

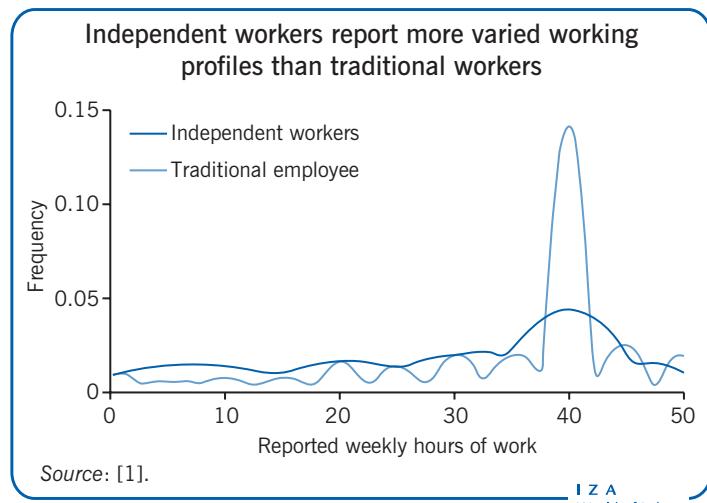
The gig economy

Non-traditional employment is a great opportunity for many, but it won't replace traditional employment

Keywords: gig economy, independent workers, flexibility

ELEVATOR PITCH

The number of people holding non-traditional jobs (independent contractors, temporary workers, “gig” workers) has grown steadily as technology increasingly enables short-term labor contracting and fixed employment costs continue to rise. For many firms that need less than a full-time person for short-term work and for many workers who value flexibility this has created a great deal of surplus. During slack economic periods, non-traditional work also serves as an alternative safety net. Non-traditional jobs will continue to become more common, though policy changes could slow or accelerate the trend.



KEY FINDINGS

Pros

- ⊕ Workers and firms in the independent labor market largely choose independent work because of the flexibility it accords.
- ⊕ The app-enabled gig economy has grown dramatically in recent years, particularly at the low end of the skill distribution.
- ⊕ The gig economy serves as an alternative safety net for some workers in times of economic downturn.
- ⊕ Independent work is a potentially good way for many people to ease into retirement.

Cons

- ⊖ It is very difficult to measure the size of the gig economy (and the independent workforce, more generally).
- ⊖ Non-traditional work imposes risk on workers in terms of fluctuations in income and worry that future “gigs” will not materialize, thereby effectively transferring risk from employers to workers.
- ⊖ Taxation and worker protection policies create both advantages and disadvantages related to traditional vs independent work, which are hard to quantify.
- ⊖ While the value of flexibility might be particularly high for women, women do not make up a disproportionate share of independent workers, and a gender pay gap persists on gig platforms.

AUTHOR'S MAIN MESSAGE

Non-traditional work relationships (“independent work”) have grown steadily in developed economies as it has become easier to break work into discrete blocks. The app-based “gig economy” has increased that growth but has not (and will not soon) bring fundamental change in most people’s work and in the economic centrality of the “employment” model. Independent work is likely to continue to grow as it becomes easier to arrange short-term labor contracts. Policymakers should carefully construct laws and regulations that allow firms and workers to engage in employment relations that maximize efficiency.