

FRESH  
PERSPECTIVE  
SERIES

Using the  
Gig Economy  
to Reform  
Entitlements



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# ABOUT THE FRESH PERSPECTIVE SERIES

**THE FRESH PERSPECTIVE SERIES** is a collection of independent works from expert authors across the ideological spectrum, each presenting new ideas for how various aspects of the social safety net could be updated to better meet the needs of our 21st century workforce. The economic landscape is changing far faster than our system of workplace protections and benefits has been able to keep pace – requiring fresh ideas for how to revitalize our social contract and restore the promise of work. The Future of Work Initiative is committed to the goals of promoting new and creative thinking, sparking bipartisan policy discussion, and working together to help create a healthier economic climate for all stakeholders. The ideas and proposals included are those of the authors, with editorial support from Future of Work Initiative staff.



# Using the Gig Economy to Reform Entitlements

*By Derek Khanna and Cesar Conda*

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# INTRODUCTION

THE CURRENT SAFETY NET IS OUTDATED. It was designed for an economy with one type of job in mind – full-time, 9-to-5 employment – and with high barriers to employment, such as interviews and résumés. But the economy is changing, with new technologies that seamlessly connect willing and able labor to the demand for work. This presents an opportunity to better target our safety net for those who need it most, bringing thousands out of unemployment, preparing our unemployed to be retrained for the skills needed for the vocations of the future, and driving down the soaring costs of our nation’s safety net programs.

A large body of social science research suggests that moving safety-net beneficiaries into work is better for their careers and long-term economic and mental well-being.<sup>1</sup> But our safety net system does a poor job of putting people back to work and may actually discourage<sup>2</sup> them from taking advantage of many kinds of work available to them – such as the jobs available in the gig economy. Moreover, safety net programs are becoming more costly to the government as more people rely on them, and threaten to squeeze our federal budget, sink us further into debt, and crowd out other important government priorities.

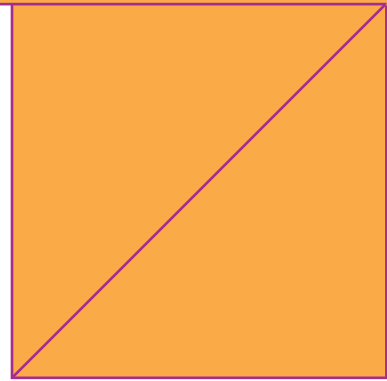
A combination of re-implementing and expanding work requirements, reforming the safety net to be compatible with gig work, and actively connecting unemployed

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1 Research that has evaluated the relationship between employment and mental health provides strong evidence for a beneficial mental health effect of employment. See: (1) Kessler R, House J, Turner B 1987. Unemployment and health in a community sample. *Journal of Health and Social Behavior* 28(1):51–59; (2) Gore S, Mangione TW 1983 Social roles, sex roles and psychological distress: additive and interactive models of sex differences. *Journal of Health and Social Behavior* 24(4):300–312; (3) Kessler RC, McRae J, James A 1982. The effect of wives’ employment on the mental health of married men and women. *American Sociological Review* 47(2):216–227; (4) Matthews S, Power C 2002 Socio-economic gradients in psychological distress: a focus on women, social roles and work-home characteristics. *Social Science and Medicine* 54:799–810; (5) Dooley D, Fielding J, Levi L 1996. Health and unemployment. *Annual Review of Public Health* 17:449–465; (6) Ross CE, Mirowsky J 1995. Does employment affect health? *Journal of Health and Social Behavior* 36:230–243; (7) Warr P, Jackson P 1985. Factors influencing the psychological impact of prolonged unemployment and of re-employment. *Psychological Medicine* 15:795–807; (8) Graetz B 1993. Health consequences of employment and unemployment: longitudinal evidence for young men and women. *Social Science & Medicine* 36(6):715–724; (9) Kessler RC et al 2003. The epidemiology of major depressive disorder: results from the national comorbidity survey replications (NCS-R). *The Journal of the American Medical Association* 289(23):3095–3105; (10) Studies have also shown that reemployment reverses the negative effects of unemployment and restores the level of mental health that existed prior to the job loss. See: (1) Claussen B, Bjorndal A, Hjort PF 1993. Health and re-employment in a two year follow up of long term unemployed. *Journal of Epidemiology and Community Health* 47:14–18; (2) Claussen B 1999. Health and re-employment in a five-year follow-up of long-term unemployed. *Journal of Epidemiology and Community Health* 2:94–100; (3) Kessler R, Turner B, House J 1989. Unemployment, reemployment, and emotional functioning in a community sample. *American Sociological Review* 54(4):648–657; (4) Wanberg C 1997. Antecedents and outcomes of coping behaviors among unemployed and reemployed individuals. *Journal of Applied Psychology* 82(5):731–744; (5) Aneshensel CS, Frerichs RR, Clark VA 1981. Family roles and sex differences in depression. *Journal of Health and Social Behavior* 22:379–395; (6) Brooks, Arthur C 2008. *Gross National Happiness: Why Happiness Matters for America—and How We Can Get More of It*. New York: Basic.

2 Gene Steuerle and coauthors looks at the example of a single mother with two children living in Colorado. If her income jumps from \$10,000 to \$40,000, she will not keep much of that extra \$30,000. Instead, she will lose most of it to higher taxes and benefit cuts. According to Steuerle’s calculations, if she is enrolled in programs like food stamps, Medicaid, and SCHIP, her implicit marginal tax rate will be as high as 55 percent. And if she is enrolled in other programs—like housing assistance and welfare—the rate will reach above 80 percent. The complex web of federal programs and sudden drop-off in benefits create extraordinarily high effective marginal tax rates, which reduce the incentive to work. The Congressional Budget Office found in 2012 that the top effective tax rate could reach nearly 100 percent. Maag, Elaine, C. Eugene Steuerle, Ritadhi Chakravarti, and Caleb Quakenbush. “How Marginal Tax Rates Affect Families at Various Levels of Poverty.” *National Tax Journal* NJT 65.4 (2012): 759–82. <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412722-How-Marginal-Tax-Rates-Affect-Families-at-Variou-Levels-of-Poverty.PDF>

workers to the gig economy<sup>3</sup> can promote work and help put the safety net on a more sustainable path. To do so, it will require statutory and/or regulatory changes at both the federal and state level to modernize our entitlement programs. While many of the changes simply relate to classifications of who is able to work, other changes relate to program operations, potentially using public-private partnerships to help the unemployed find nearby gig economy jobs, or providing tools and materials needed to participate in the emerging economy. We call for providing states with maximum flexibility to test new concepts – states, as Justice Louis Brandeis famously referred to as the “laboratories of democracy,” can be more experimental, more quickly iterate to make changes as necessary, and better respond to specific state needs.



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<sup>3</sup> For definition of “gig economy” see Congressional Research Service: “The gig economy is the collection of markets that match providers to consumers on a gig (or job) basis in support of on-demand commerce. In the basic model, gig workers enter into formal agreements with on-demand companies (e.g., Uber, TaskRabbit) to provide services to the company’s clients. Prospective clients request services through an Internet-based technological platform or smart-phone application that allows them to search for providers or to specify jobs. Providers (i.e., gig workers) engaged by the on-demand company provide the requested service and are compensated for the jobs. Donovan, Bradley, and Shimabukuro (2016). What Does the Gig Economy Mean for Workers? Congressional Research Service. Feb 5. <https://www.fas.org/sgp/crs/misc/R44365.pdf> Business models vary across companies that control tech-platforms and their associated brands. Some companies allow providers to set prices or select the jobs that they take on (or both), whereas others maintain control over price-setting and assignment decisions. Some operate in local markets (e.g., select cities) while others serve a global client base. Although driver services (e.g., Lyft, Uber) and personal and household services (e.g., TaskRabbit, Handy) are perhaps best known, the gig economy operates in many sectors, including business services (e.g., Freelancer, Upwork), delivery services (e.g., Instacart, Postmates), and medical care (e.g., Heal, Pager). With some exceptions, on-demand companies view providers as independent contractors—not employees—using their platforms to obtain referrals and transact with clients. This designation is frequently made explicit in the formal agreement that establishes the terms of the provider company relationship. In addition, many on-demand companies give providers some (or absolute) ability to select or refuse jobs, set their hours and level of participation, and control other aspects of their work. In some ways then, the gig economy can be viewed as an expansion of traditional freelance work (i.e., self-employed workers who generate income through a series of jobs and projects).

# THE DECLINE OF WORKFARE

FOR DECADES THERE HAS BEEN overwhelming support for the concept of “workfare”:<sup>4</sup> requiring able-bodied individuals who receive government benefits to work in some capacity.<sup>4</sup> But today’s entitlements do not reflect this workfare requirement. The *Personal Responsibility and Work Opportunity Act of 1996* originally required work participation in order to receive Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (food stamps).

But those requirements have been eroded:

In 2012, the Obama Administration issued a memorandum that it would issue waivers, thereby exempting state governments from the work requirements established in the 1996 welfare-reform law.<sup>5</sup> According to 2015 estimates, only 32% of families receiving TANF went to households led by workers.<sup>6</sup> 38 states have reinstated work requirements, but unfortunately the precedent for the President to broadly waive work requirements has been established.<sup>7</sup>

As part of the economic stimulus in 2009, states were given new abilities to waive work requirements for food stamps. A 2012 Congressional Research Service report found that the number of able-bodied adults receiving food stamps had increased from 1.9 million in 2008 to 3.9 million in 2010. As of 2015, only 36% of households receiving SNAP were led by workers.<sup>8</sup>

Section 8 Housing Choice Vouchers, Medicaid, and disability programs have never used work requirements.

These programs appear to be largely designed for a world where workers are either employed full time or unemployed, a binary situation that does not reflect the modern economy.

Workfare has had limited implementation across the country for a variety of reasons, including:

Administrative challenges related to connecting hundreds of thousands of people

4 A Rasmussen poll found that “83% of American Adults favor a work requirement as a condition for receiving welfare assistance, while just seven percent (7%) oppose such a requirement.” [http://www.rasmussenreports.com/public\\_content/business/jobs\\_employment/july\\_2012/83\\_favor\\_work\\_requirement\\_for\\_welfare\\_recipients](http://www.rasmussenreports.com/public_content/business/jobs_employment/july_2012/83_favor_work_requirement_for_welfare_recipients)

5 Carroll, Conn. “Day 8: Obama edict repealed 1996 welfare reform’s work requirement.” *The Washington Examiner*, Sept 25. <http://www.washingtonexaminer.com/day-8-obama-edict-repealed-1996-welfare-reforms-work-requirement/article/2536341>

6 Morath, Eric 2016. “Get a Job? Most Welfare Recipients Already Have One.” *Wall Street Journal*, 20 Aug. <http://blogs.wsj.com/economics/2015/04/13/get-a-job-most-welfare-recipients-already-have-one/>; see also Jacobs, Ken 2015. *The High Public Cost of Low Wages: Poverty-level Wages Cost U.S. Taxpayers \$152.8 Billion Each Year in Public Support for Working Families*. UC Berkeley Labor Center, April <http://laborcenter.berkeley.edu/pdf/2015/the-high-public-cost-of-low-wages.pdf>.

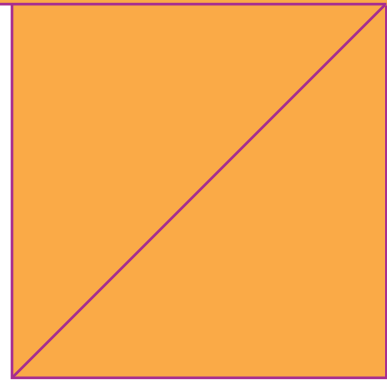
7 Ehrenfreund and Ferdman, 2016. “The Controversial Reason Tens of Thousands of People Just Lost Their Food Stamps.” *The Washington Post*, Apr 1. <https://www.washingtonpost.com/news/work/wp/2016/04/01/why-tens-of-thousands-of-americas-poorest-people-just-lost-their-food-stamps/>

8 Morath, Eric 2016. “Get a Job? Most Welfare Recipients Already Have One.” *Wall Street Journal*, 20 Aug. <http://blogs.wsj.com/economics/2015/04/13/get-a-job-most-welfare-recipients-already-have-one/>



to work; Categorizing individuals as either able to work or disabled and unable to work, when there are various shades of grey (individuals able to work in some jobs but not all forms of labor); Concern that work requirements will force individuals to take sub-optimal jobs in the short run and thus impede their ability to interview for the jobs that may be a better fit; and, Lack of flexibility for those trying to support a family, as many beneficiaries are single parents or caregivers with children that need to be taken care of during the day.

While we are not judging the veracity of any of these claims, the rise of the gig economy requires us to rethink these objections and to try to implement workfare for



the modern economy. We believe the gig economy can help address these concerns.

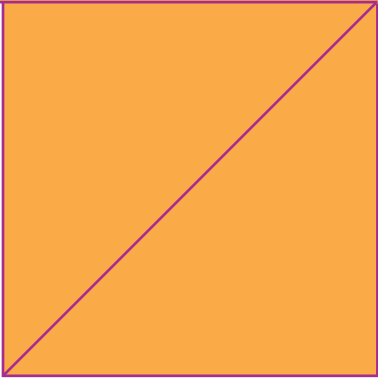
# USING THE GIG ECONOMY

THE BENEFITS OF WORK ARE SIGNIFICANT, but many that rely on the safety net need flexible jobs to support a family or to interview for longer term career moves. The gig economy is flexible, local, scalable and diverse. Much of this work is well above minimum wage, and workers can choose to work as few or as many hours as they choose. It can also further the careers of workers as well because with a wide array of different employment options, workers can choose jobs better tailored to their skillsets and upgrade their skills.

What do these jobs look like? Workers can deliver goods and groceries for Postmates, Favordelivery, Shypt, Shipt, Doordash, Amazon Flex, and Instacart; pick up and deliver laundry and dry-cleaning (Washio); deliver flowers (Florist Now, Pro-Flowers, BloomThat); assemble furniture (TaskRabbit); set up home equipment (Amazon Home Services); mow lawns (MOWZ, Mowdo, Lawnly) and plow driveways (PLOWZ). Individuals can earn up to \$22/hour as a cleaner or \$45/hour as a handyman with Handy.com.

Those with specialized skills or equipment have better options: photographers can offer photo shoots, singers can offer voice lessons, artists can offer mural painting, tennis players can offer tennis lessons, and anyone can offer to paint a house on Thumbtack. Those who are good with young children can be babysitters on SitterCity, UrbanSitter, or Care.com, and those that like pets can earn \$20-\$60 a night pet sitting for others on Rover.com.

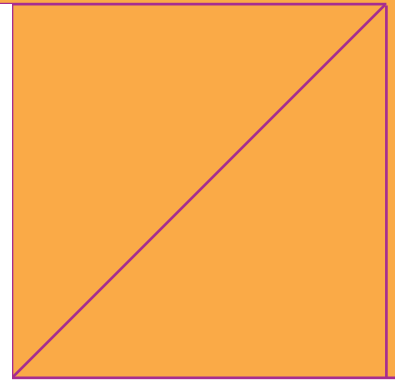
Many gig economy jobs are also virtual, able to be done anywhere in the world: Amazon's MechanicalTurk, Task Rabbit, Fiverr and other companies pay for general tasks that can usually be done on a computer or phone anywhere across the country. Workers can find a wide variety of part-time and freelance telecommuting work on Flexjobs.com. Those with general interpersonal skills could be virtual personal assistants on Zirtual.com. Those with programming experience can do freelance work (Elance, Upwork, and Scalable Path); those with strong writing skills can proofread documents (Scribendi); graphics designers can take bids on selling their graphic work (99 Designs, DesignCrowd, zillondesigns, Crowdspring, CreativeMarket, Article); tech people can offer tech support (Geekatoo, HelloTech) or help others code (Codementor); bilinguals can translate online (Translate.com, Motaword, Unbabel) or give online language lessons (Verbling, Italki, VerbalPlanet); artistic minds can submit ideas for logo design, web design, graphic design and company naming



“The gig economy is flexible, local, scalable and diverse. Much of this work is well above minimum wage, and workers can choose to work as few or as many hours as they choose. Workers can choose jobs better tailored to their skillsets and upgrade their skills.”

(Crowdspring), name companies (Namestation) or wedding invitations (Minted).  
The list goes on, and grows every day.

Each of these options can be short term or long term, are extremely flexible in time requirements, and many can be performed from anywhere, providing flexible arrangements for just about anyone.



# WORKFARE 2.0

IN 2016, THE GOVERNMENT SHOULD expect that those who are capable of employment be willing to engage in the gig economy before or as a condition of receiving benefits; to do so the government must – eventually – require it. But transitioning to such a system requires policymakers to rethink the entire safety net, affecting nearly every federal entitlement program, such that it is oriented around the gig economy. That’s no easy task, and would likely be the most substantial change to these programs since they were created, but would be one that is necessary and past due.

We propose the follow 10-point plan to transition to workfare by embracing the gig economy:

## 10-POINT PLAN FOR WORKFARE 2.0

### 1. Government study

*A government study is needed to examine the extent that on-demand platforms actually make it easier for recipients to access work.*

This study should look into whether recipients live in areas served by on-demand platforms and whether they have the skills and equipment access necessary for different types of on-demand work. Gig economy jobs are likely to differ significantly by geography. This study will help inform legislative options.



**Action Item:** The next President should direct a relevant administrative agency, such as the Department of Labor, to conduct a study on this topic to inform legislative options.

### 2. Live updated gig-economy directory

*Unemployment compensation, social security disability benefits and welfare should help individuals match their particular situation and skillsets to available part time or full time work in the sharing and gig economies.*

We recognize that not everyone is well-versed in the gig economy — if Congress barely understands technology, let alone the gig economy, we don’t assume that safety-net beneficiaries are any more adept. Therefore, government offices administer-

ing safety-net benefits must develop expertise through a public-private partnership to help engage in the gig economy, including, for instance, keeping an updated directory of available gig economy jobs in the area and providing information on how lower-skilled workers can become higher-skilled workers in the gig economy.

This will be particularly useful for the segment of our disabled population that may have a minor impairment limiting their abilities, but who is physically and mentally capable of work, albeit in limited circumstances. For such people, they may need further direction to find and engage with the specific gig economy jobs available that don't, for example, require them to stand ten hours a day when they may have difficulty doing so. The gig economy directory should include detailed information on which disabilities would be a potential impediment to which jobs, thus allowing for people with able bodies but some limitations assistance to find better job matches.

This gig economy jobs directory should be available online and government offices should help beneficiaries navigate the gig economy, just as they already do in finding conventional 9-to-5 jobs.

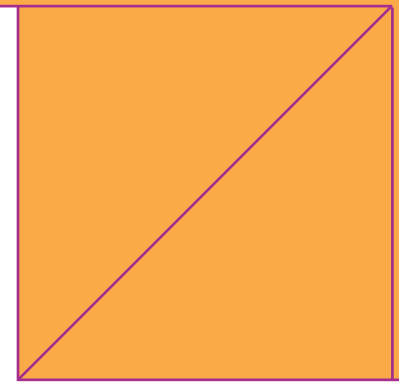


**Action item:** The next President should issue an executive order directing the relevant departments and agencies to achieve this goal or let states take the lead to set up this public-private partnership.

### 3. Redefine definition of “disabled”

The Social Security Administration (SSA) must redefine the regulatory interpretation of “to engage in substantial gainful activity (SGA)” (the current legal requirement) to be consistent with the statutory definition and in light of the gig economy’s new opportunities.

Surveys of DI beneficiaries have shown that 40 percent of those receiving benefits are interested in working. However, only 0.5 percent of beneficiaries actually leave the rolls each year because they begin earning from work. As MIT economist David Autor notes, “Once people go [on disability], they’re unlikely to come back.”<sup>9</sup> Fortunately, the gig economy may make it easier for many recipients who are currently qualified as unable “to engage in substantial gainful activity” to find jobs that fit their skill sets without their disability being a limitation. For example, someone who is qualified as disabled because of a physical impairment affecting his ability to walk may be able to work as an online teacher or graphic designer. Keeping recipients active and engaged can also be helpful for their psychological well-being. We believe that the SSA is already implicitly tasked to consider gig economy jobs in their deter-



“Government offices administering safety-net benefits must develop expertise through a public-private partnership, including, for instance, keeping an updated directory of available gig economy jobs in the area and providing information on how lower-skilled workers can become higher-skilled workers in the gig economy.”

<sup>9</sup> “Trends With Benefits.” This American Life. National Public Radio, 22 Mar. 2013. <http://www.thisamericanlife.org/radio-archives/episode/490/transcript>

minations, but we see no evidence of them actually doing so.

In 1980, President Carter signed reform legislation that tightened SSDI benefits by, among other reforms, requiring that state administrators reexamine “non-permanently” disabled beneficiaries once every three years to see if they were able to reenter the workforce. The GAO estimated at the time that 20% of recipients was no longer eligible, while the Social Security Administrators estimated 25%. This rule change, which was rigorously enforced by SSA at the start of the new Reagan administration, resulted in a drop in the SSDI rolls despite a major recession. But a political backlash erupted, which result in a 1984 law that effectively reversed the 1980 reforms.<sup>10</sup> The current SSDI program is now fiscally unsustainable.<sup>11</sup>

While we believe that the SSA needs to recognize (more so than they are doing today) that many people who had limited job options in the 1980’s have many job options today with modern technology, of course we must strenuously caution that work requirements mustn’t unfairly punish people who are physically or mentally unable to complete any gig economy jobs. The gig economy can often provide flexible work for those previously considered unable to work, but exemptions would still be available as needed.



**Action item:** Congress or the President should direct the Social Security Administration (SSA) to engage in rule-making proceedings to redefine unable “to engage in substantial gainful activity” to be consistent with the original statute. In so doing, they should clarify that in light of the modern economy, gig economy jobs can fill a critical gap and need to be part of the solution for those with limited abilities but are willing and able to work. The SSA currently does targeted continuing disability review (CDR)’s for individuals who are judged likely to recover, but the Congress or President should direct the SSA to consider gig economy jobs as potential “substantial gainful activity” when it is doing their CDRs and expand the CDR process to review a broader cross-section.

#### 4. Provide access to existing resources

*Safety net services should facilitate access to computer terminals or help utilize already available resources such as laptops at a local library. Some government services should also explore providing tools necessary for these jobs to those in need. A portion of unem-*


10 DeHaven, Tad 2013. The Rising Cost of Social Security Disability Insurance Policy Analysis, No. 733. The CATO Institute, Washington, D.C. Aug 6. [http://object.cato.org/sites/cato.org/files/pubs/pdf/pa733\\_web.pdf](http://object.cato.org/sites/cato.org/files/pubs/pdf/pa733_web.pdf)  
11 Autor, David 2011. The Unsustainable Rise of the Disability Rolls in the United States: Causes, Consequences, and Policy Options. National Bureau of Economic Research. Dec. <http://www.nber.org/papers/w17697.pdf>

“While we believe that the SSA needs to recognize that many people who had limited job options in the 1980’s have many job options today with modern technology, we must strenuously caution that work requirements mustn’t unfairly punish people who are physically or mentally unable to complete any gig economy jobs.”

ployment compensation funds should be granted in the form of a voucher to purchase or lease equipment that workers may require in an on-demand job.


Providing safety net recipients with equipment, either through purchase or leases, could actually save the government money. If a car lease costs \$130 a week, and a safety net recipient makes \$500 a week as an Uber driver, then the \$370 in net earnings reflects a lower cost the government needs to pay to this recipient going forward. Thus providing the car lease, or a small portion of the car lease, or working with Uber and Lyft to provide a lease through them, may well save the government substantial money and help recipients. Lyft recently announced a partnership with General Motors to lease cars for free – including insurance and maintenance – to eligible drivers.

In the case of car leases, Uber and other companies will almost always run their own program more efficiently than the government could, but there may be other gig economy jobs where equipment leasing makes sense. For example, basic chrome-books can be purchased for as little as \$100, and if they enable a safety net recipient to engage in gig work, it may also be a cost effective investment. Instead of handing out blank checks, programs could include individual development accounts for these types of approved purposes necessary for job eligibility.

 **Action item:** States should experiment with using portions of unemployment compensation funds to provide access to equipment necessary for on-demand work, and state agencies should provide access to existing resources at the local level.

## 5. Strengthen and restore work requirements

*Work requirements of the Temporary Assistance for Needy Families (TANF) program should be strengthened to limit the President's waiver power. Legislation should also restore the work requirements for the Supplemental Nutrition Assistance Program (SNAP) (food stamps).*

 **Action item:** Congress should pass legislation to strengthen and re-require work requirements for TANF, SNAP, and federal housing assistance. To the extent waiver of these requirements remains possible, it should be narrowly limited through statute.

## 6. Expand work requirements to additional safety net programs

Once the proposals for a government study, gig job directory, and equipment access are implemented, work requirements should gradually be applied to more safety net programs, and these requirements should include engaging in the gig economy.

This requirement would be limited to recipients that are physically capable of doing work – including gig economy work – pursuant to Recommendation #3, and only apply if there are unfilled jobs in the gig economy available in their area or through telecommuting generally, and at the skill level of the recipient.

Such conditions would not be a major departure from existing rules. Similar conditions exist today requiring proof that the recipient of government aid is sending resumes or interviewing for jobs, but these requirements must be strengthened to require taking available jobs in the gig economy. As with existing work requirements, our proposed work requirements only apply if recipients have jobs available to them that they are physically and mentally capable of performing.



**Action item:** Congress should expand work requirements to all safety net benefits, except for those pertaining to disability and retirement. Moreover, policymakers should pass legislation at the state and federal level, and agencies should pass rules, to reflect that job requirements include the gig economy.

## 7. Innovation through devolution

*To the greatest extent possible, federal welfare programs should be transferred to the States and localities, which are best able to experiment with utilizing the gig economy. House Speaker Paul Ryan and Senator Marco Rubio have offered proposals to consolidate federal anti-poverty programs and allow states and localities to use the funds to implement creative solutions.*

Currently, Social Security Disability Insurance and Supplemental Security Income (SSDI and SSI) is paid by the federal government, but the initial determinations are made by the states. Thus states have an incentive to categorize people as “disabled” to get federal funds, and in practice we see significant divergence from one state to another and evidence of states abusing the system. If the money was given back to states to allocate then states could be more innovative in their approach and will have an incentive to be financially prudent.





**Action item:** Congress should pass legislation – and federal agencies should issue rules – that provide states with maximum flexibility to experiment with new ideas and provide tailored solutions for local job markets. SSDI and SSI in particular could be transitioned to state block grants.

## 8. Reinforce the safety net

*Safety net programs should be reformed to ensure they do not discourage part-time work.*

We are mindful that while many of the jobs in the gig economy generally pay well – such as Lyft and Uber drivers – other on-demand jobs may not necessarily provide a sufficient wage on which to live, or may provide a sufficient hourly wage but an insufficient number of hours per week, and in such cases qualified persons would still receive safety net benefits.

Those who earnestly engage in the gig economy, but are unable to earn enough to get by, should not be penalized for working. Therefore, if a recipient is engaging in the gig economy, but still fails to earn the threshold already set by our safety net, then they would still receive proportional safety net benefits to provide for them as necessary. These benefits would be structured with an incentive to encourage working, meaning that working would always result in more net income. To do so, states and the federal government will expand upon the success of the Earned Income Tax Credit (EITC) to ensure that working pays more than not working.



**Action Item:** Congress should pass legislation to expand EITC to income low-income single workers. Congress should pass legislation, and agencies should make rules, to ensure that recipients who are working in gig jobs but earning under the current threshold would receive proportional safety net benefits (which would be less than an alternative of paying for benefits without work).

## 9. Protect the gig economy

*States and local governments should not place onerous and unnecessary restrictions on the gig economy.*

On-demand platforms are constantly facing legal and regulatory challenges, which are often blatant attempts to protect market incumbents. For example, Austin, TX applied a series of onerous regulations on ride-sharing companies, causing Uber



“Those who earnestly engage in the gig economy, but are unable to earn enough to get by, should not be penalized for working. Therefore, if a recipient is engaging in the gig economy, but still fails to earn the threshold already set by our safety net, then they would still receive proportional safety net benefits to provide for them as necessary.”

and Lyft to discontinue service in the city.<sup>12</sup> California regulators are considering whether to block Lyft's Express Driver program, which provides short-term leases to drivers, forcing the leases to be at least four months long, which may deprive drivers of adequate flexibility.<sup>13</sup>

We want people to have the freedom to try out these programs with minimal barrier to entry, and if it doesn't work for them, they can try something else. These laws and regulations will prevent the market from experimenting with new business models and bringing additional people into the gig economy.



**Action Item:** Ensure that on-demand platforms and their workers are free to operate their businesses without being subjected to onerous and unnecessary regulation, and that programs such as short term leases remain legal at the state and federal level.

## 10. Job retraining

*Leverage a public-private partnership to provide online tools to retrain unemployed people in skillsets, such as app development and web coding, which are needed in the emerging economy.*

We need to retrain our nation's unemployed for the jobs that are available and well-paying, not crossing our fingers that the economy of the twentieth century will return. Many of those receiving welfare benefits or unemployment compensation are unaware of thousands of jobs available in certain fields: on the tech side, web development, graphic design and app development, but also in the professional side, plumbers, metallurgists, welders etc.

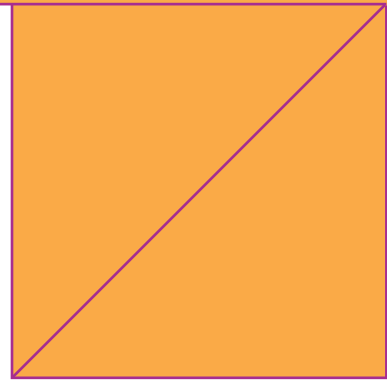
Navigating this world is tough, and it is often difficult to know what skills are necessary for a specific job, and how to get the training to acquire them. Public-private partnerships can create easy on-ramps for unemployed workers to develop skills for the jobs that are hiring by leveraging existing courses and resources that are free. This "on-ramp" needs to essentially be a form of a checklist: to learn a certain skill, use the following resources, watch the following videos, create the following projects, and complete these interactive skill-development tests. Many of these resources already exist, but some new resources will need to be created along the way.

<sup>12</sup> Davidson, John Daniel 2016. "How Uber and Lyft Were Driven Out Of Austin." The Federalist. May 10. <http://thefederalist.com/2016/05/10/uber-lyft-were-driven-out-of-austin/>

<sup>13</sup> Newcomer, E and Vekshin, A 2016. "California Delays Decision on Uber and Lyft's Car Rental Programs." Bloomberg, Apr 21. <http://www.bloomberg.com/news/articles/2016-04-21/california-vote-could-put-an-end-to-lyft-gm-car-leasing-program-before-it-starts>



**Action Item:** States should develop public-private partnerships to create online and free curricula to learn important skills in the emerging economy. Over time, a private sector model of skill-accreditation can help companies identify workers with the skills that they value. States can help facilitate this accreditation process as well.



# CONCLUSION

THE VAST MAJORITY OF AMERICANS favor work requirements for welfare programs. A Rasmussen poll found that “83% of American Adults favor a work requirement as a condition for receiving welfare assistance, while just seven percent (7%) oppose such a requirement.”<sup>14</sup> With abundant flexible jobs, and a frictionless mechanism to allocate the jobs (e.g., smartphone apps and online marketplaces), we believe that a large number of Americans, Republican and Democrat alike, will begin to favor a workfare 2.0 oriented approach – and now we have the technology to more easily implement that system. Unfortunately, just as the gig economy has made workfare significantly easier to implement, Washington has undermined work requirements throughout the safety net.

Now is the time to reorient our safety net around work. Given the emerging economy, it is past time for our nation’s entitlements to adapt accordingly, which will lower costs of these programs, and also help the people in these programs by ensuring they are keeping busy, developing new skill-sets, and able to continue applying for more permanent vocations they may prefer.

We believe that this program will save taxpayers billions of dollars, but perhaps just as important, it will benefit the beneficiaries of our safety net: the social science data is clear that keeping safety net beneficiaries working is better for their careers and long term economic well-being, but also better for their overall health as the value of work cannot be understated. Ultimately, we hope that this proposal can help lift safety net recipients out of the cycle of poverty, and ensure that safety net programs remain solvent for those that need it.

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<sup>14</sup> [http://www.rasmussenreports.com/public\\_content/business/jobs\\_employment/july\\_2012/83\\_favor\\_work\\_requirement\\_for\\_welfare\\_recipients](http://www.rasmussenreports.com/public_content/business/jobs_employment/july_2012/83_favor_work_requirement_for_welfare_recipients)

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Derek Khanna (@DerekKhanna) is a former congressional staffer and IP litigation lawyer in Silicon Valley. Derek has been recognized by leading business publications Forbes, BusinessWeek, and the New York Times for work that has shaped public policy. He has been referred to as the “GOP wunderkind” by David Weigel, as a “rising star” in the Republican Party by David Brooks. Derek’s expertise is

based upon work on two U.S. Presidential campaigns, experience as a House and Senate policy adviser, and spearheading a major advocacy campaign that resulted in technology legislation being enacted. He has also launched his own startup, served as policy lead for Lincoln Labs, and launched a consulting firm specializing in technology policy.

Derek has received a JD from Georgetown Law and had a fellowship with Yale Law School’s Information Society Project. He has spoken at the Conservative Political Action Conference, South by Southwest, the International Consumer Electronics show, the Personal Democracy Forum, St. Gallen’s Symposium, Brain Bar Budapest and at over a dozen colleges and law schools as a speaker with the Federalist Society.



## **CESAR CONDA**

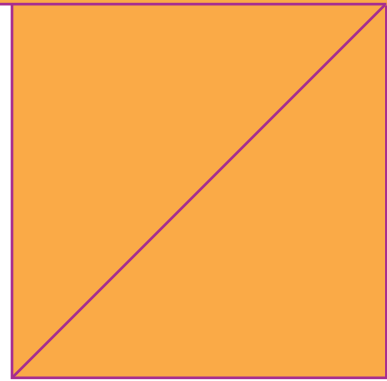
Cesar Conda (@cesarconda) is a founding principal and policy advisor at Navigators Global. He recently served as chief of staff and senior advisor for U.S. Senator Marco Rubio (R-Florida). According to the Weekly Standard, Mr. Conda is “a well-known and highly regarded policy wonk, with experience in the executive branch as well as on Capitol Hill.”

Mr. Conda served in the Bush-Cheney White House as assistant to the vice president for domestic policy, where he “was instrumental in devising the Bush tax cuts” according to columnist Robert Novak. He was an advisor

to the presidential campaigns of Mitt Romney in 2008 and Bob Dole in 1996. Mr. Conda spent 18 years on Capitol Hill as a senior aide to three U.S. Senators, and was Republican staff director of the Senate Small Business Committee. Roll Call, a leading Capitol Hill publication, included Mr. Conda in its “Fabulous Fifty” list of the most powerful congressional staffers. In 1999, Mr. Conda received the “Congressional Staffer of the Year Award” from the Information Technology Industry Council.

Prior to his Senate career, Mr. Conda was a tax lobbyist for the U.S. Chamber of Commerce. Having served on the Board of Directors of the Competitive Enterprise Institute and Empower America, Mr. Conda has deep roots in the conservative think tank community, and is described by the Associated Press as one of Rep. Paul Ryan’s “conservative mentors.”

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