

Work/Shift: Contract-based Employment in San Francisco

Ted Egan and BAVC discuss the future of freelance work in the Bay Area

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at BAVC, 2727 Mariposa Street, 2nd Floor, San Francisco

Overview

Freelance or independent workers are here to stay in the San Francisco Bay Area, with their numbers steadily growing. An October 2016 report by McKinsey identified 162 million independent workers in the US and EU, or 20 to 30 percent of the working-age population. In a July 2016 report, Ted Egan, the Chief Economist for the city of San Francisco, identified that 30% of San Franciscans are self-employed or work fewer than 35 hours/week. However, the current labor market is not structured to support these workers and ensure their sustainability and success. How do we support these workers in ways that sustain their employment in their chosen industry? How do employers handle benefits, like healthcare and retirement, for these workers in a way that is resource-sensitive and effective?

To ask and answer questions such as these, BAVC, in partnership with the Aspen Institute, hosted the latest in our WorkShift series of discussions about the future of work and the freelance economy in the Bay Area. We gathered together leads from local industries who frequently work with freelancers for an open and intimate discussion where the goal was to learn from each other. We focused on the current state of contract-based work in San Francisco, bringing together employers from a broad variety of backgrounds--like creative production, transportation, and construction--to share the successes and struggles related to hiring contractors for project-based and temporary employment. Our discussion was both deep and expansive and made us eager to keep pushing the conversation forward.

The panel was moderated by [Annie Tahtinen](#), BAVC's Sr. Manager of Workforce, and included [Ted Egan](#), the Chief Economist for the City of San Francisco, along with [Sheryl Roman](#), Human Resource Director at XYZ Graphics, [Annabel Chang](#), Director of Public Policy at Lyft, and [Patrick Mulligan](#), Director of the Office of Labor Standards Enforcement for the City of San Francisco. Beginning with Mr. Egan's [latest research paper](#) on the subject and in conjunction with [the latest research](#) from the Aspen Institute about BAVC's work with the City of San Francisco, private employers and other workforce partners, the conversation focused on the following questions:

- What can the fields of construction, advertising, and ride-sharing learn from each other?
- What is the role of unions now and in the future of contract-based work?
- Can "portable benefits" support contractors in finding stability?

To start, guest panelists were invited to share a bit about themselves and their organization's history and the product/service it provides; what roles do they hire contractors for typically and how long do these contracts last; and any insights into the demographics of their contract

workers, i.e., average age, place of residence, education level, etc. We then opened it up to a larger and dynamic conversation among panelists and audience members.

What We Learned

Sheryl Roman (HR Director, XYZ Graphics)

XYZ Graphics' San Francisco office has 40 employees and 15 to 25 freelancers. Their LA office has 12 employees and numerous freelancers. The company hires freelance talent depending on client requests but they can't always hold on to them; it depends on the workload. Sheryl Roman shared that XYZ Graphics has a training program that trains interns just out of school for three months, after which they are brought on as full-time employees. "When freelancers come on," Ms. Roman maintained, "they really become part of our culture." That culture, she revealed is one in which there is very low turnover and freelancers are included in that, be they long-term or new. Freelancers feel they are part of the company like all the other employees, and they are hired as Retouchers, Studio Artists, Motion Graphers, Videographers, Editors, Animators, and such. As far as contract period, it all depends on the work. They also hire for diversity and local talent. As a result, freelancers are happy and make efforts to be available when the company needs them. Ms. Roman underscored, "We do a lot to really create and build our culture -- we are really proud of that."

Annabel Chang (Director of Public Policy, Lyft)

Annabel Chang herself has been at Lyft for two and a half years and in that time the company has experienced "exponential growth." Lyft was founded in 2012. The future of work question for them is new. Her team has been gathering as much information as possible and has worked with Mr. Egan and Aspen Institute. She started off her comments by highlighting a [McKinsey report](#) put out this week that stated that 30% of the American workforce are independent contractors. (More precisely, from the report, "up to 162 million people in Europe and the United States—or 20 to 30 percent of the working-age population—engage in some form of independent work.") She says that Lyft and Uber are a small portion of that workforce.

At Lyft, there are two types of independent contractors -- most obviously, drivers and, less well-known, ambassadors. Ambassadors, who are often long time Lyft drivers, hand out coupons at tourist sites and are paid on commission based on vouchers redeemed for every person that signs up and rides with Lyft. Contracts for drivers are quite variable, Ms. Chang shared. There are seasonal drivers; for example, San Francisco teachers who drive only in the summer when school is off but not any other time. Then there are lots of people who combine this work with other work to support their lifestyle. For example, a former veteran who also works in hospitality combines these two contract jobs to create a lifestyle that he likes.

In terms of demographics, Ms. Chang shared, Lyft has conducted passenger and driver surveys in their largest markets. Raw data from a 2015 survey of drivers show that they are (Ms. Chang underscored that the data from this survey has still been largely untouched and unanalyzed): 1/3 women; 1/2 minorities, self-identified; 70% use Lyft income as supplemental income, some as income smoothing, others as income to run their business; .05% full-time drivers.

Ms. Chang underscored that, at Lyft, “You have a lot of opportunity for your own self-hustle.” A driver can make up to \$35/hr full-time but it depends on location. And, to date, Lyft has reaped \$100 million in tips, and these go directly to Lyft drivers.

Patrick Mulligan (Director of the Office of Labor Standards Enforcement, City of San Francisco)
Patrick Mulligan has had a long career in construction and is most familiar with this industry. He oversaw San Francisco’s mandatory local hiring in construction. He now works on strategies to protect workers in a transient economy.

What has developed to protect construction gig/transient workers came out of the guild system. In terms of protections, there is a central industry repository, which functions as a cooperative, needing a lot of buy in by employers and employees.

In terms of replicating what has happened in construction, what is most difficult, Mr. Mulligan emphasized, is that people are leary of unions (or union-like entities), centralizing, and organizing, particularly in a gig economy notable for its independent nature.

“What type of stability,” Mr. Mulligan asked, “are we going to create in order to create stable workers?” According to him, we need to help these workers with a business plan, healthcare, and retirement plan.

The trade industry is a good blueprint for other industries. In the field of construction, worker protections were developed through need because there were those who were working for 10-20 employers at any given time. He argued that others can develop professional associations for organizing, identifying, and establishing their industry standards. These would also be good for workers’ professional development and career pathways.

Ted Egan (Chief Economist, City of San Francisco)

Ted Egan provided a high-level summary and highlights from his July 2016 report. He started off by reminding us that the data that he has and is working from has yet to catch up with what is going on right now on the ground. The data that he is drawing from is largely self-reported census data from 2010-2014.

In his paper’s taxonomy, there are three different type of workers: full-time workers, part-time or self-employed. 71% of employees in San Francisco work full-time, and close to 30% of the workforce is self-employed or work less than 35 hrs a day. Over the years, this latter number hasn’t changed very much.

Workers that work fewer than 35 hrs a week or work part-time are in industries that pay low wages. The distribution of low-wage work in San Francisco is striking: 60% are non-white and 60% are women. Additionally, a lot of independent work concentrates in the manufacturing industry.

Mr. Egan showed that wage employment is really growing since 2010 in San Francisco, when compared to self-employment. After 2010, growth on wage employment is growing faster than self employment in San Francisco. Tech sector is creating wage employment. He thought this worthy of pointing out because in other parts of the country, the gig need is in the context of significant wage unemployment which is distinctly not the case in San Francisco. Indeed, according to Mr. Egan, the story of San Francisco seems to be the story of wage employment, often in the tech sector. San Francisco is atypical. The problem with our city is not the lack of jobs, with unemployment currently at less than 3.5%. The problem is how to live here.

JP Morgan Chase data reveals that the highest percentage of platform based work application use was among workers was for income. To this finding, Mr. Egan asked, “How do apps affect the earnings possibilities of workers? How do they choose to go with an app or to the more traditional labor market?”

Conversation among panelists and audience

A question from the audience was raised for the panelists, “Have you ever considered a guild?” To this, Ms. Chang responded that Lyft was looking at all options. They have partnered with [Freelancers Union](#) in New York. In San Francisco, they have recently opened up a driver “hub” in the south part of the city to create opportunities for drivers like tax workshops, LinkedIn workshops, and the like. They want to bring outside people in to present to drivers and have partnered with eHealth and others to try to pull together supports in one place.

To our moderator Annie Tahtinen’s question, what can we learn from each other, panelists and those gathered responded:

Mr. Mulligan shared that industry needs to sustain its workforce in order to sustain itself. Apps are obstacles because they compete with each other. They are more suited for creative professionals, because of their more “independent” personality.

Mr. Egan reminded us about the importance of licensing: government licenses for doctors historically validated them and their work. He underscored the role of government in creating professions to allow markets to subsequently form.

Responding to the licensing comment by Mr. Egan, Ms. Chang discussed Lyft’s star rating system. She likened the star rating system put in place to review drivers to “modern day licensing.” An audience member commented that this system runs the risk of implicit bias, which could actually be widespread. Ms. Chang responded by sharing that Lyft investigates all low ratings, and also that implicit bias is not just happening with apps more than other industries. That is, implicit bias is a problem everywhere.

Another audience member asked about portable benefits. Ms. Chang commented that, at Lyft, “we are bought into the idea but we don’t know actual systems.” Mr. Mulligan chimed in that portable benefits are tough to do as a one-off for companies; it needs to be industry-wide and nationwide. Mr. Mulligan’s emphasis was on sustainability. Construction was unique because it was so gradual, indeed centuries in the making. But opportunity is here now because this is an emergent industry.

Mr. Egan reminded us that “we haven’t talked about platform competition.” App based businesses are competing; that’s their bottom line. Do you just go to Craigslist, with no license guarantees, or to a fancy platform, where licences might be more assured? From his point of view, technology is going to push the gig economy. With these platforms, will they help with the city’s workforce needs? That’s where we can make progress.

The Future of Freelance Work? Key Takeaways

- Workplace culture plays a critical part in the success (or failure) of freelancer retention and integration.
- Government has historically had an important role in authenticating--and thereby developing--professions through licensing and other means, around which markets subsequently formed. The same can and perhaps should be true for independent work.
- Figuring out portable benefits needs to be a collective task, i.e. industry-wide and nation-wide, as the examples of construction and other trade industries reveal.
- The future of freelance work is further tied to how well we are able to harness the proliferation of platform based work in a way that helps San Francisco’s workforce needs.

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