BLOOMSBURY PUBLISHING
LONDON · NEW DELHI · NEW YORK · SYDNEY

IZA
World of Labor
Evidence-based policy making

NEW REPORT: The Growth of the Gig Economy and Its Implications for the Labor Market and the Gender Pay Gap

A new IZA World of Labor report publishing today looks at the growth of the gig economy and its implications for workers, policymakers, and the gender pay gap.

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. Ride-sharing apps, primarily Lyft and Uber, have grown from almost nothing in 2012 to over a million drivers in the US. According to the economist Paul Oyer of Stanford University, with independent work likely to continue to grow, policymakers should carefully construct laws and regulations that allow firms and workers to engage in employment relations that maximize efficiency. Proper planning can lead to gig work that provides flexibility to those who value it highly while also providing an “alternative safety net” to people looking for their next traditional job.

One challenge in regulating the gig economy landscape is that workers are highly heterogeneous, not only in their personal preferences. They vary in age, income, and education in a manner that is surprisingly similar to the traditional workforce. Crafting regulations that treat fully committed and occasional gig workers as one group is unlikely to be an efficient solution. The most contentious regulatory question in the gig economy is whether to classify independent workers as “employees.” However, the variation in workers on these platforms may make it sensible to have some (relatively unattached) workers who are independent contractors and some (full-time or near full-time) who are employees.

One common justification for strictly regulating independent work relationships is that firms have marginalized gig workers and exploit them. The underlying idea suggests some sort of monopsony power on the part of gig platforms—where a single party substantially controls the market. But according to Oyer, at this point, this does not seem like a critical issue given that competition for rideshare drivers, delivery people, freelance workers, and others who find work through apps is quite vigorous and earnings vary with supply and demand.

Another interesting finding highlighted by the report is that male Uber drivers make 7% more per hour than female drivers even though rides are assigned by an algorithm that does not take gender into consideration. This difference can be explained by three factors: accumulated experience as Uber drivers, differences in where they drive (primarily due to differences in where they live), and driving speed. The relationship between accumulated hours and earnings for Uber drivers has a similar pattern to that for more professional workers and according to Oyer implies that, whether in the traditional or independent labor markets, men’s tendency to work more consistently and longer hours is likely to sustain a gender gap no matter how work is organized.

Oyer concludes: “*As the gig economy develops, some policy changes are likely necessary to give independent workers portability of benefits and protection from exploitation…Specific areas for policymakers to consider include levelling the playing field, tax-wise, between various employment models; ensuring that internet-based platforms do not develop monopsony power; and enabling independent workers to access and move benefits such as retirement and health dollars.”*

Please credit IZA World of Labor should you refer to or cite from the report.

Media Contact:
Please contact Anna von Hahn if would like more information or would like to speak to the author: anna@smallspaceagency.com or +44 7852 882 770

Notes for editors:

IZA World of Labor (http://wol.iza.org) is a global, freely available online resource that provides policy makers, academics, journalists, and researchers, with clear, concise and evidence-based knowledge on labor economics issues worldwide.

The site offers relevant and succinct information on topics including diversity, migration, minimum wage, youth unemployment, employment protection, development, education, gender balance, labor mobility and flexibility among others.

Established in 1998, the Institute of Labor Economics (www.iza.org) is an independent economic research institute focused on the analysis of global labor markets. Based in Bonn, it operates an international network of about 1,500 economists and researchers spanning more than 45 countries.