12]

I often hear from my millennial friends that they feel penalized for pursuing their passions and taking on entrepreneurial endeavors. We must take steps to ensure this growing backbone of the U.S. economy is not only understood, but properly supported to promote innovation, provide security for workers, and maximize this new generation's potential for economic growth. Fueled by the motivation to pursue jobs and challenges that align with their own purpose, millennials stand to both benefit and shoulder the burden from this economy more than other generation.

Again, thank you Chairman Steve Chabot, Ranking Member Nydia Velázquez, and all those on the committee for inviting me to join this panel today.

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