

REPORT

Freelancing in America 2019 Economist Report

Sizing the Freelancing Economy
and its Economic Impact

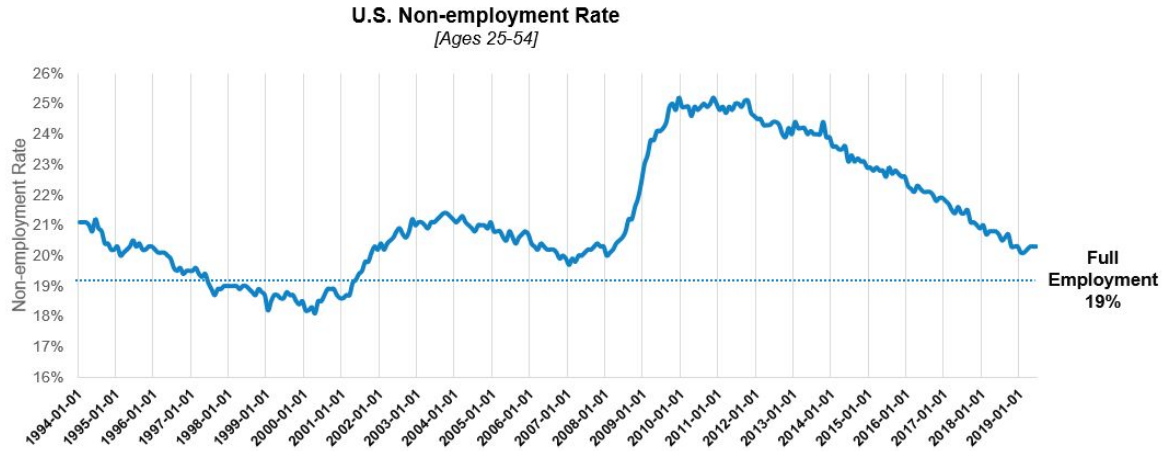
Key Findings

- The improving labor market means that, for the first time since Freelancing in America (FIA) began in 2014, there are as many freelancers who view freelancing as long-term as there are that view it as temporary, at 50% each.
- Freelancing's direct impact on the economy is close to \$1 trillion, which at nearly 5% of U.S. GDP is comparable to that of a major industry like the information sector.
- The flexibility of the freelance lifestyle means that its value goes beyond its economic footprint. For example, 46% of freelancers say they could not have a traditional job due to personal circumstances (such as health, caregiving duties or other reasons).
- Freelancing does not describe one way of working but rather a wide range of activities. While skilled services are the most common type of work, it ranges from highly-skilled professionals freelancing full time to those occasionally selling goods online.

Freelancing and the Economy in 2019

As the broader U.S. labor market gradually heals from the Great Recession, there is also an evolution in the freelance economy. While the economy still has room to improve and is not yet at full employment, it is undoubtedly the strongest it has been in a decade. The non-employment rate, the broadest measure of labor market health, has finally returned to pre-recession levels. This is good news for American workers.

To understand the freelance workforce, we must first assess the overall job market – non-employment is at its lowest in a decade

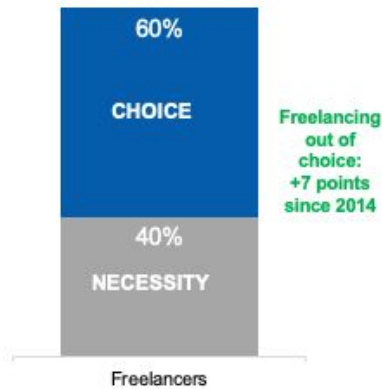


Overall, a stronger economy means more options for all workers. As a result, for the first time since FIA began in 2014, there are as many freelancers who view freelancing as a long-term career choice as there are that view it as a temporary way to make money, at 50% each. For comparison, in 2014, nearly twice as many viewed their freelance work as a temporary choice rather than a long-term one.

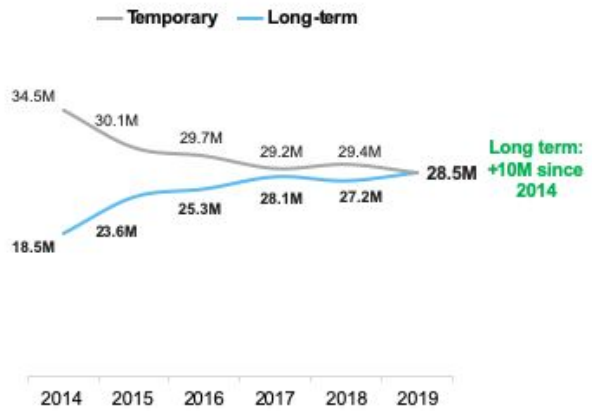


With a tighter labor market, those freelancing are doing so by choice, with more seeing freelancing as their long-term career

Which is closer to the reason you originally started freelancing?
[Freelancers]

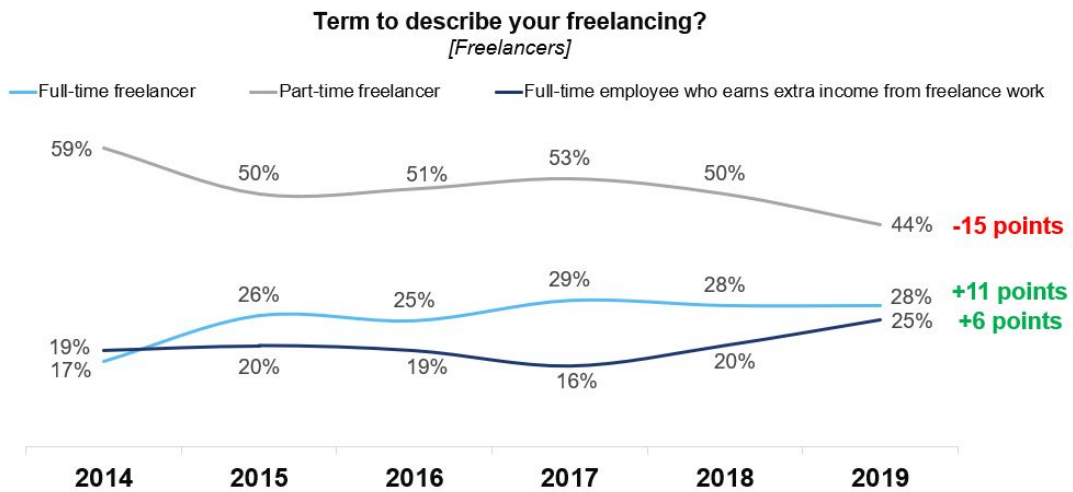


Which is closer to how you view freelancing?
[Freelancers]



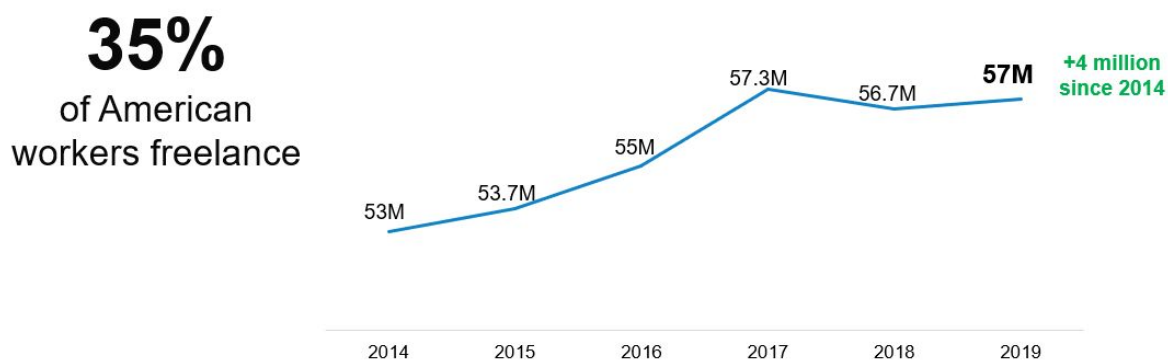
This shift in the freelance economy from temporary to long-term reflects a wider pattern of change that is underway: **As the economy heals, some types of freelancing are growing while others are shrinking.** Specifically, the stronger economy is reducing the number of freelancers participating part time, those doing it temporarily and those who freelance only occasionally throughout the year. In contrast, in addition to an all-time high for the number freelancing as a long-term choice, a growing number are freelancing on a daily basis.

The share of freelancers who do it full-time has increased 11 points since 2014



While the economy is not yet at full employment, the stronger economy is allowing people to increasingly work on terms they prefer. The overall number of people freelancing is holding fairly steady, however this really reflects a decline of temporary freelancing that is being offset by a rise in long-term freelancing due to the increasing options the strengthening economy provides. To some, this may signal that freelancing is on the decline, when in actuality, it reveals that with increasing options from the strong economy, more people are choosing to freelance long-term. Looking back since FIA's start in 2014, the number of freelancers has increased by four million.

Despite a tightening labor market, we continue to see 35% of workers freelancing



Sizing the Freelancing Economy and its Economic Impact

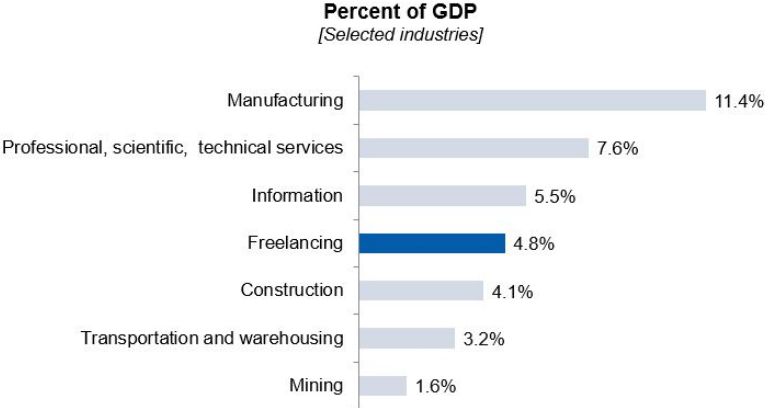
This context on the composition of the freelance workforce is important to understand because, as FIA 2019 reveals, freelancing is a significant part of the overall economy. To gauge the freelance workforce's economic footprint, we must first understand how many people freelance, how much they freelance, and how much they earn.

Clearly freelancing touches a large share of the U.S. workforce. Most notably, 35% of working adults participated in freelancing in some way last year. For some, freelancing is a full-time endeavor comparable in hours to a typical 9 to 5. However, it's important to recognize that the broad participation in freelancing does not represent a disruptive end of traditional W2 employment. There are others who freelance on a highly-occasional basis. For example, 25% freelance on the side in addition to a full-time job to earn supplemental income. For this group, freelancing is not their primary source of income, but due to the ability to participate on flexible terms, freelancing allows them extra work and income that more traditional employment would struggle to replicate.

On average, freelancing pays a higher hourly rate than non-freelancing work. The median freelancer rate is \$20 an hour, compared to a median of \$18.80 an hour for the U.S. workforce overall.¹ This reflects the fact that skilled services are the largest type of work performed by freelancers. Indeed, for those who sell skilled services, the median rate is an even higher at \$28 an hour.

Although freelancing is not the way most work is done in the U.S., its direct impact on the economy is comparable to that of a major industry. Freelancers earned nearly \$1 trillion last year from freelancing, meaning that freelancing income contributed nearly 5% of total U.S. GDP. For comparison, this represents a larger contribution to GDP than the construction industry, close to that of the information industry and almost half that of manufacturing.² Those industries merit a great deal of attention, and so too does the freelance workforce.

Freelancing makes up nearly 5% of GDP – more than that of other industries like construction, transportation and mining



¹ <https://www.epi.org/publication/state-of-american-wages-2018/>

² These estimates are in comparison to total value added by industry from the BEA, available here <https://www.bea.gov/system/files/2019-07/gdpind19.pdf>. Comparisons to employee compensation and proprietors' income by industry would suggest an even larger impact of freelancing.

Strength in Flexibility

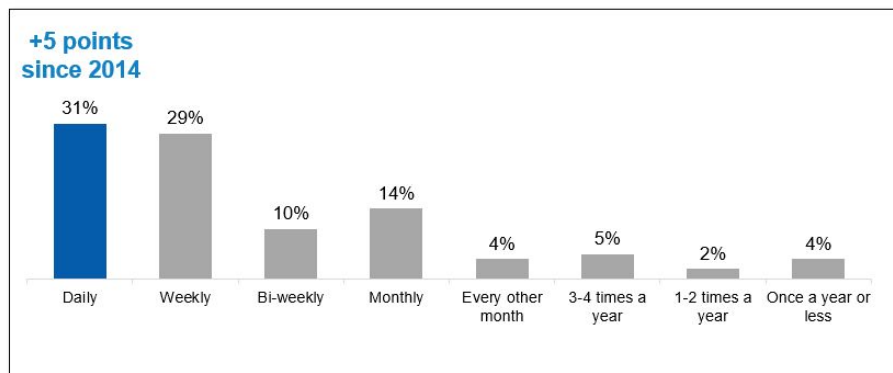
While freelancing constitutes a sizable share of the economy, its importance goes well beyond its mere economic footprint. Freelancing also provides more flexibility in how people work—one can choose when and where to work in a way that fits their lifestyle better, in addition to many other factors such as how much to work, whom to work for and what kind of work to do. This flexible work style appeals to many different types of people with different lifestyle needs. As a result, the freelance workforce is incredibly diverse—in frequency of work, demographic composition and motivations.

One measure of the flexibility of freelancing is how it allows people to work in a wide range of ways, most notably of which is how frequently they work.

Nearly one-third of freelancers participated frequently (on a daily basis), while on the flip side, 29% participated infrequently (monthly or less).

While the overall size of the freelance workforce has stabilized, the frequency of freelancing within it is growing

How often do you engage in freelancing?
[Freelancers]



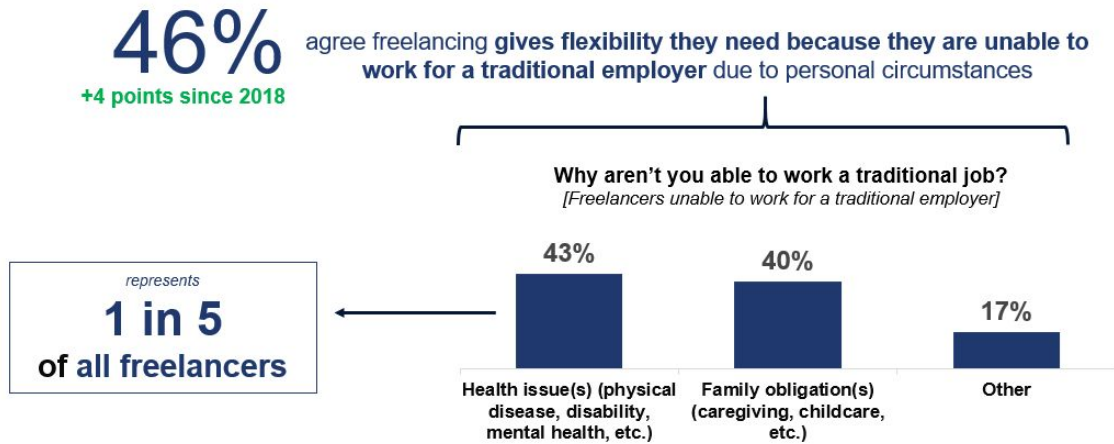
Since freelancers choose their own projects and clients, there is flexibility for them to transition between different frequencies. To accommodate individual needs, preferences and changing life circumstances, a freelancer can elect when and how often they freelance. For some, this means they participate daily sometimes and monthly at other times.

There are other benefits of flexibility that are often underappreciated. One example is having multiple sources of income. While freelancers are more concerned about unpredictable income than non-freelancers, research finds that, overall, freelancers are no less financially secure than non-freelancers.³ A reason for this is that although one employer can reduce the volatility of income while employed, losing that single job has a much larger impact. This is why more than half of freelancers report that "having a diversified portfolio of income from multiple clients is more secure than having one employer." Similarly, unlike those with a single employer, freelancers have the option to work more by finding additional clients, which can reduce financial stress by helping to offset unforeseen expenses.

Given the benefits of flexibility, it's not surprising that freelancers value it. In fact, flexibility is cited among full-time freelancers in FIA 2019 as the top motivation for freelancing. For some, freelancing is also a lower-barrier way to enter or remain in the workforce: **Forty-six percent of freelancers report that freelancing gives flexibility they need because they are unable to work for a traditional employer due to personal circumstances.** The reasons traditional jobs aren't a possibility for these freelancers include family obligations like caregiving and childcare as well as health issues. Indeed, one in five freelancers report that they cannot work in a traditional job due to health issues like a physical disease, living with a disability or mental health. Anecdotally, FIA 2019 respondents reported that freelancing empowered them to work despite challenges such as a painful back injury that only allows occasional work, staying home to take care of a special needs child, during a prolonged and painful recovery from an automobile accident or an immune disorder that requires working from home.

³<https://www.mbobpartners.com/blog/independent-workforce-trends/the-financial-well-being-of-independent-workers/>

Freelancing enables an increasing number of people who couldn't work for a traditional employer



From a personal perspective, the flexibility of freelancing means that it helps to provide income, autonomy and the dignity of work that would otherwise be missing for many. From an economic perspective, it means hundreds of billions of dollars of economic activity from workers providing skilled and valuable services that would otherwise not be occurring.

A Highly-Diverse Workforce

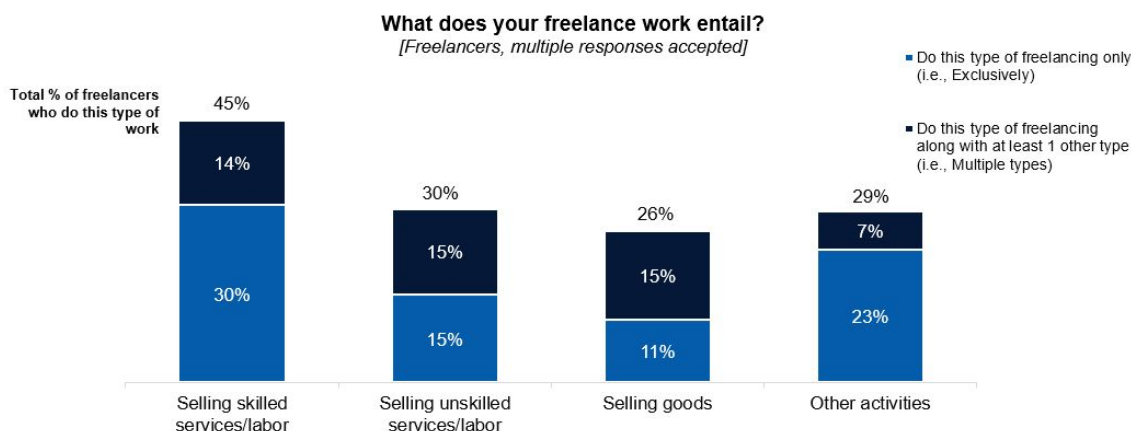
The flexibility of freelancing allows a wide range of work to be done, resulting in a diverse workforce, and one that is not simply one way of working but rather many ways. The data defy a variety of commonly held assumptions. In general, freelancing is highly diverse, but on average, it is also a skilled and higher-wage workforce.

The largest type of freelance work is skilled services, which are provided by 45% of freelancers. It includes activities like computer programming, writing, design, IT, marketing, business consulting, etc. Other types of freelancing include unskilled services (like dog walking, cleaning, ridesharing and personal tasks) at 30%, selling goods (like consignment shops, eBay or Airbnb) at 26% and other uncategorized activities at 29%.

The preponderance of skilled services is consistent with the relatively-high median hourly rate of \$20 that freelancers report. For freelancers doing skilled services, the median is an even higher \$28 an hour. This means the median skilled freelancer earns more per hour than the 70th percentile of workers in the overall economy.⁴

The complexity and diversity of this workforce is further illustrated when you examine overlap in types of freelance work, as freelancers often engage in multiple types of freelancing throughout the course of a year. For example, nearly one-third of freelancers who sell skilled services also do at least one other type of freelancing such as selling goods or unskilled services. **That freelancers often have multiple ways of earnings and can participate in a diverse range of work is one more aspect of the flexibility that traditional employment would struggle to replicate.**

Freelancers participate in a diverse range of work and often engage in multiple types

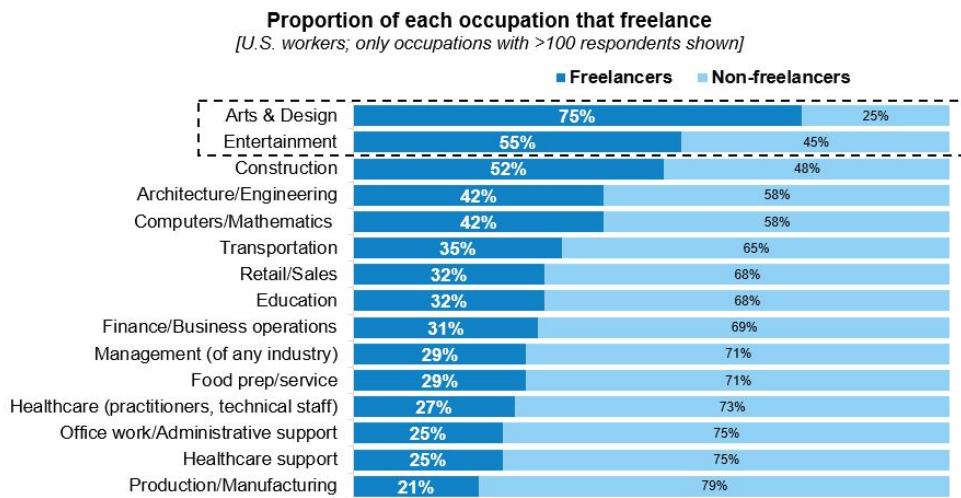


The occupations that freelancers participate in also highlight their diversity and skill level. Creative industries such as arts/design and entertainment are where the greatest share of workers freelance. In contrast, transportation services such as Uber have only an average share of freelance workers (though they are among the most commonly discussed types of freelancers).

⁴ For 2018 wage percentiles, see <https://www.epi.org/publication/state-of-american-wages-2018/>

While skilled services are the largest category of work, the diversity of freelancing is highlighted by the more blue collar construction industry having the third-highest rate of freelancing.

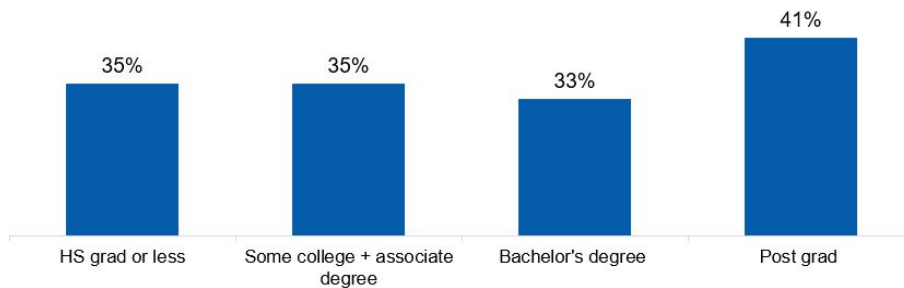
Occupations vary, though creative skills lead the way



Finally, an additional way to see the diversity of skills among freelancers is to examine how different education levels vary in how much they freelance. What we find is that freelancing is common across all education levels. The only group with a significantly higher rate of freelancers is the most educated, with 41% of those with an advanced degree being freelancers.

Post-grads are most likely to freelance

Percentage of workers among each education group who freelance
(i.e. 41% of post graduates are freelancers)



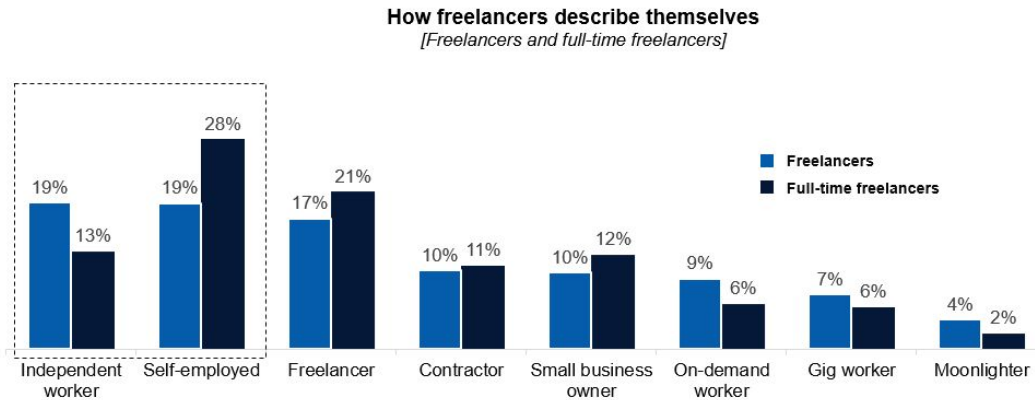
There is also diversity in how freelancers engage with their clients. While almost half (48%) bill clients on a fixed fee basis, nearly one-third (29%) are paid hourly and the rest (23%) utilize both methods. In addition, while the average freelancer had five clients last year, 11% had only one and 8% had more than 50.

Freelancers get paid in various ways, while also working with a large portfolio of clients



While media and policy discussions often focus on ridesharing and the so-called “gig economy,” the largest category of freelance work is skilled services, and the highest freelancing occupations are the creative arts/design and entertainment. It’s perhaps no surprise then that so few freelancers describe themselves as gig workers and instead, **75% describe themselves as either independent workers, self-employed, freelancers, contractors or small business owners.**

The vast majority don't describe themselves as "gig workers"



Freelancing Going Forward

The freelance workforce will continue to see the effects of the strengthening economy as we march towards full employment over the next two years. That we are not yet at full employment is consequential and may seem counterintuitive, given that the unemployment rate stands at a historically low 3.7%. However, the Great Recession has had long lasting impacts and, before that, the recovery from the dot-com bust was lackluster and incomplete. As a result, the last truly strong labor market the U.S. has experienced was that of the late 1990s. The bad news is this has taken an economic toll on the country; the good news is this means that the economy can and will get better from here.

The move towards full employment will have consequences for the freelance workforce and the businesses who work with freelancers. A stronger labor market will increasingly shift bargaining power towards labor as businesses and clients face tighter hiring competition. This allows people to increasingly work on terms that they prefer, meaning there will be more long-term independent professionals and less freelancing as a temporary choice. While the share of the workforce who freelance may or may not continue to plateau, the compositional shifts towards long-term freelancing are equally, if not more, consequential.

Businesses will also find specialized skills harder to find in their local labor markets, and online marketplaces like Upwork that help them find and contract with freelancers regardless of location will continue to grow in importance. Online marketplaces help broaden available pools of talent, increase overall opportunity and remove friction from the labor market. This represents a technological revolution for freelancing that is just beginning, and a tight labor market will likely help move this forward.

This ongoing evolution in independent work matters not only because of its impact on the workforce but also because of its broader economic importance. Freelancing touches 35% of workers and has a direct impact comparable to that of a major industry like information or construction. Additionally, the flexibility that freelancing provides could not be easily replicated by a traditional job. Whether for lifestyle reasons, for extra income on top of a regular job, as a primary way of working for a skilled remote professional or as an entry point to the workforce not available through traditional employment, freelancing is clearly valuable to many and supports a diverse range of ways of working. That 46% of freelancers report they could not do a traditional job is an important reminder of this and one that should remain top of mind for those looking to understand the freelance workforce.

Freelancing in America: 2019 Methodology

To see further insights, please visit [here](#) for access to the full results deck and other materials. The study is conducted by independent research firm Edelman Intelligence. 6,001 U.S. working adults over the age of 18 were surveyed for it online between June 7, 2019 - July 3, 2019. Of those, 2,117 were freelancers and 3,884 were non-freelancers. Results are weighted to ensure demographic representation in line with the United States Bureau of Labor Statistics' 2018 Labor Force Statistics from the Current Population Survey and the American Community Survey. The study has an overall margin of error of $\pm 1.2\%$ at the 95% level of confidence.