The Freelance Economy and Workforce System Meet in the Bay Area

The "on-demand" or "1099" economy is reengineering how millions of Americans work. Some estimates show that 45 million Americans, or 22 percent of the labor force, are now part of the contingent, on-demand workforce.[1] California's San Francisco Bay Area is at the forefront of these changes. A sizable portion of its 1099 freelancers are "digital workers" who are self-employed computer and information technology contractors working for the region's high-technology companies.

Bay Area leaders say that the demand for freelance work is increasing.[2] And the relationship between digital workers and the companies they work for is characterized by reduced job tenures or shorter "gigs"– even compared with the dynamism typically associated with employment in the technology sector. In the process, the traditional relationship between employer and worker around skill upgrading is changing, and the nature of skills needed to maintain contract employment is different as well.

Like in many regions across the country, Bay Area leaders note that their local public workforce system–the one-stop job centers, community colleges, and publicly funded community-based training programs–are trying to find better

KEY TAKEAWAYS

■ While workforce boards ultimately need more flexibility to serve 1099 workers in large numbers, they can use existing American Job Centers–Department of Labor-funded service centers for job-seekers–to pilot small-scale approaches to providing services to 1099 workers.

■ Workforce boards can adopt intensive boot camp-like training methods through workshops that fit the more time-constrained training needs of freelancers.

■ While freelancers can benefit from industry-specific specialized skills training, 1099 workers across all industry sectors need to develop business skills to manage self-employment successfully.

■ Contracting firms need assistance to effectively hire, administer, and manage a 1099 workforce.

■ More experimentation and documentation of strategies and outcomes are needed to inform policy that would support workforce boards seeking to serve 1099 workers and the businesses that contract with them.

---

[1] "The On-Demand Economy Survey," Aspen Institute Future of Work Initiative, Burson-Marsteller, and TIME, 2015, Online: https://www.aspeninstitute.org/publications/demand-economy-survey/. There are other measures of this segment of the economy that differ. For example, see Lawrence F. Katz and Alan B. Krueger, "The Rise of Alternative Work Arrangements in the United States, 1995-2015," [Working Paper], March 29,2016, Online: http://scholar.harvard.edu/files/lkatz/files/katz_krueger_cws_v3.pdf, Krueger and Katz found that 15.5 percent of the workforce, or roughly 10 million workers, are part of the labor market that includes contracted-out workers, independent contractors or freelancers, and workers at on-call or temporary staffing agencies. See also: Sara Horowitz, "Freelancing in America 2015 Report," Freelancers Union and Upwork, 2015, Online: https://blog.freelancersunion.org/2015/10/01/freelancing-america-2015/. Horowitz estimated the freelance workforce to be 34 percent of all workers.

[2] Terry Grose, "The State of the Bay Area Economy," (2015).

WSI Workforce Strategies Initiative at the Aspen Institute

futureworks STRATEGIES FOR REGIONAL DEVELOPMENT

THE ASPEN INSTITUTE

ways to adapt and respond to a new worker-employer dynamic in the economy.

Four members of the Bay Area team[3] participating in the Communities that Work Partnership (CTWP) set out to understand this challenge and explore how the public workforce development system could meet the skills needs of freelancers, and the businesses that hire them, in the region's 1099 economy. Their investigation included a survey of freelancers across the Bay Area, meetings and focus groups with business leaders, and a review of learning from previous grant-funded programs targeting skills training for freelancers. The research yielded a number of insights about strategies to serve 1099 workers and the types of policies that affect the public workforce system's ability to serve them at scale.

DIGGING DEEPER TO UNDERSTAND THE FREELANCE ECONOMY AND WORKFORCE DEVELOPMENT

The Bay Area CTWP partners started their work by scanning national data on 1099 digital work freelancers, looking for data sources that could account for the dynamics of contracting in a high-technology economy. The team found that there exist very little data relevant to their focus. In fact, it appears that useful national data are a few years away. The most comprehensive will be a forthcoming Bureau of Labor Statistics national survey on contingent workers planned for mid-2017. The partners conducted a series of on-the-ground research activities to understand the nature of freelance work among digital workers, the skills freelance workers and their employers need, and lessons from current and past workforce efforts targeting freelance digital workers in the Bay Area.

Their first research effort was a survey of 713 independent contractors who were part of Gig U, a Bay Area Video Coalition (BAVC) program designed specifically for freelancers in the region. Results from the survey showed that most freelancers identify their current strengths in creative and/or technical areas. At the same time, most freelancers feel they

[3] Team members include leaders from the Bay Area Video Coalition, San Francisco Office of Economic and Workforce Development, Work2Future/Silicon Valley/San Jose Workforce Investment Board, and CBS Interactive, a division of CBS Corporation focused on interactive media platforms.

are ill-prepared for being a "business owner." They need help with their branding and networking, and they don't know the legal "ins and outs" needed for negotiating with employers. A large majority either skipped or answered "no" to a question about whether they have a business plan.

The CTWP partners supplemented the worker perspective with a series of focus groups and interviews with companies that contract with digital freelancers. Analysis of these conversations revealed that the companies need more internal capacity and know-how to deal with the work flow and legal complexities of working with freelancers. They reported needing help decoding the rules for determining employment status, developing sources of talent for new software and technology platforms, and cultivating and sustaining a stable bench of freelancers. At the same time, companies also stated that the region needs better mechanisms for developing talent and building the skills of freelance workers in rapidly evolving technology industries.

Finally, the CTWP partners gathered learning from their own experiences conducting and evaluating training programs targeting the region's 1099 technology workforce. One of these programs was TechSF Information Technology sector strategy, a project led by the San Francisco Office of Economic and Workforce Development (OEWD) in partnership with the BAVC. Experiences with this effort are described in the next section.

PUBLIC SYSTEM RESPONSES

It is not surprising that the CTWP partners concluded that freelance workers' and employers' workforce development needs do not mesh with the go-to tools of the public workforce system. Pre-employment job search assistance, Individual Training Accounts for skill development, and incumbent worker training services are all geared toward helping individuals prepare for, obtain, and increase skills in traditional W-2 employment.

But reflecting on experiences with pilot programming developed for TechSF has been instructive as the partners plan next steps together. Under the umbrella of TechSF, Gig U was launched with a Department of Labor Workforce Innovation Fund (WIF) grant, which provided flexible funding the partners used to experiment with offering freelancers training in a workshop format. The training served individuals who likely would not qualify for Workforce Innovation and Opportunity Act (WIOA) enrollment because they do not need traditional skills training and are not seeking traditional employment. While WIF funding did require reporting on participants' job outcomes post-workshop, the definition of "placement" was expanded to include self-employed, temporary, and contract, in addition to traditional employment.

Through Gig U, the partners piloted workshops designed and delivered by BAVC on technical, networking, and business skills. They also developed a series of

> Until freelancers "count" in performance measures—either by categorizing them separately, allowing more flexible job "placement" categories, or accepting new types of documentation for successful outcomes—partners are thinking creatively about how to deliver services without doing damage to local WIOA performance measures.

informal events through which freelancers came together to build new contacts, meet collaborators, learn about local business opportunities, and share information about managing freelance self-employment. Partners report that the events, titled "Nerd Underground," attracted freelancers with a wide range of backgrounds and experiences and also served as a forum for providing information about the more formal training services available through TechSF.

The flexible WIF funds were available for a limited amount of time, and OEWD is working with BAVC to continue training and networking activities for freelancers using discretionary funds available from the City of San Francisco. They are working to determine how they might use WIOA one-stop resources to support this work going forward. Similar to many communities, they are challenged to develop strategies that are appropriate for contract workers and also allowable within WIOA guidelines.

One approach they are exploring is to build what currently would be identified as "occupational skills training" into shorter-term "boot camp"-like training. Long-term training programs may not be appropriate or fundable with WIOA formula dollars if freelancers are already working. But short-term, tightly focused learning opportunities are in demand.

Short-term boot camp training presumably would be easier to fund under discretionary formulas because costs could be split into smaller amounts. The idea is that this approach might allow for workforce development resources to fund training for contract workers.

Another approach under consideration is re-engineering job placement, retention and advancement services that are allowable under WIOA into less formal networking events. BAVC's experiences with Nerd Underground indicate this is an effective replacement for traditional job fairs, job developer referrals, and alumni support groups.

Until freelancers "count" in performance measures—either by categorizing them separately, allowing more flexible job "placement" categories, or accepting new types of documentation for successful outcomes—partners are thinking creatively about how to deliver services without doing damage to local WIOA performance measures. One option being considered is to use one-stop services to serve freelance workers, such as by offering less "direct" occupational training and more networking and workshops geared to freelancer needs. These could be events focused on networking in the tech industry, learning a new app, putting together a digital portfolio, and learning the

What About the Traditional Employer-Employee Structure?

- What is—or is there—a social responsibility for companies to employ workers and provide a steady, living wage and benefits?

- Much of our population's social safety net is tied to employment. Are there ways that businesses and freelancers can contribute to—and public policy can support—redesigning different approaches to individual economic stability?

requirements and legalities of being a 1099 freelancer in the sector. Online platforms may also be part of the solution.

A final approach they are considering is for the public system to work more closely with and organize employers that contract with freelancers. For example, workforce boards and their partners could host and help develop opportunities to build the capacity of companies that hire freelancers to employ best practices so that their jobs follow legal requirements and also create stability and good career opportunities for their contract workers. Moreover, workforce boards and their partners could work with multiple businesses to aggregate and share the cost of developing and delivering training needed by the freelance workforce.

GOING FORWARD

Bay Area leaders have plans to sustain momentum gained from the CTWP experience, including a new joint OEWD-BAVC investment to build out a freelance worker training and support program. The plans are to work through Gig U, the freelancer network based at BAVC, to deliver workshops aimed at closing business acumen gaps around freelance work, offer health insurance through a partnership with Freelancers Union in New York, and build deeper connections between freelancers and the businesses that contract with them.

Trends in employment toward greater reliance on use of contractors by businesses appear to be growing, and public policy is hard-pressed to adapt service guidelines to reflect this new reality. Leaders in the San Francisco Bay Area workforce development partnership note the need for greater parity in policy guiding services oriented to traditional employee-employer relationships and the contractor-business relationships that drive the freelance labor market.

It is important to note that partnership leaders are encouraged by interest being shown at the federal Department of Labor level in exploring opportunities related to serving the contingent workforce. Some of the specific policy changes that partners noted are needed in order for workforce boards to serve freelancers more effectively include the following:

- Greater clarity around and more information about definitions and guidelines for serving contingent workers—current definitions group self-employed freelancers with workers hired on a temporary contract basis.

- Performance measures and outcomes requirements adapted to account for individuals enrolled in the WIOA system who are 1099/freelancers and need services to stabilize or grow their business.

- The provision of "employer services" to 1099 workers as an allowable activity and adding metrics that relate to positive outcomes related to employment gains, such as contracts or revenues.

- A job posting system that would allow freelancers and potential employers to post jobs and provide validation that jobs are legitimate contracting opportunities and that freelancers have been vetted for their skills and capacity.

- Unemployment insurance benefit applications simplified for 1099 workers, allowing for supplemental documentation to demonstrate eligibility.

- The development of a retirement savings system that is portable and allows for movement between W2 and 1099 employment and allows workers to contribute, regardless of employment status.