



# Collecting Child Support in the New Gig Economy

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# CHARACTERISTICS



Online platforms **connect** workers & customers



Users work **whenever** they want



A **rate** is paid for a specific task



The **payment** is **intermediated** by the platforms

# What's the Gig Economy?

We tend to think of the well-known platforms such as Airbnb, Uber & Lyft, but there are many others!



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## Other Names for Gig Economy.....

- Freelance economy
- Sharing economy
- On-demand economy
- Platform economy
- 1099 economy



# The Five Faces of the On-Demand Economy

20% The Career Freelancers

22% The Business Builders

26% The Side Giggers

14% The Passionistas

18% The Substituters





**Side Giggers:** Seeking financial stability by supplementing existing income (26%)

**Business Builders:** Primarily driven by desire to be their own boss (22%)

**Career Freelancers:** Building a career through independent work (20%)

**Substituters:** Replacing a traditional job that is no longer available (18%)

**Passionistas:** Looking for flexibility to do something they love (14%)



# The Gig Economy is Growing!

- Outpacing overall workforce growth
- About 34% of U.S. workforce is now doing gig work
  - Main or supplemental income
  - Single or multiple platforms
- By 2020, that number is expected to rise to 40%



# Bureau of Labor Statistics 2017 Contingent Worker Study

- Shows significantly lower percentage of workers
- Measured contingent work and alternative employment arrangements separately
  - Contingent workers: don't expect jobs to last or report their jobs are temporary
  - Alternative workers: independent contractors, on-call workers, temporary help agency workers, workers provided by contract firms



# Bureau of Labor Statistics 2017 Contingent Worker Study

- Total U.S. employment
  - Contingent workers: 1.3% - 3.8%
  - Alternative arrangement workers: about 10%
- Considered only person's sole or main job
  - If more than one job, used job in which person worked the most hours
  - Undercounts totals since many gig workers work for more than one gig platform



# Bureau of Labor Statistics 2017 Contingent Worker Study

- Added 4 new questions
  - Designed to identify people who found short tasks/jobs through mobile app or website and were paid through same app/website
  - This should provide information specifically on gig workers
  - Data not yet released – findings to be published by 9/30/18



# The Gig Economy & Child Support

- Employers:
  - Are required by federal law to report newly hired employees to state new hire directory (info is then shared with national new hire directory)
  - Are not required to report independent contractors in most states



# The Gig Economy & Child Support

- IV-D agencies:
  - Rely on income withholding orders (IWOs) issued to parents' employers as primary means of collecting support
  - Use information obtained from new hire reports to issue IWOs



## The Gig Economy & Child Support

- Child support obligors who work in the gig economy are not considered *employees* in most states, so employers are not required to report them to new hire directories
- Thus, IV-D agencies in those states....
  - Are unaware of these workers' employment
  - Can't issue an IWO

And families don't get financial support they need!



## What's Happening at the Federal Level?

- Federal law does not require reporting of independent contractors to new hire directories.
- Recommendations for federal actions:
  - Require reporting to new hire directories
  - Provide standard reporting process
  - Examine ways to identify parents who work in gig economy



## What Can States Do?

- Unless/until federal law requires reporting, states may wish to address the gig economy issue on their own.
- There are several factors to consider in determining whether/how to go about making a change.

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## State Legislative Decisions

Is the amount of potential collections enough to warrant going through the legislative process?



- Demographics in your state
  - Age of most gig economy workers
  - Average earnings of gig workers



## State Legislative Decisions

- Some states already require employers to report independent contractors to new hire directories
- Others that wish to pursue legislation should consider:
  - Terminology
  - Reporting threshold



# State Legislative Decisions

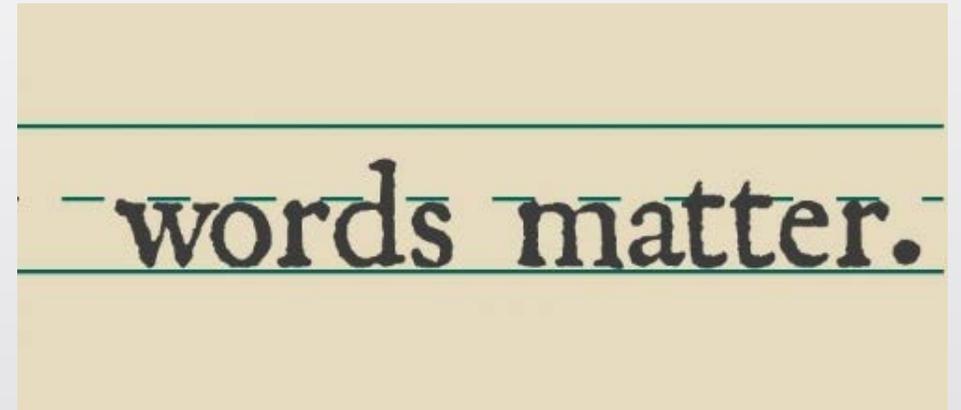
## 1. Terminology

- Add *independent contractor* to definition of *employee*?
  - Virginia proposed this in 2018; legislation did not pass
    - Some legislators didn't want to use *independent contractor*
    - Preferred term aimed specifically at gig workers



# State Legislative Decisions

- Use terminology directed specifically at gig workers?
  - A few options:
    - Freelance workers
    - Service providers
    - Contract labor providers





## State Legislative Decisions

- Consider terminology that encompasses all gig workers and doesn't limit state to collecting from just one type of platform
  - Specific language aimed only at Uber/Lyft drivers will not apply to other gig workers like Airbnb hosts, Taskrabbit workers, etc.

# State Legislative Decisions

## 2. Reporting threshold

Consider including a threshold dollar amount for reporting to avoid including workers who perform single or occasional tasks and receive minimal payment.





## State Legislative Decisions

- \$600 per IRS reporting requirement for independent contractors?
  - Texas & California currently use
  - Used in Virginia's 2018 proposed legislation
- Larger amount?
  - Examples: Maine, New Hampshire & West Virginia use \$2,500 threshold

