New Government Report On Gig Economy Size Raises More Questions Than It Answers

Insights
6.07.18

Headlines from mainstream news outlets are reporting that today's Labor Department report on Contingent and Alternative Employment Arrangements shows that the gig economy is shrinking. "The gig economy is actually smaller than it used to be," says Marketwatch. From the Washington Post: "There's a smaller share of workers in the gig economy today than before Uber existed." From the Los Angeles Times: "Share of Americans working as independent contractors dips." And most dramatically from Quartz Media: "Everything we thought we knew about the gig economy is wrong."

But is that what the data really says? And if so, can we trust it?

First, the numbers. According to the Department of Labor, the overall gig workforce totaled 10.1 percent in May 2017 (the month the survey was conducted, although the data was just released today). This number is lower than the last time the survey was conducted in February 2005, when the tally was 10.7 percent. Those who characterized themselves as independent contractors shrunk from 7.4 percent in 2005 to 6.9 percent in 2017. This is not what was expected; most observers believed that today's report would present a picture of a robust and blossoming industry of side hustlers and gig workers, the numbers exploding off the page. Instead, this report presents the image of a stagnant and shrinking workforce, demonstrating that the gig economy isn't quite as important as we all thought it was.

Some critics, though, are pointing out that this data is corrupted and doesn't necessarily prove that the gig economy is shrinking. Most notably, the report did not even include that very large segment of the American workforce that uses gig economy jobs to supplement their existing income at another full-time or part-time job. Instead, if a worker has a main job doing something else—even if this main job is simply a part-time hourly position—they were not included as a gig worker in this report. Given the fact that most gig economy companies rely upon workers picking up side jobs to carry out their work, this seems like an awfully big oversight that might cause one to ignore the data altogether. Tyrone Richardson from Bloomberg has a great quote from Alastair Fitzpayne, executive director of the Aspen Institute's Future of Work Initiative, on this subject: "As other estimates have shown, the number of Americans who engage in this type of work on a supplemental, occasional, or informal basis is substantial."

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Moreover, this report doesn't just include gig workers. It includes all those who consider themselves independent contractors or temp workers or holding some other alternative arrangement, which might skew the numbers a bit. The DOL reports that it will release data in September that will present more information about the numbers of workers who picked up jobs through digital means such as an app or a website.

So can we trust the data? It's hard to say. It's important to remember that the survey includes self-reported data, meaning that workers complete the information themselves and it is not verified by hiring entities. Moreover, the demarcation between categories—as well as the characterization of the categories themselves—are somewhat confusing. The Guardian reports that one Uber driver interviewed about the report said he couldn't figure out which category he fell into, calling into doubt the accuracy of the information provided by these workers. After all, if a gig worker doesn't know how to complete the form because they aren't exactly sure how to categorize themselves, how can we be sure the data presented is accurate?

Most troubling, however, might be the fact that today's report contradicts several recent studies conducted by academics, worker advocates, and other branches of the government. As Tyrone Richardson reports, Yale and Princeton professors concluded in 2016 that the size of gig workforce in the country was 15.8%, which is much higher than what today's report claims. And in 2015, both the Federal Reserve and the Freelancers Union pegged the number in the 30 percent range. All of these studies included analysis from hiring entities themselves, and counted those workers who used gig economy jobs to supplement their income.

This exercise might all be academic, as these kinds of surveys often raise more questions than they provide answers. But the problem could be that the data in this report could stifle efforts to introduce some certainty in the gig economy world through regulation or legislation. Many were hoping that today's report would spur lawmakers and regulators to recognize that the gig economy was not a passing fad or a novelty item, but instead a significant part of the American economy, deserving of thoughtful regulation to match the realities of today's modern business world. If this report ends up leading many to believe that the gig economy isn't worthy of their attention, it could lead to many more years of frustration, litigation, and uncertainty.

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