

# Why America's sharing economy needs a massive expansion of the welfare state



*Jeff Spross*

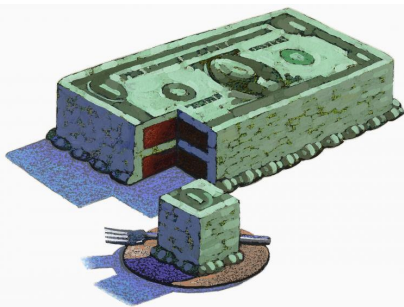


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A healthy society needs to provide people with health care coverage, retirement income, unemployment insurance, and paid

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time off, among other things. For a long time now, America has relied on employers to pony up many of these benefits on their own. But there's increasing pressure throughout the economy to break that link, and allow more flexibility into the contracts and relationships between employers and employees.

So a group of minds from the tech sector, the sharing economy, the think tank realm, research organizations, workers groups, and even the National Economic Council thinks we need some sort of alternative: a structure, separate from any individual employer, that can provide workers with all those benefits,

and allow them to carry them uninterrupted from job to job. *The Washington Post* reported that this group has put together a statement of principles.

But here's the thing: Our society already has an institution that fulfills all these requirements. One that can provide workers benefits from retirement income to health coverage to paid leave, that can muster the resources to do so, and that can do all this completely independent from all employers. It's called the government.

Let's go through the list.

Retirement income is the easiest: We already have Social Security. It's just too stingy, so people have to supplement it with other, grossly inadequate private benefit schemes like 401(k) plans. This creates extra overhead for employers and bureaucratic headaches for employees, while Wall Street profits off the fees. We should simply expand Social Security to crowd out the need for retirement benefits via our employers.

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The next easiest is health coverage, since the government already does a lot of that too. Medicaid and Medicare are single-payer systems that cover the poor and the elderly, respectively. And ObamaCare provides a lot of people in between with private insurance via government regulations and subsidies. It's not ideal: ObamaCare still needs lots of work, and obviously it would behoove us to combine these three programs into one coherent system. But the government could obviously replace all employer-provided health benefits if it wanted to, and it should.

Unemployment insurance, as it currently stands, is a mishmash of state and federal programs, and is run off taxes paid into the insurance pools by employers. So why not just run unemployment insurance through the federal government and pay for it out of general tax revenue? The qualifications for who gets how much in unemployment benefits can be decided between voters and the government — there's no need to get employers involved.

It's the same for paid vacation, and paid family and sick leave. Just have the government lay out one universal rule and formula for how much of each form of leave all employers must offer. We could even have the government kick in

the extra money needed to fund those leaves if we feel like it. For childcare, the government could just provide a universal child allowance with which people can pay for services or just replace the income they lose by staying home with their kids themselves.

This approach would meet basically all of the metrics called for in that statement of principles. It would be independent and universal, in that all workers could access all these benefits regardless of their employment status or where their income comes from. It would be portable, since workers would keep the same package of benefits no matter what job they jump to. And it would be flexible and supportive of innovation in the best sense, in that it would entirely free employers from the burdens of both paying for these benefits and running their bureaucratic structure.

It would be a conceptually simple solution, relying on an institution (the government) that we already have. It would also remove much of the need for classifying workers as either contract or full-time employees. Right now, figuring out which bucket a worker belongs in is a complex and legally fraught question, and the sharing economy's business model effectively rests on exploiting the grey zone between the two. Supplying these benefits universally to everyone through the government would pretty much eliminate much of the need for sorting

workers into either bucket, and would release sharing economy start-ups from most of the costs they're trying to avoid in the first place.

Yet the solutions suggested in the *Washington Post* story point in the opposite direction: toward creating all new institutions or all new government programs and tax schemes to deliver the benefits, and an all new hybrid category that workers can potentially fall into. They're all super weird and messy solutions to what is really a pretty straightforward problem.

The goal here should be for government to take on the *entire* burden of providing these benefits when it can. And when it can't entirely free employers, then employers should be given rules that are as simple, clear, and universal as possible. Then employers and employees can innovate different relationships and contracts to their hearts' content within that framework.

We probably wouldn't be able to entirely eliminate the need to legally classify workers. Some people really are self-employed and don't answer to a higher-up of any sort. So it's not clear how you'd give them something like paid leave, a minimum wage, or overtime pay. We might have to get creative here with stuff like wage subsidies or even a universal basic income.

But we also shouldn't be afraid to just

tell some firms that they're employers and they have employees and that's that. Uber workers, for example, pretty clearly answer to a higher-up, who should give them minimum wage, paid leave, overtime, and all the rest. Some of the people in this new coalition won't like that, since their goal is to maximize flexibility for new business models. But having the government take over the burden of many of these benefits would clearly offer employers more freedom, so it seems fair to restrict their freedom somewhat in this other area. Flexibility isn't the only goal, and entrepreneurs don't have some God-given right to try out any business model they want.

No one's wringing their hands over the business model flexibility that America squashed by outlawing child labor, after all.