

Is gig work transforming the labor market?

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Are traditional jobs being replaced with “gig” work, where people do tasks as self-employed freelancers on a contract basis? It is necessary to answer this question to have a fuller understanding—as the [American Worker Project](#) seeks to provide—of how the nature of work has evolved over time.

The rise of major gig-work enabling apps like Uber, Lyft, and Doordash has led to widespread claims that a broader shift in the nature of work is underway. But quantifying the prevalence of these alternative work arrangements is difficult, in no small part because “alternative work” encompasses a vastly diverse array of scenarios. Studies focusing on different definitions of alternative work can therefore yield a wide range of results.

This piece briefly summarizes key lessons from recent research using surveys and administrative data, such as tax returns, to study independent contract (freelance) work and other types of self-employment in the United States.

These arrangements fall outside the framework of traditional employment and are at the center of recent [policy debates](#) about who should be protected by employment law and covered by programs like unemployment insurance. At the same time, there is scope for work within traditional employment relationships to become more “gig-like”, as discussed at the end.

1) Freelance, gig work, and other forms of self-employment are nothing new.

While online platforms like Uber may be relatively new, freelance work and broader self-employment have been constant features in the American labor market for decades.

In the Current Population Survey (the benchmark labor force survey run by the US Bureau of Labor Statistics, or BLS), the share of workers with reported self-employment earnings has hovered steadily [between 7 and 8 percent](#) since 1995. The BLS has also fielded a Contingent Worker Supplement since 1995, when the share of workers who say they are independent contractors was 7 percent. More than two decades later, in 2017, it was [still 7 percent](#).

Occasionally, a new [survey](#) will find much higher rates of participation in gig work—but in virtually all such cases, that disparity stems from asking different questions to different populations.

It is important to know that the share of workers doing freelance work as their main job *right now* will generally be smaller than the share of workers who have done any freelance work over the past year. This point holds true when looking within a single data source, as has been shown in [surveys](#), [bank account data](#), and [tax data](#). For instance, the benchmark CPS survey asks workers about the nature of their main job in the most recent week, but this will not capture any freelance work done as a side-hustle or any intermittent, short-term work that ended by the time of the survey.

As EIG’s chief economist Adam Ozimek has shown, [the self-employment rate in the same survey is higher](#) if one counts individuals who have been self-employed at any point over the eight months they are surveyed.

Across data sources, the share of full-time, full-year workers who are freelancers in their main job tends to be smaller (5-10 percent of workers in most data sources) than the share of all workers including part-time workers who have done any kind of self-employment or freelance work over the past year (above 15 percent in those same data sources).

Larger numbers also sometimes reflect a broader definition of gig work than in BLS surveys, occasionally including activities like selling used items and mowing a neighbor’s lawn.

Hence, the most reliable approach to meaningfully learn about trends is to examine estimates from a *single* data source over time. In both long-running surveys and in IRS data reported by third parties, there is no evidence of a rise in freelance work—with one important exception.

2) The rise of app-based work is real—but only for drivers, not the broader labor market.

[My work with Dmitri Koustas and Emilie Jackson](#) using IRS tax return data has found that the number of workers with payments from online gig economy apps rose dramatically beginning in 2014. But we found three important and surprising facts that put this rise in context.

First, the rise has been *entirely* driven by driving-based platforms, namely ridesharing and delivery platforms such as Uber, Lyft, and Doordash. In the rest of the labor market, platform-based gig work aside from driving remains [extremely rare](#).

Second, the typical annual earnings from platform work are quite small: Most participants make [less than \\$2,500 per year](#), a large portion of which goes to expenses like gas and car maintenance. That’s because most participants only work intermittently on platforms during the year, and in most cases such work supplements another traditional job that is their main source of annual income. Platform earnings are a primary income source for only about one-fourth of people who do any platform-based work at some point during the year, many of whom only work part-time.

Third, outside of app-based driving, there has been *no* increase in the prevalence of *any other type of freelance work* reported to the IRS since 2005—well before the advent of smartphones. The emergence of rideshare apps has not heralded a broader labor-market shift towards gig work—it is the *only* such shift.

This remains true even following the depths of the COVID-19 crisis. In fact, other types of freelancing actually became [less common among working individuals in 2020 and 2021](#). While recent research has documented [a shift towards remote work](#), there has been no accompanying shift in *freelance* work done remotely. The rise of remote work has occurred primarily within traditional employment relationships.

3) Driving-based platforms primarily disrupted the taxi market by eliminating barriers to entry, which created winners and losers.

Although there continues to be [widespread debate](#) about whether app-based drivers should be classified as employees or independent contractors, the treatment of taxi drivers as freelancers was not an invention of apps like Uber and Lyft—in many cities, taxi drivers have already been classified as independent contractors for decades.

Rather, the true disruption was the apps' massive reduction of the barriers to entry. With the advent of rideshare and delivery platforms, almost anyone with a clean car and a clean record became able to do short-term or side gigs that involve driving in a way that had not been previously possible.

This change created winners and losers.

The obvious winners are the millions of workers who now make occasional extra cash through app-based driving each year. Research shows that the option of driving for Uber, Lyft, and similar platforms creates real value by helping workers get extra income [when cash is tight](#) or to [weather the blow of job loss](#).

Full-time drivers, however, must now compete with a new pool of occasional drivers, who are often willing to accept lower rates to get quick extra cash. In cities where taxi driving requires obtaining a medallion, the formerly skyrocketing values of those once-scarce medallions [crashed](#).

Thus, if you hear stories of full-time drivers being concerned that they can no longer make a living and, at the same time, stories of occasional drivers thrilled about the chance to do gig work, both can be true. The impacts of app driving are different for workers in different situations.

4) One-size-fits-all policy reforms may have unintended consequences on a highly diverse freelance and gig workforce.

Freelance work takes many different forms, and the reasons that workers do any such work also vary widely. While there are plenty of full-time freelancers, it is also common for workers with traditional jobs, or who are primarily out of the labor force, to do occasional or one-off contract gigs as a way to supplement their main household earnings.

Even among full-time freelancers, there are clear differences between high-earning and low-earning workers that speak to different motivations and forms of contract work. High-earning freelancers tend to be [professionals with specialized skills](#)—such as writers, coders, and graphic designers—who benefit from the opportunity to work for different clients who require their expertise on a task-by-task basis.

At the same time, full-time freelancers with low earnings look quite different from high-end freelancers. They are more likely to perform tasks with lower skill requirements in which workers are therefore less specialized, such as warehouse workers, truck drivers, janitors, and nail technicians.

While the advantages for high-end professionals to work as freelancers instead of as employees of a single firm are fairly self-evident, full-time workers in low-paying service and production jobs are less obviously benefitting from their status as independent contractors. This has led to growing concern that some firms use independent contractor classifications to [avoid complying with labor laws](#) meant to protect vulnerable workers—including but not limited to safety regulations, mandated benefits, overtime pay requirements, minimum wages, and unemployment insurance taxes—but which do not apply to self-employed contractors.

Firms might thus shift risks of injury, expenses, and unemployment onto workers by engaging them as self-employed contractors instead of as employees, and some workers treated as contractors [may not even realize they are not employees](#) and therefore subject to certain tradeoffs.

In principle, there are legal standards that dictate when workers should be treated as employees as opposed to self-employed contractors, and misclassification is illegal. In practice, however, what those standards should be and how they should be enforced varies by state and are at the center of substantial policy debates. In several states, both legislatures and courts have imposed strict standards—sometimes called “[ABC laws](#)”—that potentially limit the situations in which workers can legally be treated as self-employed contractors.

These reforms generally intend to ensure that low-end contract workers dependent on one firm are protected by employment law. However, though some independent contract arrangements may be exploitative, many freelancers would prefer to remain contractors if given the choice. In the [2017 Contingent Worker Supplement](#), about 80 percent of workers who self-identified as independent contractors in their main job said they prefer their arrangement to traditional employment. Hence, reforms which restrict contract work across the board are often an [object of criticism](#). In most cases, however, these criticisms stem from poor targeting of such laws, not the protections offered by the laws themselves.

Given the clear contrasts between high-end and low-end contractors’ work and arrangements, there is substantial scope for crafting better-targeted policies that protect the most vulnerable workers without limiting the options available to entrepreneurial professionals.

5) While self-employed individuals are small-business owners in principle, only a small minority are entrepreneurs with aims to grow big.

Under US tax law, all self-employed workers are considered small business owners—whether one is a startup founder, a freelance journalist, or running a lemonade stand for a weekend. As a result, studies that draw on tax

data (or other data sources applying similar concepts) will tend to find that small business ownership seems highly widespread.

In practice, however, only a small minority of these are true “entrepreneurs” in the common sense. Most self-employed individuals [have no plans to become employers themselves or to bring new products to market](#) (think self-employed dog walkers, massage therapists, food cart owners, or drivers). Thus, self-employment status may not be a useful proxy measure for entrepreneurship or business formation.

6) Jobs can become more "gig-like" over time, even if everyone is an employee.

Recent debates about the merits of the gig economy tend to focus on the treatment of workers as employees versus contractors. But there remains considerable scope for jobs to become “gig-like” even within the framework of traditional employment relationships. In many cases, firms are not required to offer health insurance, retirement benefits, or job stability—all of which are particularly relevant for temporary jobs, for which firms can hire workers directly as employees for limited periods of time without offering them the same benefits available to permanent employees.

Workplace “[fissuring](#)”—for instance, outsourcing of work to temporary help and staffing agencies—can thus give rise to formal but contingent employment with limited benefits and no possibilities for career advancement. This type of outsourcing to staffing agencies has [become more common over time](#) and has recently become [increasingly widespread in blue-collar manufacturing jobs](#).

The bottom line: Freelance and gig work are fairly widespread, but nothing new. While apps *have* upended the market for driving work, their rise is a red herring, not the herald of a broader shift in the nature of work. As a result, debates over ABC laws and other reforms to independent contractor standards likely focus too much on ride-hailing specifically—a job largely done by contractors even before the rise of the apps—and too little on the wide array of less-visible jobs that most low-end contractors have done for decades. Well-designed reforms should protect vulnerable workers who do most of their work full-time for a single firm, while maintaining the ability of high-end professionals to work freely as freelancers.

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Explore the Economic Innovation Group’s American Worker Project [here](#).