

QUARTZ MEMBERSHIP



The gig economy is here to stay

Member exclusive by

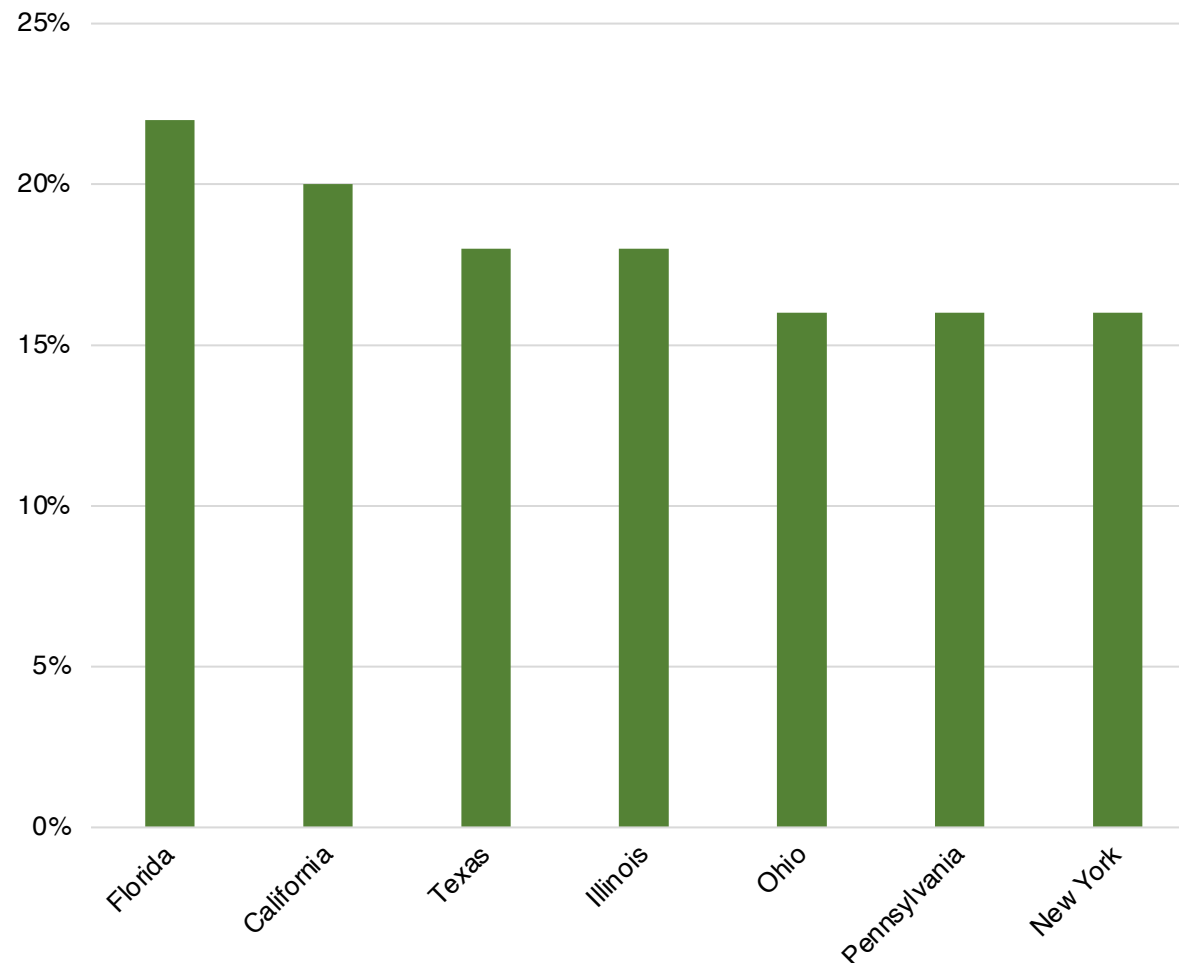


Chika Dunga

Growth of the gig economy

Gigs are not new. Services like housekeeping, childcare, drivers, and tutoring have long been provided using short-term contracts. But gig work has become more common in recent years. More companies are relying on independent contractors and rapidly growing online platforms like Uber, Fiverr, and TaskRabbit are connecting people in need of services to those willing to provide them. An estimated 25%-40% of workers participate in the US gig economy [according](#) to the Gig Economy Data Hub. The percentage varies across studies because of the various definitions for gigs. Within US companies, the percentage of contract positions has grown to 16% and by 2023, the global gig economy will be [worth](#) \$455 billion.

Proportion of gig workers within the US states with the highest total employment



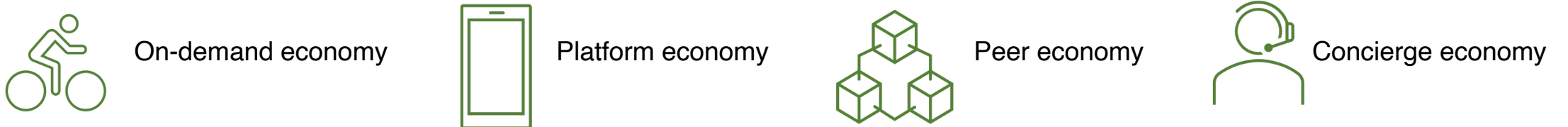
The definition problem

There is currently no clear consensus for how gigs are defined. Some studies are focused on the narrow definition of online platforms that connect workers to people in need of services and other studies include any alternative work arrangements or temporary jobs. As a result different names exist for gig workers and the gig economy.

Different names for gig workers, as reported by the ADP

Consultant	Contingent Worker	Flexible worker	Free agent	Freelancer	Moonlight
On-call worker	Part-time worker	Platform worker	Project-based worker	Self-employed worker	Temporary worker

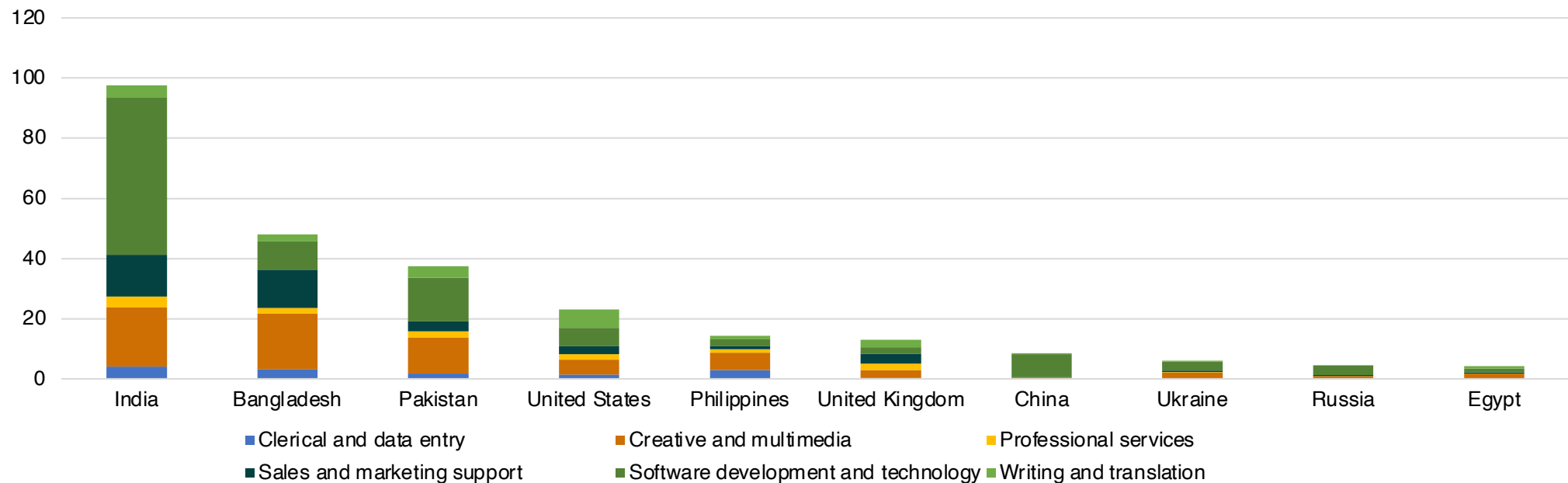
Different names for the gig economy, as reported by the ADP



Emerging markets: when the gig economy is the economy

In Kenya, only 17% of the workforce is engaged in formal labor. “The future of work will be people working multiple gigs with ‘somewhat formal entities’. . . The informal sector has been the main driver of employment growth in Africa for decades, absorbing rising urban populations”, write Amolo Ng’weno and David Porteous for the [Center of Global Development](#). India also has a large gig economy: it already accounts for nearly a quarter of global online demand work and is expected to continue to grow.

Top 10 countries with online workers (in millions)



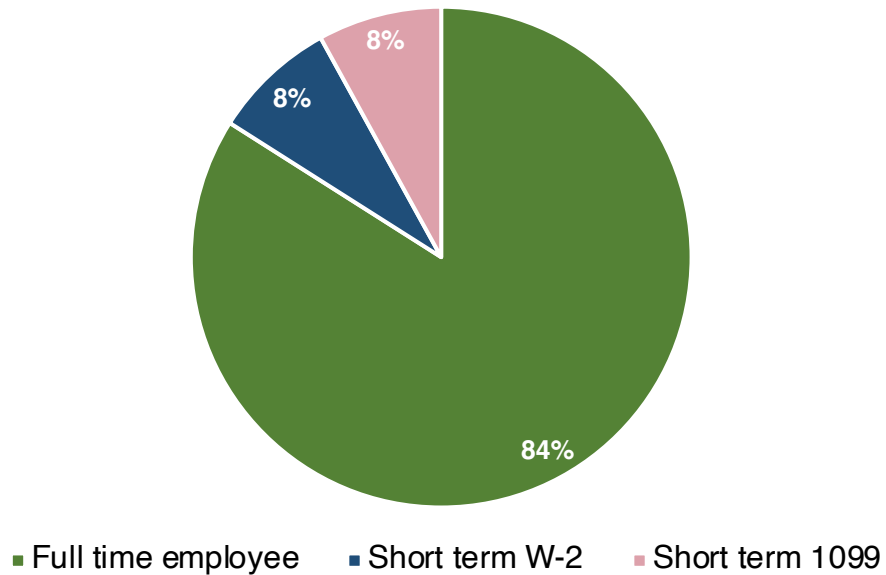
“The gig economy is not new—people have always worked gigs...but today when most people refer to the ‘gig economy,’ they’re specifically talking about new technology-enabled kinds of work.”

Molly Turner, lecturer, Haas School of Business, University of California Berkeley and former Director of Public Policy for Airbnb

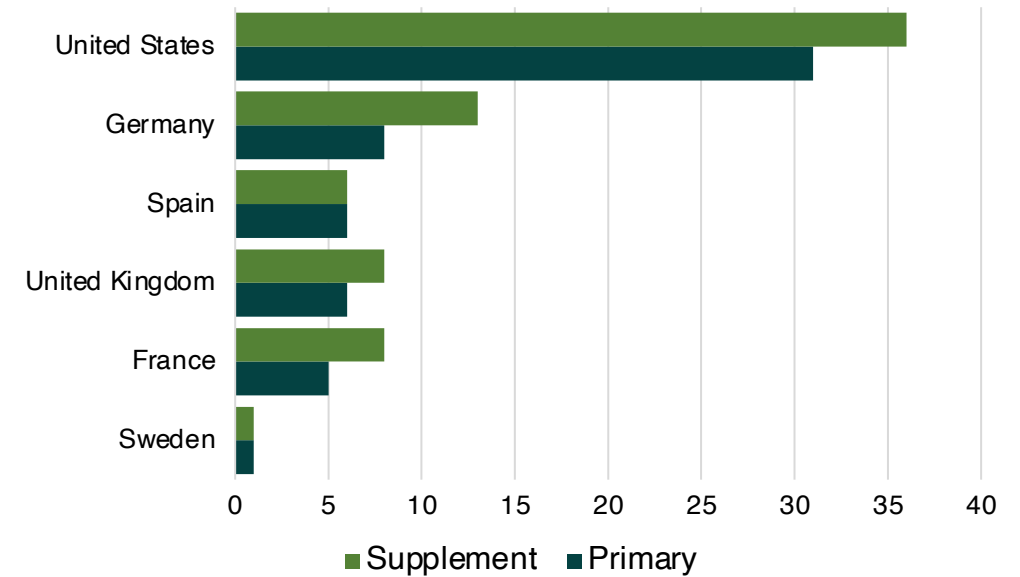
Why and how companies use gig workers

Why do companies use contractors? Labor advocates say it's to save money, avoid offering benefits, and to evade employment law. Companies say it offers flexibility and lets them access specialized skills for specific projects.

One in six workers at US companies is a gig worker
















Independent workers in millions



The rise of gig platforms

Gigs may not be new, but online marketplaces have made it far easier to both buy and sell contract work. Investors have poured billions of dollars into online platforms that connect customers to services. Ridesharing and delivery dominate, but there are online markets to hire coders, designers, consultants, maintenance workers, and even comedians.

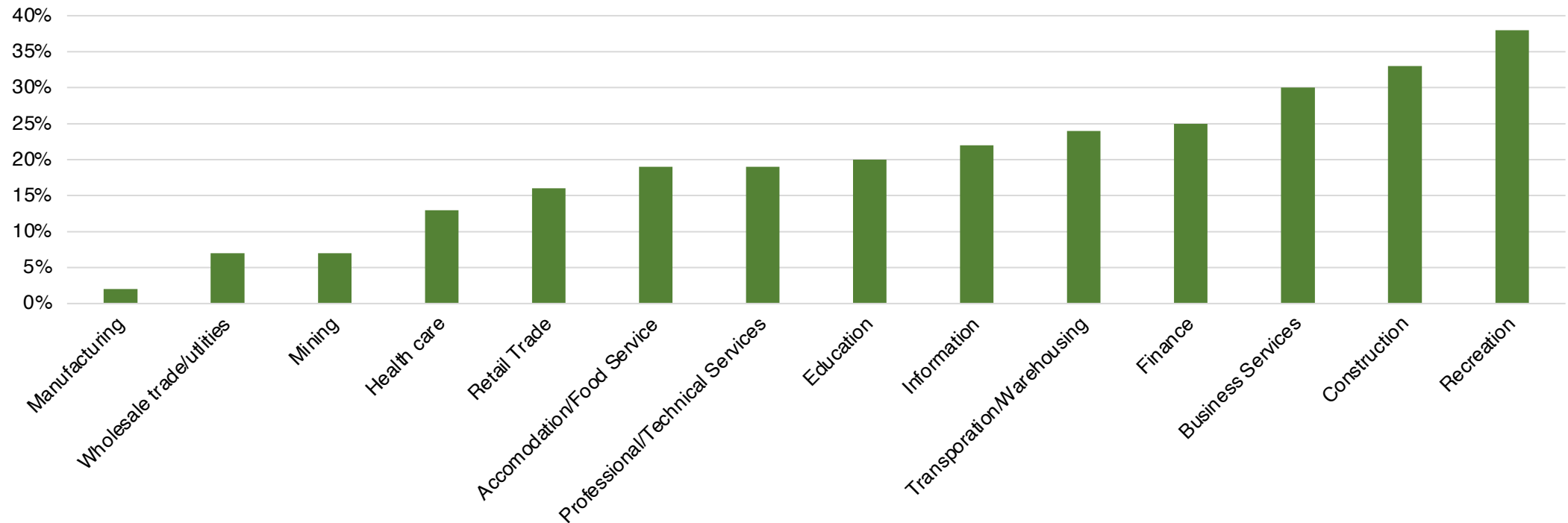
Funding for platforms

Sector	Description	Sub-sectors included	Example platforms	Total funding
Asset sharing services	Digital platforms that facilitate short-term P2P rentals of one owner's (or freelancer) or property	Home-sharing, car-sharing, boat-sharing, parking space-sharing, P2P equipment sharing	 HomeAway  	\$6.4B
Transportation based services	Digital platforms that require a freelancer driver to complete the requested transport service	Ride-sharing, carpooling, restaurant delivery, and goods delivery	   DOORDASH 	\$34B
Professional services	Digital platforms that connect freelancers directly with businesses to complete projects	Business work, microwork, design, tech/coding, writing/translation, administrative	  	\$315M
Handmade Goods, Household & Miscellaneous Services	Digital platforms for freelancers to sell homemade crafts or offer on-demand services for household related tasks.	Home-services, babysitting, handmade crafts, tutoring, pet services, and misc. (DJ events, etc.)	  	\$651.7M

Industries that rely on gig workers

Recreation, construction, and business services are the industries with the highest share of gig workers. In certain industries, the wages for gig workers are higher than that of a traditional employee. This is evident in professional services where highly skilled labor—consultants, engineers, and marketing experts, etc.—is prevalent.

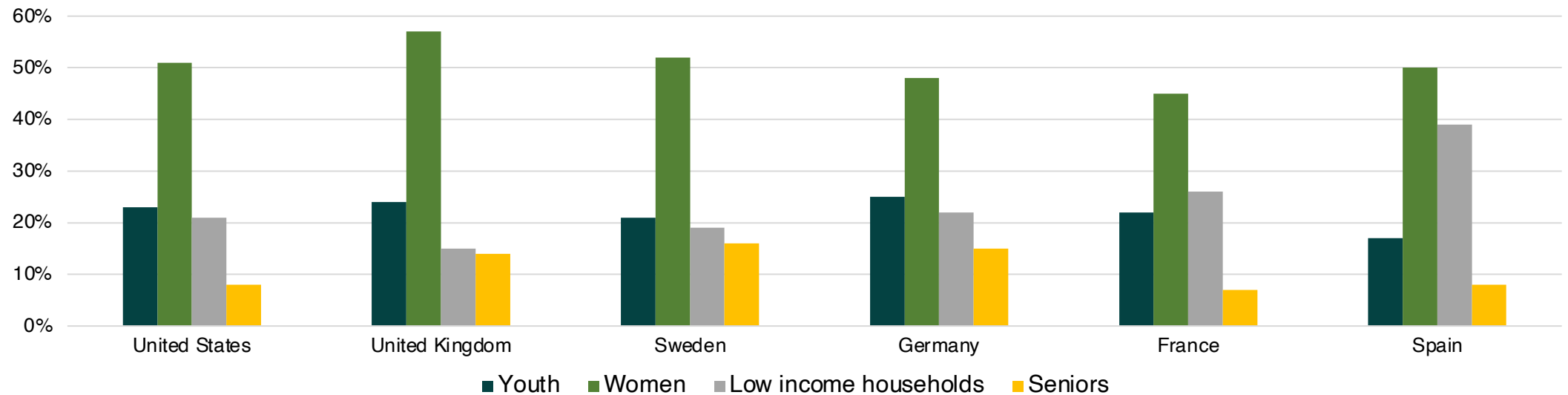
Gig worker share within industry



Who's likely to be a gig worker

The gig workforce is diverse. Gig workers in highly-skilled occupations with high wages such as consulting and engineering [reported](#) flexibility and work-life balance as the top reasons for choosing gig work in an ADP survey. Highly skilled gig workers are more [likely](#) to be male, married, and hold an advanced degree. In less well-paid gig work, the top motivation is financial security.

Independent workers across demographic groups



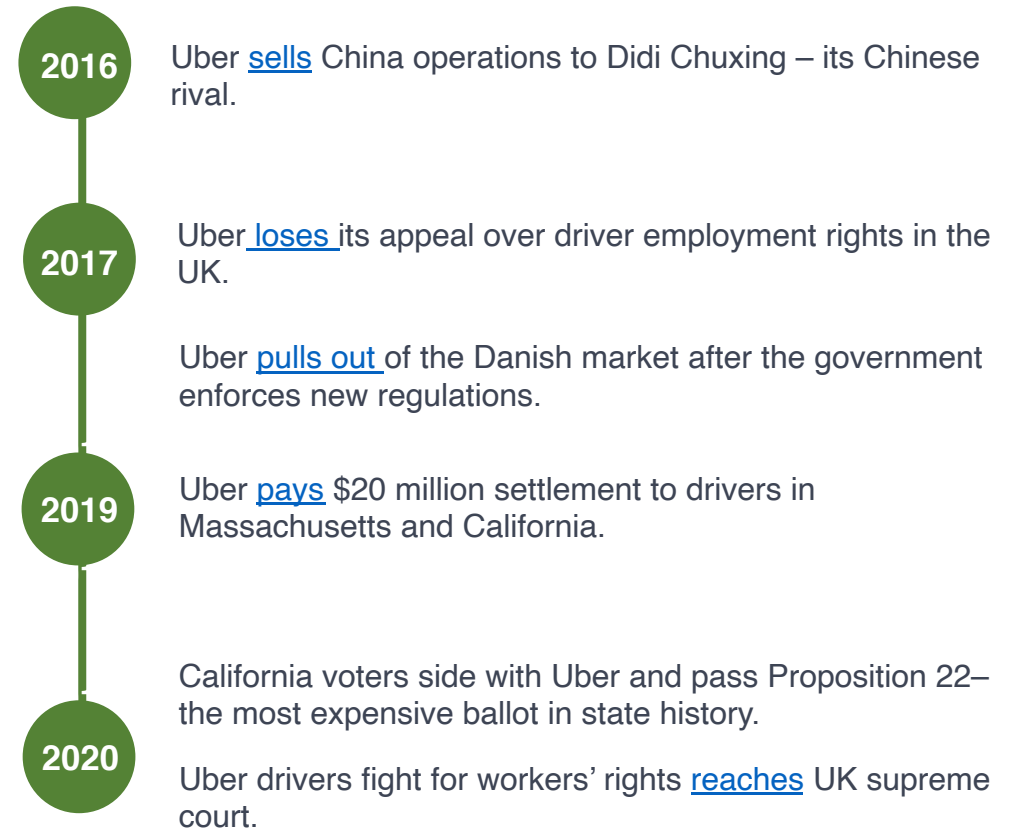
“We think of the gig economy as being driven by technology when it’s really being driven by business decisions. Which is hard for people because they like to think that it’s all about the app. It’s really about the fallout of how the service economy has failed American workers so miserably.”

Louis Hyman, economic historian, Cornell University’s School of Industrial and Labor Relations as told to Business Insider

The people vs Uber

At the center of the global gig economy conversation is the struggle for labor rights. In the US, Uber has become the poster child for battling employee reclassification policies. In November 2020, California [passed](#) Proposition 22, exempting Uber from classifying its drivers as employees which would have required Uber to provide benefits such as health insurance and other protections afforded to traditional employees. The proposition is the most expensive in state history: nearly \$200 million was [spent](#) by Uber and other gig companies. Uber argued that reclassification would increase labor costs by up to 30% and increase the cost of service for customers. Uber also threatened to pull out of California if the law was not passed. Outside of the US, Foodera delivery drivers in Canada unionized—the first of app-based work forces to do so. UberEats Japan [unionized](#), too, with Uber agreeing to provide extra benefits, and France's highest court [ruled](#) Uber drivers are employees.

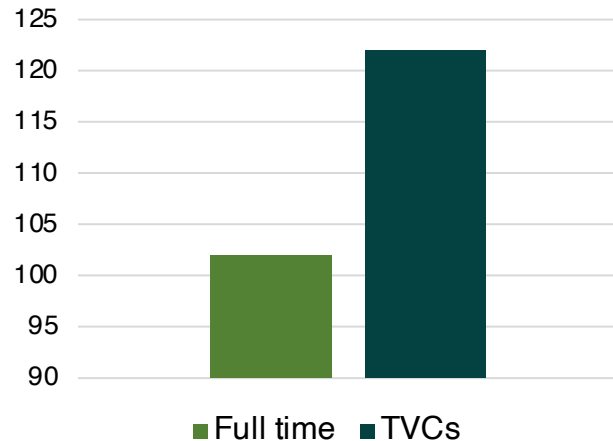
A brief history of Uber's regulation challenges



Google's shadow workforce

Contractors make up [more than half](#) of Google's workforce. They are known as TVCs—temporary, vendor, or contract staff. TVCs span from guards and janitors to marketers, graphic designers, and software engineers that manage full teams. TVCs often operate as full-time workers without the benefits. Google uses them to keep official headcount low, create room for expensive hires, and boost profit margins. The experience of TVCs at Google has been likened to a shadow workforce of “second class” employees. In March 2020, a group of contractors and full-time employees [wrote](#) a memo demanding all contractors be converted to full-time status.

Google's workforce in 2019 in thousands



\$100K

The amount Google saves a year on each contractor.

\$27B

The 2019 revenue for Adecco, Google's top agency for contractors.

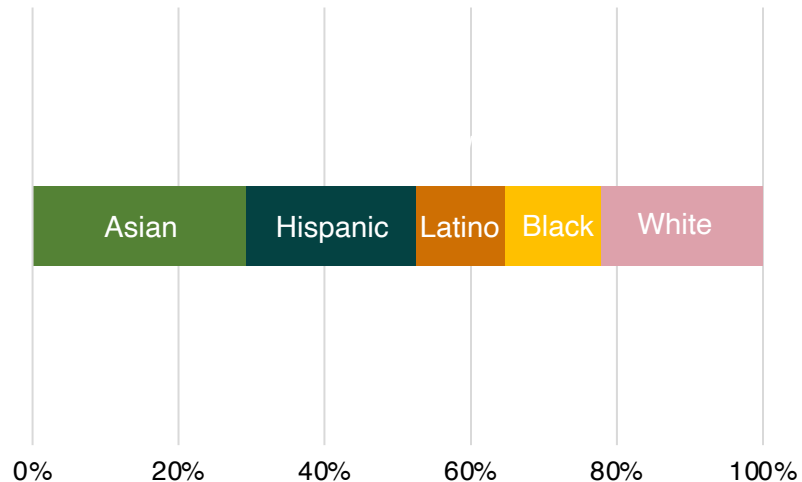
\$162B

The total revenue for Google in 2019.

Widening socioeconomic inequality

Gig work is deeply segmented. The concept of “flexibility and choice” in the gig economy is being contested as labor rights struggles also reveal embedded societal inequities. Flexible high-paying roles tend to be occupied by advantaged groups, while inflexible low-paying work tends to be held by disadvantaged groups. There is growing concern that increased use of alternative work arrangements is harmful to social mobility because it disrupts career progression. Additionally, on-demand platforms such as ridesharing and delivery apps have recreated a “servant economy” where service providers are more likely to be people of color and immigrants and recipients are more likely to be white.

San Francisco delivery and ride share drivers by race/ethnicity



46% of gig workers in San Francisco support others with earnings.

21% have no health insurance and **30%** use public (free or subsidized) insurance.

45% couldn't handle a \$400 emergency without borrowing.

15% receive some form of public support (food stamps or housing assistance).

Implications for the future of the workforce

By 2023, the gig economy will be [worth](#) \$455 billion. As companies continue to embrace the gig economy, experts believe that a new business model that benefits both companies and gig workers will have to be created. Company culture will also have to respond to the needs of gig workers. 40% of gig workers in the US felt like outsiders compared to full time employees, and nearly 70% indicated that they would like better healthcare benefits, an EY [survey](#) reported. Gig work also has the potential to expand the workforce by creating employment opportunities for non-traditional workers such as senior citizens, stay-at-home caregivers, and students.

Making the gig economy work for gig workers and companies

“Many of the labor market policies currently in place—such as the minimum wage, benefits, family leave, workers' compensation for on-the-job injuries, and retirement schemes— are not set up to accommodate independent work.

Independent Work: Choice, Necessity, and the Gig Economy, McKinsey Global Institute

“Gig workers present a powerful but invisible force in today's businesses...In a tight labor market, gig workers can be a precious source of talent if companies understand what drives gig workers decision making.

Illuminating the Shadow Workforce, ADP Research

Want to know more? Read Quartz coverage of [the gig economy](#).

- [Regulators around the world are coming for the gig economy](#) – The vise is tightening for gig economy companies.
- [The rise of the “global hustle” and how one job isn’t enough in the gig economy](#) – Digital enabled gig work is just upping the ante.
- [Could gig work transform a developing country’s economy](#) – The informal economy is now growing faster than the formal economy in developing countries.
- [How universities are starting to prepare students for the gig economy](#) – Universities are embracing the fact that more students are participating in the gig economy.
- [The next gig economy will be on-demand knowledge](#) – There’s so much information available and we need to figure out how to apply it.

Have questions about this presentation, or suggestions for us?

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