

Post-Pandemic: The State of the Gig Economy

Overview

Expansion of the gig-economy¹ has been on a steady incline. Prior to the COVID-19 pandemic, it accounted for roughly 57.3 million Americans or 38% of the US workforce², which was a 4.2% growth from 2017. Despite the number of gig workers shrinking by 34% on the onset of the global health crisis, it still contributed \$1.21 trillion to the American economy³ -- a slight decrease from 2018 when it reportedly contributed \$1.3 trillion.

The industry itself is expanding at a rate of three times faster than the US workforce as a whole.⁴ If this growth trend continues, by 2027 more than 86.5 million Americans will be doing some type of gig work.⁵ This would constitute more than half of the country's workforce. The main contributor to this growth lies with millennials, who make up a majority of those who participate in this form of freelance work (42%); by 2025 they are projected to make up 75% of the total US workforce.⁶

Keeping in line with this trend, more than 80% of large US companies have begun to implement plans to increase their reliance on gig-workers and the use of non-traditional workers.⁷ 40% of companies expect gig workers to play a more significant part in their workforce in the next few years.⁸ One poll shows that 67% of regular full-time employees said they would leave their full-time jobs for a gig.⁹ This mentality, coupled with the increase of gig economy-based companies available, can be expected to fuel a highly competitive market.

The Pandemic and the Growth of the Gig Economy

The COVID-19 pandemic did not completely set back the growth of the gig economy or hinder it to an extent that it could not recover. In some capacity, it even enabled some expansion as individuals looked for non-traditional forms of work during the crisis.¹⁰ It also led to the increased

¹ "Working in a Gig Economy: Career Outlook." *U.S. Bureau of Labor Statistics*, [U.S. Bureau of Labor Statistics](#), May 2016.

² Gig Economy in the U.S." [Statista](#), 21 Jan. 2021.

³ "Freelance Forward 2020," Edelman Intelligence commissioned by [Upwork](#), September 2020.

⁴ Ibid.

⁵ "How the Gig Economy Is Shaping the U.S. Workforce." [Academy Bank](#), 11 Feb. 2021.

⁶ Ibid.

⁷ "Freelance Forward 2020," Edelman Intelligence commissioned by [Upwork](#), September 2020.

⁸ Ibid.

⁹ Dimovski, Aleksandar. "27 Gig Economy Statistics for a Wealthy 2021." [GoRemotely](#), 20 May 2021.

¹⁰ Perry, Georgia, et al. "The Gig Economy Is Soaring During the Pandemic." [5280](#), 12 Jan. 2021.

utilization of application-based gig economy services. It has been reported that gig economy wages and participation grew 33% in 2020.¹¹

- According to GigSmart, there was an average 25% increase in the daily demand for these apps' services during the pandemic.¹²
 - The jump in the use of these apps also led to an increase in the average hourly pay. Pre-pandemic, most workers made an average \$17 an hour; during the pandemic it rose to an average \$22 an hour.¹³
- Roughly 12% of the US workforce began taking freelance work during the pandemic.¹⁴
 - 61% of those gig workers who were able to continue working, and who worked before and during the pandemic, said they had the amount of work they wanted or even more.¹⁵
 - However, around 10% of gig-workers were in industries impacted by COVID-based rules (social distancing and shutdowns) and were forced to stop working for the time being.¹⁶
 - Workers for companies like Lyft or Uber reported a 65% decrease in income.¹⁷

Employee or Independent Contractor? The legal future of the gig economy

With the rapid growth of the gig economy, contention surrounding the classification of workers as either employees or independent contractors has only grown. The crux behind the movement to classify gig workers as employees is the entitlement to benefits from the company, as well as other labor protections. However, some argue that the industry is intentionally structured to not require strings attached. The flexibility, amongst other things, is what attracts workers. The needle has moved back and forth on the issue between both sides of the debate.

- Under President Trump, the Department of Labor finalized a rule that would make it easier to classify a worker's status as an independent contractor under the Federal Labor Standards Act¹⁸. The rule was later halted by the incoming Biden Administration.
- The Biden Administration, known for their fervent support of labor unions, has stated their support for classifying gig workers as employees.¹⁹

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ "Freelance Forward 2020," Edelman Intelligence study commissioned by [Upwork](#), September 2020.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

¹⁸ Morath, Eric. "Gig-Economy Companies Get Worker Flexibility From Trump Administration." [The Wall Street Journal](#), 6 Jan. 2021.

¹⁹ Cheng, Michelle. "US Labor Secretary Says Gig Workers Should Be Classified as Employees." [Quartz](#), April 29, 2021.



- With Biden’s support of a California style “ABC test” it has been suggested that it may be used as a model for this administration’s agenda regarding labor, employment and tax laws.²⁰

However, while not much has happened at the federal level, states have taken the question into their own hands. Between lawsuits, legislation, and referendums, states across the nation are setting the stage for what the future of the gig economy might look like.

- In Pennsylvania in 2020, a lawsuit against Uber sided with the plaintiff over their status of employment. The Supreme Court of Pennsylvania ruled that Uber drivers are not self-employed (independent contractors).²¹ This decision paves the way for further legal framework surrounding workers in the gig economy.²²
- In 2019, the California legislature passed AB5²³ which classifies all workers in that state as ‘employees’ unless the business can pass a test (the ABC test) that would allow them to classify their workers as independent contractors.
 - Later that year, Californians passed Proposition 22²⁴ which exempted ridesharing and delivery drivers from the ‘protections’ provided to workers in AB5.
- Other states like New York, New Jersey, and Washington state are also considering pieces of legislation that cover a range of regulations for gig workers and the general gig economy.²⁵ The proposals range from forcing companies to provide benefits for gig workers to creating penalties for companies that misclassify workers as independent contractors.

On the other hand, in places where localities have adopted ‘gig-friendly’ policies and reduced regulation of the industry like Fort Lauderdale, Florida, gig-work has grown 30% faster than the traditional workforce.²⁶

Bottom Line

The gig economy is thriving in the United States and the capacity for growth will align with the demand for the services offered and for employment opportunities. The rate and pace at which it has expanded, even during a pandemic, is unprecedented. By 2023, it is projected to be a \$455.2 billion industry.²⁷ It garners great attraction for workers in an evolving labor market. If anything, the pandemic displayed how the gig economy functions best and what the industry has to offer -- both

²⁰ Ibid.

²¹ “How a Supreme Court Ruling on an Uber Driver Could Remake Pennsylvania’s Gig Economy: Pennsylvania Capital.” [Pennsylvania Capital Star](#), 30 July 2020.

²² “Gig Workers May Get More Protections In the United States.” [Business 2 Community](#), 8 February 2021.

²³ [AB5](#), California. Legislature, 2019-2020 General Assembly, approved by Governor, Sept. 18, 2019.

²⁴ “Proposition 22 | Official Voter Information Guide | [California Secretary of State](#)”. 2020.

²⁵ “Protections for Gig Economy Workers – Current & Proposed.” [Money Crashers](#), 21 May 2021,

²⁶ “How Cities Can Benefit from the Gig Economy, America’s Fastest Growing Workforce Trend.” [Better Cities Project](#), 6 Apr. 2021.

²⁷ Ibid.



for consumers and gig workers. Nonetheless, as it continues to develop, it will assuredly be met with new regulations and labor laws targeting the industry and possibly hindering potential growth.

