Growth STRATEGIES

Trend Analysis That Builds Business Decisions

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1 – ARE WE BECOMING A PART-TIME ECONOMY? MAYBE

Involuntary part-time work is at a historic high, and the workforce participation rate is at a near-historic low. The number of unemployed is higher, and the number of jobs in the economy is lower, than five years ago. During this weak recovery, more people have left the workforce than got a new job, and a high percentage of the jobs that are being created are low-wage and part-time.

This is a catastrophic situation both in personal and national terms. On the individual level, people need work to pay the bills, save some money for their non-working years (if they ever arrive) and, I would argue, to stay connected to society by being and feeling useful. It has long been noted that Americans are prone to defining themselves in terms of their work, through which they find a sense of identity, purpose and self-worth.

On the national level, the country needs more citizens working more hours to pay taxes and to start to alleviate our unsustainable debt and unfunded liabilities.

For this miserable state of affairs, some blame the Affordable Care Act. Others say it is a temporary phenomenon, due to the lousy economy and low economic growth. Others blame technology and/or globalization for displacing jobs, or the rising share of profits going to capital instead of labor.

Some say the shift to part-time is a myth.

According to a report from the Federal Reserve Bank of San Francisco, recessions always drive up part-time work, but what is different this time is that the part-time employment rate has remained higher for many more months than in past recessions. Also, states the report, the US labor market has recovered only about three-fourths of the jobs lost during the recession and its aftermath; in other words, general labor market slack is the key factor keeping part-time employment high.

My conclusion? Many more people would be working, and working more hours, if not for the four horsemen of recession/depression: high taxes, overregulation, a weak currency and political (policy) uncertainty. When things crashed some five years ago, I wrote that the effects would be with us for years: slow growth at best, high unemployment and underemployment, underinvestment by business, and an overhang of debt. Sorry to say I was right, and that what I most feared has come to pass: a "recovery" that leaves tens of millions behind.

Mort Zuckerman writes in the Wall Street Journal:

(T)he fundamental economic issue facing America is jobs—their scarcity and the quality of those that people manage to find. The unemployment rate is about 13% if you take into account people "marginally attached" to the workforce. The Bureau of Labor Statistics reports that at the end of 2013 there were about 27.3 million part-time jobs, making up about 18% of the workforce.

Youth unemployment is a stunning 14%. It is particularly distressing that the labor participation rate has hit a 35-year low of 63.2%. This rate has dropped most noticeably for men and women in their prime earning years between the ages of 25 and 54 and is up only slightly for those 55 and over.

No wonder recovery is a dirty word to millions of Americans who continue to experience hardship five years after the Great Recession of 2008-09. On Friday, the Commerce Department announced that fourth-quarter economic growth for 2013 was even lower than predicted, coming in at a desultory 2.4%. That is bad news for Americans who need work.

Job losses in the low-wage and minimum-wage category is the critical issue of our day: Too many of the poor are not working full time or at all. Income inequality isn't so much the problem as income inadequacy. A more robust economy, stoked by growth-oriented policies from Washington, would help produce the jobs and opportunities that millions of Americans need to climb the economic ladder.

The political system is failing us. Washington doesn't seem to be listening, as our political parties are focused more on ideological conflict than the good of the country. Their inability to respond forcefully and practically to America's needs is no longer tolerable. Our national leadership must respond before more lives are ruined.

2— ARE WE BECOMING A COLLABORATIVE ECONOMY? POSSIBLY

The collaborative economy is an updated version of pooled resources. "Sharing is the New Buying," a report by CrowdCompanies.com and VisionCritical.com, states the following:

"Just as social media enabled peer-to-peer sharing of content, the technologies of the collaborative economy now enables peer-to-peer sharing of goods, services, transportation, space and money at a speed and scale that were unimaginable a decade ago.

In this world, the people formerly called "consumers" are also funders, producers, sellers and distributors. Their stories matter to big brands, because this movement means that people can get what they need from each other—rather than buying from you."

Platforms that are hallmarks of this new economy include well known sites like Etsy, eBay, Craigslist, Kiva, and Kickstarter, as well as newer apps and like Rent the Runway, Lyft, Uber, and Airbnb. Apps and the internet are the new middle men, connecting individuals in some sort of exchange of goods or services. This economy also empowers entrepreneurs and hobbyists, adding a greater number of individuals to the small business ranks.

The report breaks individuals down into three categories, based on their level of participation, or lack thereof. An increasingly shrinking majority of us (61% of Americans) are still in a category the report calls "non-sharers," not yet having dipped into this realm. A smaller portion (23%) are "re-sharers," using some of the more popular and more established services like eBay and Craigslist. But then there is a smaller, but rapidly emerging group (16%) known as "neo-sharers." These are the people who are early adopters of sites like Etsy, Lyft, and Kickstarter, engaging in more niche forms of collaboration.

Ken Mueller writes on inkling.com:

At the core of this emerging trend is what I call the re-socialization of daily life. Relationships are key. Individuals are driving the economy on social media, not business or marketers. Platforms that were developed for us to be social were co-opted by businesses, and are now being reclaimed by users, even for the purposes of commerce and the exchange of goods and services. Sharing and collaboration are becoming mainstream, and may soon be the norm for many of us. We see this in the subtle shift from purchasing (or bartering for) new goods online to purchasing used, or perhaps handmade, goods, on sites as divergent as Craigslist, eBay, Etsy, and even Facebook or Twitter. It allows us to maximize resources for the common good in a somewhat iffy economy, all the while waving the banner of sustainability. I even see this locally in the increasing demand for shared office space, known as coworking.

Businesses that produce and sell goods and services should think about what this means to them. As more of us are participating in the collaborative economy, that means a loss of some sort of revenue for many business categories. Are there ways our businesses can become a part of the collaborative economy, and capitalize on this trend? For instance, Walgreens has partnered with TaskRabbit to deliver prescriptions to customers. This is just one example, and the winners will be those businesses who think creatively about how they can better serve their public through collaboration, especially as the number of those participating in the collaborative economy could double in the next 12 months.

The idea of sharing corresponds closely with a general movement taking place nationwide that values sustainability, community, and putting others first.

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Jeremiah Owyang Says The Crowd Is Your Company

3 – ARE WE BECOMING A FREELANCE ECONOMY? DEFINITELY

One in three Americans (roughly 42 million) are estimated to be freelancers. By 2020, freelancers are expected to make up 50% of the full time workforce. Independent work is becoming more common across all generations and the vast majority plan to remain independent in the coming year.

Jeff Wald writes in *Forbes*:

The freelance economy is exploding at exactly the same moment that companies are undergoing a major shift in how they hire. Talent is moving from a fixed cost (and one that's historically been one of the largest across a business) to a variable cost, with companies staffing up and down as needed. Businesses have the ability to quickly on-board hundreds or thousands of freelance workers – provided they have the tools and systems in place to manage them. The booming online staffing industry is also accelerating the growth of the freelance economy. This $1 billion industry provides a valuable alternative to companies that are leveraging a contingent workforce. In fact, the Staffing Industry Association saw the online staffing market grow 60% last year, and we see no sign of that growth slowing down in 2014 and beyond.

Shane Snow agrees. He writes on linkedin.com:

"It's clear that the majority of creative people will be freelance before long, all signs point to other jobs one day following suit. This will mean huge things for the domestic and global economy, and it will give an enormous number of people increased flexibility, responsibility, and stress."

You might soon be one of them. The online work marketplace oDesk recently announced that it hit $1 billion in work brokered between businesses – many of them small – and solopreneurs, freelancers who moonlight, and in many cases earn their entire livings, online. The firm anticipates 500% growth in the next five years.

While it's unlikely the majority of businesses will ever become completely freelance or remote (core staff need to be in-house and work in proximity at any company of a certain size; local service-based businesses need people on site, though those can be freelancers), it's entirely plausible that more than half of the American workforce will one day log in or show up every day as independent contractors.

Here's why:

1. Work is no longer a place.
2. The biggest friction point for businesses is finding, vetting, and hiring workers, and online talent exchanges remove that friction.
3. The web lets you find the best person to do anything anywhere.
4. Millennials *will be 75% of the workforce* in 11.5 years.
5. The internet opens up long tail specialization.
6. The economics can work for both sides.

A surprisingly large percentage of working freelancers have day jobs to supplement their incomes. And for many, it's soon going to be the only option. By 2020, more than 40% of the US workforce will be so-called contingent workers, according to a study conducted by software company Intuit in 2010. That's more than 60 million people.

We are quickly becoming a nation of permanent freelancers and temps.

Following the recent economic downturn, the employment rate has recovered at a frustratingly slow pace, except in one area: temporary, contingent, and independent workers. Between 2009 and 2012, according the Bureau of Labor Statistics, the number of temporary employees rose by 29%. A survey of the 200 largest companies found that temporary workers represented, on average, 22% of their workforce, and that percentage is growing. Workers from all different industries (not just tech) are discovering that they're able to be productive outside of the corporate office and without a long-term employer.

Even with the economy and hiring improving, writes Elaine Pofeldt on forbes.com, freelancing is likely to become a much bigger part of the employment landscape in the future, regardless of what workers prefer. Employers like having the flexibility to expand and contract their workforce when they want, and the supply of available workers currently exceeds demand in many fields. Elance, one of many online freelance hubs that matches freelancers with clients, recently announced that hiring by businesses through its site increased by 60% last year.

Rev.com, an online marketplace that matches translators and transcriptionists with clients, has come up with a business model that we'll see more of the future: it's a matchmaker of best talent and businesses searching for best talent. Taking a cut in the fees charged for each project, it pays its freelancers every Monday by Paypal for the work done the previous week, giving them a measure of income security that few freelancers have. And instead of having freelancers bid on jobs, it has focused on building a stable of reliable freelancers it can trust. Thanks to a steady stream of work available through the site, they can hit a button to "claim" suitable projects that Rev lists, when they are available to do the work.