

THE “RIGHTS ON DEMAND” SERIES

Employers in the On-Demand Economy

Why Treating Workers as Employees is Good for Business

More and more, America’s workers are seeing their jobs deliver less and less of what they need to get by. For many, the hope of attaining a good job with an adequate social safety net is giving way to the reality of piece-rate work in part-time, hours-long and be-your-own-boss short-term “gigs.” In the on-demand economy, online and app-based companies connect workers with short-term jobs that involve driving, cleaning, delivering food, doing odd jobs or performing tasks online, often for very little money, with no job security and no labor protections at all. The on-demand sector is a tiny part of the economy overall, but it has grown ten-fold in the last three years.¹

With more people engaging in work for on-demand companies such as [Uber](#) (driving), [Care.com](#) (child care and home care), [TaskRabbit](#) (home services) and [Postmates](#) (delivery), the question of whether workers are “employees” or “independent contractors” for purposes of labor, tax and safety net protections has become a central one.

Uber is the biggest and most influential of the on-demand businesses, capitalized at \$62.5 billion. Initially, it set the standard for the industry by labeling its drivers “independent contractors”—essentially claiming that each of its some 160,000 drivers is in business for himself or herself—pushing many of the costs of doing business onto their shoulders and depriving them of baseline labor protections such as workers’ compensation, Social Security contributions, minimum wage and anti-discrimination protections. This independent contractor designation can also rob governments of millions of dollars in unpaid taxes and insurance premiums, and undercuts competitors that don’t carve out their employees.

But as many companies in the on-demand economy are proving, it doesn’t have to be that way. Many companies that once might have aspired to emulate Uber and disavow their responsibilities to their workers are changing course. They’re finding that [successful companies are built on fair treatment of workers](#), beginning with recognizing them for what they are: *employees*. Some, like the home care company [Honor](#), the grocery delivery company [Instacart](#) and the package delivery startup [Shyp](#), started out with an independent contractor model, and then switched. Others, like the shopping, laundry and cleaning service [Hello Alfred](#), food service and delivery company [Munchery](#), cleaning company [Managed by Q](#), transit service [Bridj](#) and temp agency [BlueCrew](#), treated their workers as employees from the start. Some of these companies are talking to the media and writing op-eds and giving interviews about the benefits of treating their workers as employees.

On-Demand Employers That Treat Workers as Employees

Company	Sector	Market	What does the company offer its workers, and why?
Hello Alfred, CEO Marcela Sapone	Laundry and cleaning	New York	In an op-ed, CEO Marcela Sapone writes, “W-2 employment plays an important role in the development of the US workforce. It is typically through employment that our workforce advances their skills (training) and receives access to systems that enable long term life planning (healthcare, benefits, life insurance, financial planning, 401Ks). There is a strong correlation between a country’s GDP and its investment in human capital.” ⁱⁱ
Managed by Q, CEO Dan Teran	Cleaning services	New York, San Francisco, Chicago, Los Angeles	<p>In a lengthy interview with <i>The New York Times</i>, CEO Dan Teran said that treating workers well is crucial to his business model. In an industry plagued by high turnover, Q has been able to cut employee turnover drastically.ⁱⁱⁱ</p> <p>Managed by Q offers its operator-employees full- and part-time jobs with benefits and stock options and flexible schedules, according to <i>Business Insider</i>.^{iv} The company has always treated its cleaning staff the same as its tech staff with regard to benefits.^v Teran told <i>Fortune</i>, “Our philosophy is generally, we want to provide a career path for people.”</p>
Shyp, CEO Kevin Gibbon	Package delivery	San Francisco, New York, Chicago	<p>In a post on LinkedIn, CEO Kevin Gibbon called the move to employee status “an investment in a longer-term relationship with our couriers, which we believe will ultimately create the best experience for our customers.” The company says that its move was prompted by a desire to provide couriers with supervision, coaching, branded assets and training.^{vi}</p> <p>When Shyp transferred to this model, only 1 out of 245 employees quit, and the decrease in customer complaints and attrition made the change worthwhile. In addition to complying with legal requirements, like payments into Social Security, workers’ compensation and unemployment insurance, Shyp offers its workers paid vacation.^{vii}</p>
HomeHero, CEO Kyle Hill	Homecare	Bay Area, Los Angeles, Orange County, San Diego	CEO Kyle Hill told the <i>LA Business Journal</i> that the switch to a W-2 model was tied to its new care management platform. “In order to ensure a consistent experience as we scale nationwide, the switch in employment is imperative.” ^{viii}
Honor, CEO Seth Sternberg	Homecare	Bay Area, Greater Los Angeles	In an op-ed in the <i>San Jose Mercury News</i> , CEO Seth Sternberg said its employees “are the engine and the heart needed to deliver on our promise to provide the highest quality care to our clients. That’s why our caregiving workforce is being converted from independent contractors to W-2 employees.” Honor provides caregivers with legally-required paid sick leave and workers’ compensation, but it also offers job training, career advancement opportunities and equity. ^{ix}
Munchery, CEO Tri Tran	Meal preparation and delivery	San Francisco, Seattle	Munchery delivery workers are hired as employees, paid \$11 an hour plus mileage, with other benefits like health insurance provided to those that work more than 30 hours a week. ^x

On-Demand Employers That Treat Workers as Employees

Instacart, CEO Apoorva Mehta	Food shopping and delivery	Boston, Chicago, Seattle, San Francisco, Los Angeles area, Minneapolis, San Antonio, Houston, Denver, Miami, Washington, DC, New York, Stamford, Philadelphia	Instacart offered its shoppers in Chicago the option to convert to part-time employees, reportedly because the company could then offer training to ensure a consistent customer experience. ^{xi} Instacart continues to offer employees the flexibility to choose their own hours. ^{xii}
Bridj, CEO Matt George	Mass transportation	Boston, DC, Kansas City	Announcing a \$15 minimum wage for its drivers, Bridj CEO Matthew George said, “With the advent of the ‘on demand’ economy, multi-billion dollar startups have been built on the blood, sweat, and tears of front line workers who are being paid pennies for their work. We’re excited to begin to turn that trend around by fighting for fair wages for fair work.” ^{xiii}
Sprig, CEO Gagan Biyani	Meal preparation and delivery	San Francisco, Palo Alto, Chicago	CEO Gagan Biyani told <i>Forbes</i> the company was making the change to employee status in order to have more training and development for its workforce. Some delivery workers will be able to earn stock option grants. Biyani said that Sprig’s investors were “incredibly supportive” of the move. ^{xiv}
Eden, CEO Joe du Bey	Tech support	Bay Area	<p>“By switching over to W2 employees, we’re ensuring that the customer gets the best experience possible and that we’re taking good care of our tech wizards,” according to CEO Joe du Bey.</p> <p>“If you ordered an Eden for your parent or grandparent, these are precious people. You’d want to know that someone reliable and helpful and patient was coming into their home and helping your loved one,” said Du Bey. “We put our tech wizards through a lot of training to determine if they can not only be effective but be pleasant to have in the home.”^{xv}</p>
Kitchensurfing, CEO Jon Tien	In-home catering	Manhattan, Brooklyn	Tien told <i>Fortune</i> that Kitchensurfing can provide higher consistency of service and quality training to its chefs if they are employees. It also helps with scheduling to meet demand, he says. An accompanying change in strategy, from dinner party catering to in-home catering, paid off, with rebooking rates significantly higher. ^{xvi}
Luxe, CEO Curtis Lee	Parking and auto services	San Francisco, Los Angeles, Seattle, Austin, Chicago, Boston, New York, Philadelphia	“This is a strategic investment to ensure that we continue to deliver the best service to our customers,” Luxe CEO Curtis Lee said in a press release. “As we grow, we have realized the need to assert more direct control over the customer experience and provide our valets with career development opportunities and benefits.” Lee said that employees would retain flexibility to choose their hours. ^{xvii}

An Employee's Story: Nancy Gonzalez of Managed by Q

News articles haven't just focused on the CEOs of on-demand companies who employ a good-jobs strategy. They have reported on the experience from workers' points of view as well.

In October 2014, Nancy Gonzalez started with Managed by Q as an "operator," the term the company uses to describe cleaning staff. By February 2016, when she was interviewed for *The New York Times*, she was a supervisor, offering support to operators and assigning them to clients.

In March 2015, she told *Business Insider*, "Being an employee rather than an independent contractor is hugely beneficial for me—it gives me a sense of job security that I would not have as a contractor. It creates freedom outside of my job too, as I don't have to worry about lack of benefits, insurance, or a regular schedule."

The National Employment Law Project aspires to build an economy that embodies and advances principles of inclusion and fairness, justice, sustainability and shared prosperity. The "Rights on Demand" series focuses on issues confronting workers in the on-demand economy, as part of our broader campaign to ensure that all workers, regardless of how their employers classify them, receive fair wages and benefits in a safe and healthy work environment.

Endnotes

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