

EPISODE 1445

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FT: So Money is brought to you by CNET, the site that shows how to navigate change all around us. So Money episode 1445, the cost of living and the risks to the gig economy and its workers.

*“**AR:** So I say it is a movement, but it's a movement forward to the past. So we're seeing a rolling back of workplace protections that W2 employees have taken for granted and that are out of reach for these 1099 workers, these gig workers.”*

[INTRO]

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FT: Welcome to So Money, everybody. I'm Farnoosh Torabi. Our conversations around the cost of living in America today continue with our guest, Alexandra Revenelle, who is an Assistant Professor in Sociology at the University of North Carolina at Chapel Hill, and the author of a book called *Hustle and Gig: Struggling and Surviving in the Sharing Economy*, and that is our focus today.

The sharing economy or the gig economy has exploded in many ways, and it is often marketed as a pathway to entrepreneurship, making extra money, creating a more flexible work-life schedule. But as Alexandra's research uncovers, there are many costly risks to being a gig worker in our country today. Her book unveils personal stories of nearly 80 predominantly millennial workers from Airbnb, Uber, TaskRabbit, their stories underlying the volatility of working in the gig economy. The autonomy these young workers expected has been usurped by the need to maintain algorithm-approved acceptance and response rates.

Alexandra talks about how the gig economy is really a step backwards. It's the millennial's version of minimum wage precarious work. How is inflation weighing on gig work, and is there a pathway to a better future for these workers? Here's Alexandra Ravenelle.

[INTERVIEW]

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FT: Alexandra Ravenelle, welcome to So Money. It's great to have you on the show.

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AR: Thank you. It's great to be here.

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FT: We're looking forward to learning so much from you, as you have spent a lot of time interviewing gig workers across the country. Your first book, *Hustle and Gig: Struggling and Surviving in the Sharing Economy*, is an important book that addresses the current culture of gig work in this country and the hidden challenges. I think we often position gig work as a step towards the future, a way to take control of your career, your income, make more money. Who doesn't want to do that? But, of course, there's a lot that we don't recognize that we should recognize, as we look at how to take gig work to a healthier, better place.

I know there's a lot of interest around this from our audience at So Money. I have, in my career, taken on many gigs to make ends meet and pay off debt and so forth. So, again, just really happy to have you on the show. Maybe we could start, Alexandra, by just understanding a little bit about what initially interested you in this community, in this economy, looking at gig workers, and why you pursued the book?

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AR: Oh, that's a great question to start with. So I was an early adopter of the gig economy. I was a super adjunct. Before I returned to school to get my PhD, I was teaching for way too many schools, teaching way too many classes, and I was hiring gig workers off of Craigslist and then TaskRabbit to help me with some of the administrative stuff. Then one day, I turned to my TaskRabbit and said, "Oh, isn't this great? I'm a small business owner. You're a small business

owner.” He goes, “Whoa, lady. I don't know what you think you're talking about here,” and he tells me this story of being hired for tasks to go to a local drugstore and pick up a prescription, which he thinks is a perfectly normal task.

But on the way there, the person is like, “Oh, there's this weird back and forth.” He gets to the drugstore. It's a long time to pay for. He can't figure out what's going on. He picks up the prescription. It's a large pile of amphetamines, and he's like, “Well, that's really weird.” Then they call him and they say, “Oh, I forgot that I moved to China. I need you to mail the drugs to me, and don't do any customs forms.” He's like, “I can't do that.” So he reaches out to TaskRabbit, and he says, “What do I do?” They say, “Let me call you back,” and they tell him that the TaskRabbit does what the TaskRabbit is hired to do, that this violates the rules on the platform, but this is what you have to do.

He's a young black guy with a college degree from a very good university, and he's like, “I'm not going to risk my future.” So for a week, he carries around a bottle of prescription medication in his backpack, until he's able to meet up with a contact in a local park and also do the handoff there, which is equally problematic. So he tells me the story, and that was my first inkling that maybe this gig economy is not what we thought it was. Maybe it's not really entrepreneurship, but maybe it's got a strong level of exploitation.

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FT: Yes. As an assistant professor in sociology, Alexandria, tell me about how the worlds collided here with your expertise in sociology and your curiosity around that and then now looking through a new lens this world of gig work.

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AR: In sociology, we push people to take a step back to sort of put on what's called the sociological imagination, to look at society and look at how the various parts are functioning together and look at how various things are serving various groups, to really sort of question what's going on around us. So what I found is that when I started looking at the gig economy much more, it really reminded me of, quite frankly, like the mills and the early industrial age. So I

say it is a movement, but it's a movement forward to the past. So we're seeing a rolling back of workplace protections that W2 employees have taken for granted and that are out of reach for these 1099 workers, these gig workers.

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FT: So you went on a mission to interview dozens and dozens and dozens of gig workers across the country, largely millennial workers from Airbnb, Uber, TaskRabbit, etc. What were some of the themes that you unlocked?

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AR: So I ended up interviewing 79 gig workers that were mostly in the New York City area, and that's because a lot of times, gig work is much more prevalent on the coast, or at least it was when I first started doing my research. One of the things that I found is that these workers are exposed to a high level of risk. The workers are background checked, but their customers are not. This peer-to-peer component of the gig economy means that for many of these workers, they're walking into the home of a stranger who, thanks to these apps, is largely anonymous.

My book, *Hustle and Gig*, details what happens behind closed doors and the risks, financial risks, sexual risks, risk of physical injury, socio-emotional risks. It's actually worse than I thought it was going to be when I first spoke to my TaskRabbit friend who got the prescription pickup.

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FT: What is the responsibility of a TaskRabbit, an Uber, etc., in terms of protecting their workers in the ways that you've described, these risks that they're basically – These workers are going off, going out on a limb in many cases. Has there been sort of any improvements since you started your reporting to today? I think sometimes, we do see headlines about at least these companies going above and beyond to protect the payers, the people who pay the gig workers, like giving them the insurances and stuff like that. But what is the protection for the actual gigger?

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AR: So these platforms have made some minor changes. In terms of Uber and Lyft, for instance, now in the app, there's an emergency button that you can press if you feel unsafe. There's tracking. Sometimes, you'll see a little pop up that comes up from Lyft, "Oh, it doesn't seem like you're at your destination yet. Is everything okay?" But in terms of protecting the workers, it's very minimal. That app is great. But if you look at where most drivers put their phone when they're driving, it's up on like the dashboard, right? So if they were to press the emergency button, guess what? Whoever's behind them doing something, maybe even feel uncomfortable assaulting them, is going to see what's going on, right? It's not the same level of security that it is for the passenger.

But largely, these platforms, because they classify workers as 1099 workers, and they are very wedded to keeping them as 1099 workers, they're not doing a lot to protect the workers because they're saying, "It's not my problem. You are independent. You're just using my app as a marketplace, as a connector. And so therefore, I have no responsibility to you."

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FT: We'll get into some of these other problems that come up because that your 1099, you don't have to – The company doesn't have to give you benefits. Your retirement is not secure. If you get into an accident on the job, there's probably nothing there for you. Tell us about, though. There are three groups that you've characterized within the gig economy. We oftentimes think of this sort of pseudo entrepreneur as the poster child of the gig economy, the person who maybe turned the gig into a full-time career. So we admire that narrative, and we praise that narrative.

But there are also the strugglers that are fighting to make ends meet, which you've sort of talked a little bit about, and then the mostly part-time strivers, earning some extra cash. Tell us a little bit more about these three groups, in particular the latter two, because we hear a lot about the "entrepreneurs" that leverage gig work. But what about everybody else?

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AR: Right. So there are these three groups, the strugglers, the strivers, and what I call the success stories. The strugglers are those bad stories that we hear. These are the people who are long-term unemployed, who are turning to gig work as an occupation of last resort. These are the people who get hired for a gig. No matter what happens, they're pretty much going to be stuck completing it because they need the money. They are in desperate straits.

Then at the other extreme, we have those success stories, and these success stories are the people who have served the lives most of us dream about, right? They are running an Airbnb, but they're running it from a beach or from a bar. They have managed to make themselves so successful that they have employees of their own, who are working under them and handling the day to day. Then most of the workers are the strivers, and these are the people who are turning to gig work to supplement their income on the short-term. In some cases, I've talked to people who wanted an expensive wedding dress, so they pick up some tasks in the gig economy so that they can finance that expensive wedding dress or that special bikini for their honeymoon. These strivers are not as vulnerable.

But the thing about the gig economy is that you can move back and forth between these three categories. So workers who, at one point, think that they are success stories, there's – My book opens up with a story of a young woman who was doing a lot of TaskRabbit. She had started making a couple \$1,000 a month. She thought everything was great. She went on vacation for the first time in her adult life. While she's on vacation, TaskRabbit changes everything on the platform. All of a sudden, "I don't know if I can afford to spend any money. I don't know if I work when I come back." Sure enough, she comes back. She finds out that the algorithm has changed. She's not getting any work, and she's worried that in a month or two, she's going to be living on a park bench because everything can change very quickly when an algorithm controls your future and your opportunity to support yourself.

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FT: Yeah. So there's algorithmic risks, but there's also economic risks too. You go into how the rising cost of living also eats away at any earnings that you make as a gig worker. I mean, only recently did the rideshares say, "Hey, we're going to like tack on some extra percentage points

for riders to pay for gas, a fuel surcharge.” Talk a little bit about the cost of living. As a gig worker, how does it actually work to make ends meet?

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AR: Yeah. So the cost of living is really kind of a 1, 2, 3 punch for these gig workers. Early in the pandemic, we saw that some gig work really disappeared, right? Like Airbnb work disappears. Uber and Lyft driving pretty much disappears, except for bringing people to the hospital, which nobody really wants to be doing that type of driving. But food delivery really skyrockets, right? Like I have lots of workers that I've interviewed who said that they turned to doing food delivery early in the pandemic because it was a dependable source of income. We call this the side hustle safety net.

But what happens with increasing inflation is that, for one, these workers, if they're doing deliveries or if they're doing rideshare, are now paying more for gas. They're paying more for car repairs. If their car gets damaged and they have to buy a new car, so they can keep working, they're buying a very expensive car because of inflation, because of supply chain issues. But it also means that when they're giving people rides, that people are – Their customers are also worried about finances. So now, you're seeing a decrease in the number of people who are ordering food. You're seeing a decrease in how much they're ordering. Then there's also a decrease in how much they're tipping.

Then we also have other people who are now turning to gig work because they've heard for years that this is a great way to get some extra money. So we see much more competition for the few jobs that are out there. We see that there are fewer jobs because everybody's feeling the pinch. Then when they're driving to do these jobs, they're paying more out of pocket. That's even before we get into the fact that over the years, a lot of these platforms have been increasing their take from these workers.

So it's not unheard of for a worker to discover that they're only getting 50% of what they thought they were going to be making, or the customer is paying \$15, and they're getting \$7.50 at the end of the day. So it's really a squeezing of the workers. It's like they're being milked for everything that they have.

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FT: Yeah. It's easy to see why it is not sustainable. Yet the projections are that this is a movement that is only going to become louder and bigger as the years go on. People really want things like flexibility. They want to be able to make money on their own time and terms, and gig work has often been a part of that campaign, whether it's – We know that's not the true story, but that is – We are holding on to these pros, not really focusing on the cons.

Do you see a world where the employers, I'm talking the TaskRabbits of the world, have to start negotiating more with their gig workers? Are there going to be laws? Is there any movement towards legislation or policy that would mean a better working condition for gig workers?

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AR: Oh, yeah. There's a lot of movement. Out in California, of course, we had EB-5. That was supposed to remove sort of this default employer gets to decide to make workers 1099. Then, of course, there's a lot of back and forth with that, right? We have the rideshare companies band together. They fight it and think it's Prop 22. Then there's a lot back and forth on that. In New York and in Illinois, we're seeing similar efforts to sort of try to have less of a focus on workers being 1099 workers.

For years now, Senator Warner has been trying to get a pilot program to do some type of sort of benefits program to have kind of portable benefits so that gig workers can be on different platforms but still be able to get access to like 401(k)s and that type of thing. But that, of course, it is still in the legislative process, and that's even for a pilot.

But I think one of the things that we're also seeing is what I call this sort of shadow gigs. These are companies that are hiring these 1099 workers. So it's not TaskRabbit or Uber, where there's this marketing of, "Oh. Well, like here's a worker, and we're going to have peer to peer." This is more a company hiring 1099 workers and hiring lots of them. So UPS, which we all know as a union company, owned – Or UPS a couple of years ago ended up buying Roadie. Roadie is a, what they call, peer-to-peer delivery company. It's got 200,000 workers that are all 1099, and

they are now being marketed to companies. So your local florist shop, instead of hiring an employee to do deliveries, now can outsource those deliveries to a Roadie worker, and they will do the deliveries nationwide for them.

I call it shadow economy because this isn't something that we're hearing a lot of talk about. So a lot of times, people don't realize that this worker who's delivering something to them might actually be 1099, even though they aren't seeing this transaction going on.

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FT: Yeah. So just put it in plain English, like what is the risk of when the UPS is sort of the shadow operator behind a Roadie company that presents and fronts like a gig operation? I can see why UPS is appealing to UPS. At the end of the day, how does the risk get transferred to the gig worker here?

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AR: Yeah. Well, because the gig workers are 1099, if they have an accident on the job, that responsibility is on them, in terms of the deductible. If they have an accident on their way traveling to a job, again, that's all on them. They don't get any workers comp. So if they get hurt on the job, there's no paid time off. So, hey, guess what? You have COVID. I guess you're going to be delivering even so because you're not getting any sick leave. Oh, you've just had a kid three days ago. There's no paid family leave. There's no Family Medical Leave Act, FMLA. There's no Social Security contributions. There's no health insurance. These workers are entirely on their own.

Also, the other thing that happens is when you have companies that have a strong union presence. That also developed this sort of 1099 independent contractor, no workplace protections. That could be used to weaken the union presence. There are a lot of people that maybe aren't pro-union, but the research is pretty clear that unions can help bring up wages for everyone. Unions gave us weekends. So we need a certain percentage of the population, at least, that have these union protections so that it creates a floor for everyone else.

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FT: Since the pandemic, we have been seeing more brought up unions. We've been seeing more union discussions. We've also been seeing just workers walk out when they're unhappy with various things that their leadership is espousing to or not espousing to. So for me, just as an observer, it feels like there's a movement happening. There's a sea change, where suddenly like there's a little bit of a power shift. Workers feel a little bit more empowered to say, "Nope, I don't agree with this," and go on strike or walk out or demand things that they were too afraid to ask for in the past.

Do you see within the gig economy this same momentum, where they are feeling maybe a little bit more empowered and saying this is enough?

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AR: Yeah, that's a good question. So there are a couple of things that are going on there. One is that we are definitely seeing a major increase in support for unions. There was a survey not too long ago that found that union support is at the highest level it's been at since, I believe, the '60s or '70s. So a lot of people are like, "Hey, wait. If we all band together, we can create change, and this will be positive."

In terms of the workers, though, I have a National Science Foundation grant to or I had a National Science Foundation grant early in the pandemic to research the impact of the pandemic on gig workers and precarious workers and to do follow-up interviews with these workers. This fascinating thinking about when workers started to get unemployment assistance, when they had their stimulus checks coming in, they started to really think about what they wanted in the future and to start planning a new life for themselves. So I can tell you countless stories of workers who said, "You know what? I don't want to continue doing TaskRabbit, moving jobs. I'm going to become a yoga instructor, and I'm going to take yoga classes." Or workers who said what, "You know what? I'm tired of being a bartender who's getting paid in cash and who has a really questionable work experience. So I'm actually going to start working in a dental office and become a dental assistant, and change my life, and look for new things."

I think that it's a combination of sort of the pandemic, helping people to change their lives, seeing some of that organizing that's going on in Amazon and at Starbucks, and realizing, wait, there are other things that I could do out there, and really starting to make a move towards that.

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FT: Yeah. That is one, I guess, encouraging sign. You have given that exhaustive list of things that 1099 employees don't get and not assume that full-time workers always have access to things like a 401(k), but definitely more likely that they would. So in terms of preparing for retirement, and I thought what's interesting in your book, that a quarter of those in the gig economy are closer to their 40s, 50s, and even in their 60s. We often characterize this as a – It's a young economic movement, but plenty are in later stages of life. How is retirement different, and how is retirement planning different when you're a gig worker?

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AR: So when you're a gig worker, you don't have a 401(k). Maybe you've set up a SEP IRA, depending on whether you are sort of –

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FT: Incorporated.

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AR: Incorporated, yeah. All of that. For most of them, at best, they're probably going to have like a regular IRA that you can have if you have any type of income. But also, remember, they have to make the employer's portion of contributions to Social Security. Now, they do get a deduction for that. But for a lot of people, they might discover, what they thought they're going to be able to put away at the end of the day, maybe save, is actually going to go back out in taxes. Because a lot of times, these workers don't realize just how much of a tax penalty there is when you're a 1099 worker.

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FT: Right. Oftentimes, we don't even know what our retirement savings options are, until we have even been introduced to something like a 401(k). It kind of starts from there, and they're like, "Oh, there's also the IRA, and there's also the SEP IRA." I feel like your employer, when you're full-time, sometimes educates you on what your options are and what you have access to and –

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AR: It's also – If you have a 401(k), oftentimes there's a match, right? There's no match if you're in the gig economy. So not only are you not getting access to these tools, but you're not getting that contribution that most people have a 401(k) know that if you don't take that full contribution, you're just leaving money on the table. But, of course, these companies have 401(k)s and retirement for their executives.

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FT: If you were leading a group of workers, gig workers, to try to convince policymakers to create change, other than just speaking from the heart and trying to connect with them on a human-to-human level and say this is not right, how would you make this into a business case, that when you don't take care of your gig workers, it's not just bad. It's bad for business. What I guess I'm trying to get at is like it's very hard to get these Ubers and Lyfts and others to be motivated to change because they're profiting. This is working out for them.

Unfortunately, just telling really bad stories sometimes isn't enough. You have to show the case for why this is a financially better way to run the economy.

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AR: Well, because these workers are generally classified as 1099 workers, the companies can't offer any training, and they can't have specific rules about how people are dressed or how they're doing the job, right? We know that from sort of this 1099 classification, the IRS has these

sort of like checklist of rules that are also a little kind of loosey-goosey. So one thing that really hurts the companies is that they can't have specific policies and rules, right? They can't say, "Oh, here's your training that you have to go through, and here's a supervisor who's checking in." Because if they start to do that, then their workers are definitely going to be classified as W2, and they don't want that because they don't want to pay the additional 30 to 40 percent that they will have to pay in terms of taxes and benefits.

But in terms of these companies and their turnover, these platforms have astoundingly high turnover. A couple of years ago, there was a memo that was released, where Uber viewed McDonald's workers, McDonald's as their main competitor for workers because workers with leave platforms are like, "Oh, I'm going to go. Like minimum wage job is going to get me about the same thing." In fact, I've even said, if you're an Uber driver, you're probably better off working at McDonald's because at least you're probably get free fries each shift, as opposed to being an Uber driver, right? Where you might get assaulted, and you're not getting your full amount of money because you're going to pay all this additional taxes. There are no benefits, no protections.

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FT: I think that's a really important point about turnover because then you are really getting at the cost, right? I guess that's really what my question is. Like how do you really drive home the cost of gig work employment to these businesses that are slow to provide the proper benefits and working conditions? Because they're just going all the way to the bank, right? This is like a great savings for them, as you mentioned, 30 to 40 percent, because they are 1099 versus W2. But long term, this has to be costly for businesses that aren't being more thoughtful and caring towards their workers, regardless of how they're classified.

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AR: Right. No, I mean, the turnover for these companies, and this is why they were burning through so much venture capital money in the beginning because it's a lot to recruit the workers off of them, those bonuses early on. But it's also a lot to recruit the customers. If customers don't think that they're going to get a good experience, they're going to start fleeing to other

platforms. We know that you can churn to a certain level. But at some point, that spigot is going to be cut off. Then where are you going to be?

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FT: I remember, prior to Uber getting a new CEO, when it was Travis, and we know how –

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AR: We know all that.

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FT: How he spiraled out of control and went down in flames. Although, now, I think he's probably getting more money for his next start up. I remember, I deleted Uber on my app because I was like, "I have other options. I can call a cab. I can take a bike. I can do other things. Like I don't need to be supporting these companies that are putting –" Particular in that case, it was their female workers and passengers in harm's way and not doing anything about it. So I think that's an important reminder that as the patrons, as the consumers, as the payers of these gigs, we have also an ability to help drive this movement towards a healthier place.

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AR: Right, definitely. Also, the one thing that has been really powerful in terms of creating change is when the workers are sort of banding together and really publicizing what their work is like. So pre-pandemic, there was – Instacart was keeping workers tips, and the workers started this whole PR campaign, showing pictures on Facebook of their huge deliveries and how somebody was tipping \$10. But Instacart was keeping the money, and that actually did lead to some changes. So sometimes, those stories can also sort of energize the consumers to be like, "Wait a second. I'm going to, like you just said, delete the app if this isn't going to change."

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FT: We've talked about it on the show before, but it's so important to pay gratuity, and I know these companies will tack on so many of their own fees that the worker is not getting, right? We conflate delivery fee or the service charge with the tip. No, that is not going to the worker. That's going to fill the company's coffers. So to the extent that you are being inconvenienced by someone bringing food to your home or driving you somewhere when your car is not working or bringing you your groceries, tip well. If you can afford this convenience, you can afford a few extra bucks. If we all did this, it can be life-changing for some of these workers, if we all did this, right? If we all made this a public service announcement and just said, "Okay. From now on, I'm going to tip 15% more or 10% more." It would be pretty awesome.

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AR: It would. Don't just tip but tip in cash, if at all possible. That way, there's no chance that the platform can be like, "Oh, we thought you wanted to tip the corporation?"

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FT: No. Right. Very good reminder. Well, Alexandria, thank you so much for hanging out with us and providing all these insights and for going so deep into this important part of our economy. We look forward to your next book. Do you want to give us a little plug for that? I know you're still in the process of it, but we're excited. I'm excited for it. I'd love to have you back when that's available.

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AR: Thanks. I'd love to be back. My new book should be out at the end of 2023. It is based on 199 interviews with gig-based and precarious workers conducted so far in two ways, looking at the impact of the COVID pandemic on these workers and their lives and their futures. Particularly, whether or not they were impacted or positively affected by the Cares Act and by access to unemployment assistance for the first time ever. So I get goose bumps talking about it. Working title right now is *Down and Out*, but that's up to my editor.

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FT: Awesome. Well, looking forward to that. Thank you so much.

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AR: Thank you.

[END OF INTERVIEW]

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FT: Thanks to Alexandria for joining us. To learn more about her book, it's *Hustle and Gig: Struggling and Surviving in the Sharing Economy*, available everywhere. I'll see you back here on Friday for a brand new Ask Farnoosh. Until then, I hope your day is So Money.

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