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## The Freelance Economy

Keren Blankfeld, 11.16.09

Lisa Steinberg just started renting a \$125-a-month office in Athens, Ohio. A Web designer, Steinberg does projects for the town's chamber of commerce, a bed-and-breakfast and a physical therapist. "I consider myself an independent contractor because of the temporary nature of the work I do," she says. One job ends; another begins. Steinberg, who once had a bridal accessories e-business that went bust in 2001, doesn't earn a lot. This year she will probably pull in only \$13,000 or so. Her form 1099 will not include the barter work she does--setting up a Web site for a framing shop in exchange for mats for her daughter, who is a photographer; swapping a site for the Rotary Club for a chance to network and find new clients at one of its events. If she can keep it up, Steinberg, 40, hopes to hire tech and design part-timers from Athens County (where the unemployment rate is 9.5%) so that she can expand her business.

Steinberg works 30 to 40 hours a week. But along with millions of other contractors, she may not show up on the radar of the U.S. Bureau of Labor Statistics, which compiles unemployment statistics by surveying households and counting pay stubs. No one knows how many freelancers, part-timers and consultants there are--the Government Accountability Office took a stab in 2006, guesstimating that the group made up 30% of all workers--much less how many escape the notice of the BLS. "It's difficult to track, and is often misclassified or not accounted for by the Department of Labor," says Sarah Horowitz, director of the Freelancers Union in Brooklyn, N.Y. One thing is certain: The shape of the so-called informal economy is changing.

Not that long ago it implied off-the-books employment, legit and illicit--moonlighters, construction workers, street vendors, gardeners, maids, drug dealers, prostitutes. Today the ranks are also swelling with a different kind of fluid labor force. Recent graduates of high school and college who can't find full-time employment; laid-off professionals; entrepreneurs with staffs of one; stay-at-home moms; retirees who can't afford to retire. Unreported income may amount to as much as \$2.3 trillion, says Edgar Feige, economics professor emeritus at the University of Wisconsin at Madison. Elaine L. Edgcomb, director of the Aspen Institute's Field, a microenterprise fund in Washington, D.C., has a lower estimate for the size of the informal economy at 10% of GDP.

Some of the unincorporated economy pays its taxes. Christopher Henderson is, he says, in that subgroup. He was working for the Queens Council on the Arts until he got laid off in January. Now Henderson, 33, does the same sort of work--helping artists, musicians and filmmakers apply for grants, build a Web site, get a gig, plan an event, find a sponsor. "I immediately started calling everyone I knew and got five or six jobs that will probably sustain me until 2010," he says. He could easily tap a large network of friends and associates in the arts, and engages a photographer when he can, "but there's so little money right now, no one even wants to hire an assistant." Henderson is also looking for a backer for Moviehouse, his own venture: small outdoor screenings (60 or 70 viewers) of indie films in unusual settings around New York City. All told, he might gross \$50,000 this year.

Where is all this going? Saskia Sassen, a sociology professor at Columbia University and author of *The Global City*, argues that the informal economy is typically a segue into the formal economy. That may have been true a few years ago. Today the phenomenon has the feel of something perhaps more permanent. Sudhir Venkatesh, another sociology professor at Columbia, studies New York City's underground economy by hanging out at coffee shops. He reckons that since 2002 there has been a 40% rise in unreported income among middle- and upper-class folks, some of whom still have full-time work. These days everyone has to find a way to make a living or supplement an existing one.

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