

Entrepreneurs and Their Communities

Understanding the 1099 Economy

Erik R. Pages

November 10, 2011

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Understanding the 1099 Economy

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eXtension Entrepreneurship Webinar
November 10, 2011

ENTREWORKS
CONSULTING

Today's Talk

- ▶ What is the 1099 Economy?
- ▶ What Do the Data Tell Us?
- ▶ Classifying 1099er's
- ▶ What are the Implications of this Shift?
- ▶ Potential Policy Responses

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What is the 1099 Economy?

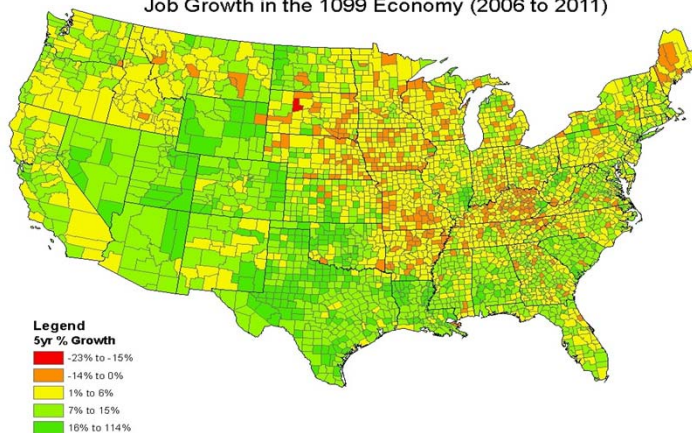
- ▶ Refers to growing number of independent workers
 - File IRS 1099 Form with Taxes (as opposed to W2)
 - Generally have little or no benefits
- ▶ Huge and Growing Part of our Economy
 - Census: 21.1 million Self-Employed (2009)
 - EMSI: 40 million non-covered workers (2011)
- ▶ Potentially represent roughly 1 / 5 of US workforce

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The Data: Job Growth in the 1099 Economy

Job Growth in the 1099 Economy (2006 to 2011)



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Top Gainers by County

- ▶ 1. Loving County, Texas, 114% (the least populous county in the US)
- 2. Todd County, South Dakota, 81%
- 3. Calhoun County, West Virginia, 63%
- 4. (tie), Roane County, West Virginia, 57%
- 4. (tie), Reagan County, Texas, 57%
- 4. (tie), Union County, Florida, 57%
- 7. (tie), Wayne County, Utah, 54%
- 7. (tie), Shackelford County, Texas, 54%
- 9. Ochiltree County, Texas, 53%
- 10. Kenedy County, Texas, 52%

▶ (Data from EMSI)

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Top Losers by County

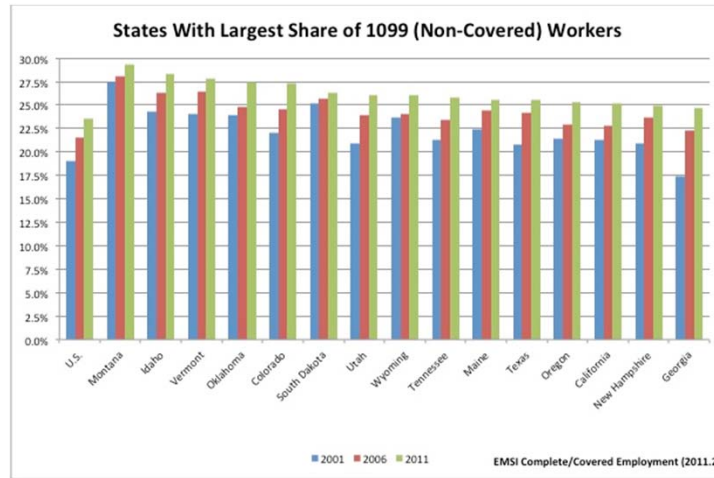
- ▶ 1. Ziebach County, South Dakota, -23%
- 2. (tie), St. Louis City, Missouri, -15%
- 2. (tie), Roanoke County, Virginia, -15%
- 4. Ohio County, West Virginia, -14%
- 5. Sully County, West Virginia, -13%
- 6. Oliver County, North Dakota, -12%
- 7. (tie), Marshall County, South Dakota, -11%
- 7. (tie), Forsyth County, Georgia, -11%
- 9. Pennington County, South Dakota, -10%
- 10. Decatur County, Iowa, -9%

▶ (Data from EMSI)

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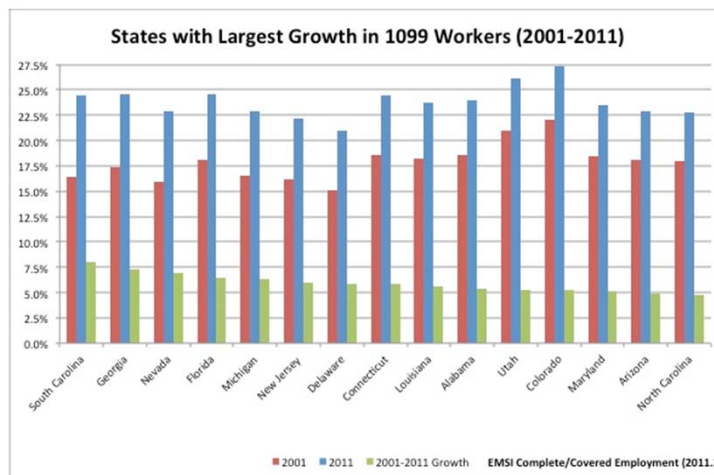
States: Largest Share of 1099er's



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States: Fastest 1099 Job Growth



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Sectors: Where are 1099er's Working?

- ▶ Largest Share? Real Estate (74%)
- ▶ Smallest Share? Manufacturing (4%)
- ▶ Biggest Growth? (Mining, Quarrying, and Oil/Gas)
 - 53% in 2010
 - Up from 33% in 2005
- ▶ Other big jumps in 1099 portion
 - Finance and Insurance (40%)—up from 28% in 2005
 - Arts, Ent. And Rec. (49%)—up from 45%
 - Admin & Support (27%)—up from 22%

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A Typology of 1099er's

- ▶ The Reluctant 1099er's
- ▶ Entrepreneurial 1099er's
- ▶ The Gig Economy Workforce

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Reluctant 1099er's

- ▶ Probably the biggest portion of the 1099 economy
- ▶ Patterns seen in shifts from covered to non-covered employment
 - Growth in sectors where 1099er's were rare (e.g. admin support, professional services, etc.)

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Entrepreneurial 1099er's

- ▶ Tracked as Self-Employed or Nonemployer Statistics (Census)
- ▶ Have seen slight declines in recent years
 - Down 1.2% from 2008–2009
- ▶ Average annual receipts of \$39,000
 - But huge variations in performance

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The Gig Economy Workforce

- ▶ Operate in industries that traditionally rely on contractor workforce
 - Often have a guild-like structure
- ▶ Examples include arts, such as theater, film-making
- ▶ Becoming much more common work pattern in fields like software, consulting, and other IT sectors

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Policy Implications

- ▶ Most data and analysis ignore the 1099 economy
 - E.g. Not included in unemployment stats
- ▶ Most policies ignore or penalize 1099er's
 - E.g. Home office deduction
- ▶ Most 1099er's are Reluctant
 - Pushed into Non-Covered Status
 - Reliant on Spouse for benefits?
- ▶ Most 1099er's Face a Weak Safety Net
 - Incomes tend to be low
 - Absence of benefits
 - Absence of informal support networks

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Potential Policy Interventions

- ▶ Stronger Safety Net
 - Move forward with health care reform
 - Friendlier tax policies
 - Cooperative Supports–Freelancers’ Union
- ▶ Business Development Support
 - Training
 - Networks
 - Shared Space
- ▶ Recognition
 - Better tracking and data
 - Other support measures—e.g. teleworking etc.

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