ABOUT THE AUTHOR

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Introduction

The gig economy is a central part of our workforce future. Whether it’s selling creations on Etsy as supplemental income or as a full-time teleworker, the flexibility of how — and where — we earn money is increasing. According to a 2019 survey by Upwork, an estimated 57 million Americans are now freelancing¹ — up from 53 million in 2014. Meanwhile, all signs point to continued growth. A greater share of freelancers are now doing it full-time: 28 percent this year compared with 17 percent in 2014.²

But perhaps of most importance to states and localities is this statistic from the survey: seven in ten freelancers said they would consider moving thanks to their job flexibility and are interested in options other than a large city. It’s a huge signal that the increasing flexibility of how we earn money means that workers aren’t necessarily tied to where the job centers. But where are these mobile workers living or moving to?

Using American Community Survey data, we look at trends around those whose primary jobs have the work-from-home flexibility that many more Americans say they want.³ We explore where the remote workforce is growing the fastest and where it could become a sizable portion of the local job scene. Understanding just how much of the workforce has a mobile job and where these workers live could have profound implications for state and local governments down the road. On a state level, a number of places are taking up so-called “marketplace platform” bills clarifying the nonemployee status of independent contractors, thus absolving the business from paying payroll taxes that go toward unemployment and disqualifying these workers from unemployment benefits.⁴ On the other end of the spectrum, other states are considering following California in passing legislation that reclassifies the status of certain independent contractors as employees. Locally, we have already seen the policy and revenue disruption of startups like Uber or Airbnb, which forced cities and states to adjust their tax regulations to capture a previously undefined part of the economy.
Highlights from the American Mobile Workforce

Unless otherwise noted, data is from 2018. WFH = Work-from-Home.

Percentage of Americans Working From Home

3.6%  2005
4.3%  2010
5.3%  2018

8.2 MILLION AMERICANS
47% GROWTH SINCE 2005

Occupation, 2017

51% MANAGEMENT
25% BUSINESS
24% SCIENCE
2% ARTS

Percentage WFH by Gender

(In 2010, this split was nearly even.)

FEMALE  5.7%
MALE  5.0%

Geography

PERCENTAGE WFH BY STATE
Many metropolitan areas in the Mountain West, West, and South have largest WFH percentages (2017)

STATES WITH LARGEST WFH POPULATION SHARE

8.6% CO
7.5% OR
7.5% VT

5.8% FASTEST-GROWING WFH POPULATION
Summit Park has the nation’s most concentrated WFH population at 13.9% of the workforce (2017)
But the idea that a region without its own major economic engine could still attract highly-paid workers is one full of opportunities for local governments, particularly rural localities.

In looking at how — or whether — local governments are responding to these numbers, three main themes emerge. In places with a strong tech industry, the work-from-home growth seems to be organic because of the nature of those jobs. While there’s not necessarily an active policy to increase those numbers per se, there is much discussion around making it easier for these workers to work from anywhere they choose. Conversely, a few places are actively building economic development policies around the idea of attracting remote workers. In both of these cases, the potential for economic uplift in more rural cities and towns is resulting in some new policy and business approaches.

Third, some of the work-from-home growth appears to be more in response to the particular market conditions and demographics of a locality, rather than from any deliberate steps toward increasing job flexibility.

*FIGURE 1. Top 10 Micropolitan and Metropolitan Statistical Areas in 2017 Work-from-Home Share*
Organic Growth

In the Western US and some other states, the gig economy is growing and tech workers abound. The increasing numbers of people who work from home in places such as Boulder, Colorado, or Bend, Oregon, seems to be a byproduct of this growth. This is particularly true of lower cost areas (like Bend, which is located in central Oregon) that become more attractive as coastal hubs become more expensive.

Many tech “companies” in Oregon towns are actually sole proprietors, according to Skip Newberry, president and CEO of the Technology Association of Oregon. Therefore, places with the most to offer — good schools, affordable real estate, and good broadband connectivity — are the ones more likely to attract people who have mobile jobs. “For a lot of communities, it kind of levels the playing field — at least conceptually,” says Newberry. “Many are sitting on the sideline asking, ‘How can we get a piece of what’s going on? What could we offer to attract people that are working in these professions?’”

Localities can (and do) offer economic incentives such as tax breaks. But what has some in the tech community more excited is that the potential to attract gig workers could help move the needle on expanding broadband internet to rural areas. While this
has long been a priority for the federal government and for states, it’s been a slow process. Newberry believes the increasing numbers of the mobile workforce will help push the process along further. His organization and others have been working with the state to find more money for broadband infrastructure, but he pointed out that some localities could more directly be in charge of their online destiny. In 2005, for example, the neighboring Oregon towns of Monmouth and Independence were underserved by existing internet service providers. They decided to build their own — MINET. The move has helped the two small towns, whose combined population is around 20,000, connect the agriculture industry with the technology and people that can help them become more efficient and productive with things like getting their goods to market more efficiently or soil conservation research. “It’s closing the digital divide,” Newberry says. “And now we’re asking how do we get more technologists exposed to what it’s like to live and work in a rural community?”

On a statewide level, efforts to define the role of independent contractors is taking two paths. For one, a number of technology and labor associations are focused on maintaining workers’ rights as the alternative workforce grows. In California, lawmakers have passed legislation aimed at stopping workers from being wrongly classified as “independent contractors” when their status with a company is, in practice, that of an employee. The misclassification of such workers, supporters say, erodes basic worker protections like the minimum wage, paid sick days, and health insurance benefits. Several states, including New York, Oregon, and Washington are considering following suit. Elsewhere, a handful of states are passing or considering legislation that shifts much of the risk of operating a business like Handy or Uber to its stable of independent contractors. Arizona, Florida, Indiana, Iowa, Kentucky, Tennessee, and Utah have passed such legislation setting up a new legal test that in effect defines all “marketplace platform” workers as independent contractors. Elsewhere, the concept of universal portable benefits is catching on as a policy approach to help alternative workers access the same benefits (such as paid leave or pretax retirement plans) that wage workers already have.

Recruiting Alternative Workers

Elsewhere, some areas see telecommuters and independent contractors as a way to import economic growth. Vermont and the Shoals area of Alabama have both introduced giveaways and monetary incentives in recent years. Tulsa, Oklahoma, promises remote workers $10,000 in cash (courtesy of the George Kaiser Family Foundation). Maine is giving new residents a tax break to reduce their student loan burden.

In some cases, private companies are offering similar encouragement, but via a “de-location” bonus. The software startup Zapier is one of several Bay Area tech companies that is offering $10,000 bonuses for leaving the area. “Unable to offer the
highest salaries, or dangle the most generous stock grants and bonuses,” writes the San Jose Mercury News, these companies have turned “Bay Area dissatisfaction into a recruiting tool.”

Vermont is perhaps the best example of taking this approach and turning it into a widespread economic development strategy. Concerned about slowing population growth and lower-than-average birth rates, the state legislature has invested in a remote worker recruiting program that includes money to help offset the cost of moving and grants for coworking spaces in towns across the state. According to the state’s 2019 remote worker report, the nine months of the program drew 4,201 applications and awarded 84 recipients more than $320,000 total. The average grant award was $3,819 and the state gained 218 new Vermonter, including family members. The program has been so successful that the legislature ended up putting more money into it after just the first few months. It is anticipated that the program will have awarded $500,000 by the end of 2019, and the legislature has appropriated more than $1 million in grants to be awarded starting in 2020.

In Bennington, Vermont, the Regional Chamber’s executive director Matt Harrington believes the state’s remote worker program is largely responsible for the area’s growing work-from-home economy. Eight percent of the region’s workforce works from home, up from 7.3 percent at the start of the decade. In addition to grants, the state also supports “Stay to Stay” programs run by local chambers of commerce. The programs are essentially recruiting weekends for potential residents. Travelers pay for their means of getting to and staying in Vermont, but then are treated to networking opportunities, home tours with realtors, and local tourism hotspots. Harrington says the approach is labor-intensive but it pays off. Given the small size of most Vermont towns, he says, if the end result is 20 or 40 new residents in each place that makes a lasting difference. “We don’t have to overcomplicate this, especially with millenials,” he says. “One of [our visitors] told me they were looking all over New England. But we were the only state that asked them to come.”

**A Side-Product of Expensive Markets**

In some cases, a region’s work-from-home economy might be more out of necessity than any proactive labor or policy decisions. Jeffrey Jones, the economic development and housing director for Summit County, Utah, suspects that’s the case with his region. Located outside of Salt Lake City, Summit Park on the western edge of the county is
a high-priced resort town where a whopping 13.9 percent of people work primarily from home — the highest rate in the country. According to the county’s data, it’s home to more than 13,000 sole proprietor businesses — a 33 percent growth over 2010. But the average annual earnings is about $35,000 (compared with median household income of more than $90,000) and the vast majority of sole proprietor jobs are in real estate or financial management. Given that Summit Park’s home prices are extremely high — $750,000 median value — and so is the cost of childcare, Jones says it’s likely that the area’s higher work-from-home population is from a stay-at-home parent earning a part-time income.

Statewide, however, Utah like other states is starting to view telework as a policy tool. In July 2019, Lieutenant Governor Spencer Cox announced that the state is implementing a statewide teleworking program after the success of a small pilot program. The statewide version would expand work-from-home eligibility to 2,555 state employees. While the state is approaching it from a cost-savings, environmental, and efficiency approach, Jones notes that it’s an opportunity to provide a boost to more rural areas if workers were no longer tethered to where the state government offices are.

Looking Ahead

Not every place is well-suited or attractive to mobile workers but state and local governments have tools at their disposal to promote the assets they have. Such a movement has tremendous potential to increase internet connectivity rates in rural areas — an obvious requirement for anyone who relies on a high-speed internet connection for their job. What’s happening here in the US is also reflective of the debate abroad regarding the gig economy. Policymakers in lower- and middle-income countries are viewing the trend with an eye to fostering economic development and a range of initiatives aimed to capitalize on the opportunities presented by online outsourcing and remote gig work.

US regions that appear to be capitalizing on the alternative workforce are doing so through coordinated state and local government efforts with strong support from the business community. Oregon’s Skip Newberry advises localities to think proactively about their economic development strategy with regard to remote workers. Do they simply want to attract them with quality of life amenities? Or do they want to help sole proprietors thinking about entrepreneurship, as is the case with Bennington, Vermont. But even larger areas should be thinking about their approach, albeit from a more defensive stance. “There is a real opportunity to make a regional play here,” Newberry says. “If a major metro area has smaller communities around it that are integral parts of the overall economy, one strategy might be to think about how to work with them to at least keep companies in the region.”

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Endnotes


3 ACS home workers are defined as those who reported “working at home” on a question about how they “usually” commuted to work.


5 Fort Wood, Missouri had a higher share (29.6 percent) but was not included because it is a military base.


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