THE WALL STREET JOURNAL.

WAS THE GIG ECONOMY OVERBLOWN?

U.S. labor market largely unchanged since 2005, new data show

By Eric Morath
June 7, 2018

The emergence of the gig economy in the past decade has scarcely changed the U.S. labor market, according to newly released government data.

Anyone who has ridden in an Uber, noticed a contractor working alongside them or taken a temp job to make ends meet might say the nature of work is shifting. But new Labor Department data show the share of workers who are independent contractors, in short-term jobs or otherwise in "alternative employment arrangements" is little changed since 2005.

The Labor Department's Bureau of Labor Statistics released on Thursday its survey of contingent and alternative workers for the first time in 13 years. It showed the fraction of workers employed as independent contractors was 6.9 percent in May 2017, down from 7.4 percent in February 2005, the last time the survey was taken. The broadest measure of the share of workers who are contingent–meaning they don't expect their jobs to last more than an additional year–was 3.8 percent last year, down from 4.1 percent in 2005.

The data raised eyebrows among some economists.

"It's a little surprising that things haven't changed more," said Lucas Puente, economist at Thumbtack, a San Francisco company with an app that connects professionals such as graphic artists and personal trainers to gigs. "That was counter to what I was expecting."

However, Mr. Puente's analysis of the Labor data showed a large increase in such contractors working in transportation–think Lyft drivers–and professional and business services, which would capture many on platforms like Thumbtack. Use of independent contractors fell sharply in construction, retail and finance.

The data overall showed more than 90 percent of American workers held traditional jobs, meaning workers were on the payroll of the firm for which they performed work. That was little changed from 2005.

"This should throw some cold water on those hyping the explosion of freelancing and the rapidly changing nature of work," said Lawrence Mishel, a liberal-leaning economist at the Economic Policy Institute. "Freelancing and gig work are not taking over."

The falling share of workers doing contingent work shows the "American workforce was more secure in their jobs," a spokesman for Labor Secretary Alexander Acosta said.

The survey came with some a major caveats. It only asked about a worker's "main job," meaning someone moonlighting on TaskRabbit wouldn't show up. And workers needed to do the work in the past week to count.

A separate study by the JPMorgan Chase Institute found that in 2015, only 33 percent of those participating in online platforms, such as Uber and Airbnb, earned the majority of their income through such apps and sites. The institute also found it was common for workers to cycle on and off platforms, often working more gigs when other sources of income slowed.

Also, many workers who are often viewed as contractors aren't under the survey's definitions. For example, Google parent Alphabet Inc., uses tens of thousands of temps, vendors and contractors, but most of those workers are employees of a contracting firm–not going it alone, and thus not independent. And many may expect their job to last more than a year, so they aren't contingent.

Some have worried the emergence of the gig economy was evidence that the labor market couldn't provide traditional jobs, leaving workers to take alternatives less likely to come with benefits or set schedules.

"This data attenuates a little bit of the sky-is-falling mentality," said Diana Farrell chief executive of the JPMorgan Chase Institute, which conducts research based on bank data. "It's possible that online platforms reorganized how contingent work is done, rather than grow the share of work that is contingent."

Gig-type jobs, ranging from home-care workers to dog walkers to wedding photographers, all existed well before apps allowed consumers to summon those services from a smartphone.

Thursday's data also suggested that independent contract workers are happy, with 79 percent saying they preferred their current arraignment to traditional work. That could be because independent contractors, on average, earn more than traditional workers.

However, 55 percent of workers who expected their employment to end in less than a year said they would prefer traditional jobs. Those workers earned less and tended to be younger than the traditional workforce.

Still, Thursday's data left some economists to scratching their heads.

"All measures of contingent work are down from 2005, but it's hard for us to know if this reflects the strength of our economy or a structural shift," said Martha Gimbel, an economist at job-search site Indeed. She said the data need to be collected regularly to give better insight.

It's possible that last year's tightening labor market is "giving workers the ability to negotiate themselves into more stable work arrangements," Ms. Gimbel said.

Better data on the so-called gig economy of Uber driving and Postmates deliveries could come in September. That is when the Labor Department will release data on four supplemental questions in the May 2017 survey that were withheld from Thursday's results. Those questions seek to identify workers who found short tasks or jobs and were paid through mobile apps and websites.