



The
STEPHEN S. FULLER INSTITUTE
for Research on the Washington Region's Economic Future



Gig and Independent Work in the Washington Region's Economy

By

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Executive Summary

The gig economy and independent work arrangements receive much national attention, but their role in regional economies is not well understood. In this report we describe national level research on the evolving ways work is performed and present several measures of gig and independent work in the Washington region.

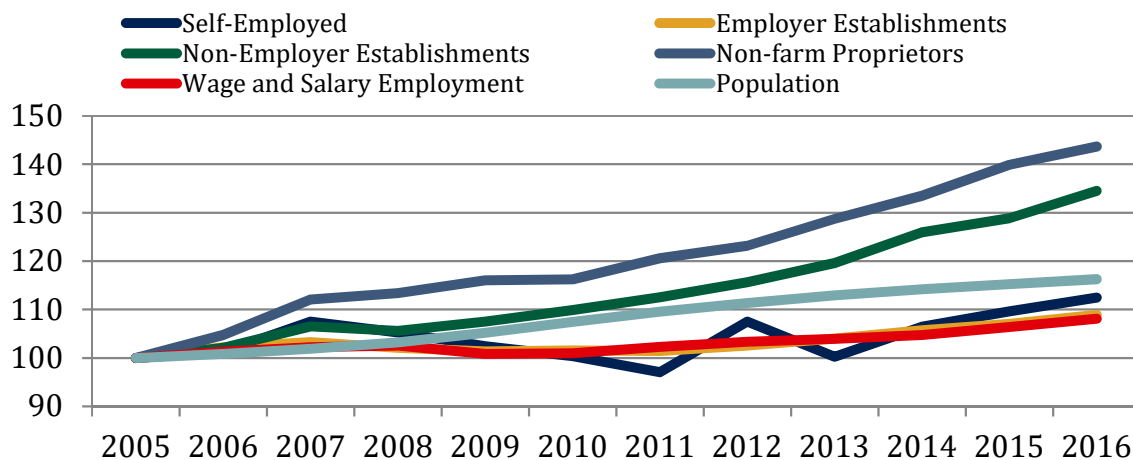
Gig and independent work does not just refer to Uber drivers and other online platform workers, nor does it only mean the full-time self-employed. Gig and independent work includes a variety of full-time and part-time activities for earning income outside of an employer-employee relationship. It is often temporary or project-based, is mostly self-directed, and offers freedom and flexibility but also insecurity and unpredictability. Gig and independent work encompasses many types of people working in a variety of ways for different purposes.

Gig and independent work is a positive phenomenon for many individuals because it provides greater control, flexibility and income potential. For others, however, it reflects a necessity rather than a choice.

In the Washington region, gig and independent work plays a growing and important – but not driving – role in the economy.

- Approximately 10-15% of people in the workforce perform gig and independent work.
- Gig and independent work is growing faster than employer-based work.

Growth in Gig and Independent Work, Employee Work, and Population, Washington Region, 2005-16 (2005=100)



Source: US Census Bureau (Nonemployer Statistics, County Business Patterns, American Community Survey - IPUMS-USA) and Bureau of Economic Analysis; The Stephen S. Fuller Institute at the Schar School, GMU.

Note: Gig and independent work = self-employed, nonfarm proprietors, and non-employer establishments.

- Most of the recent increase in gig and independent work appears to be in side businesses and activities that supplement income rather than primary jobs.
- An estimated 3-10% of total income or earnings in the Washington region is associated with gig and independent work.
- The total amount of income or earnings generated from gig and independent work has been increasing, but the average per worker has been declining. The level is well below average wage and salary earnings, again suggesting a growing level of supplemental rather than primary work.
- Gig and independent workers are found mainly in professional services (such as consultants), other services (typically personal services such as personal training or salon services), construction, real estate (brokers and agents), health care (doctors offices and home health care), and transportation. They also play a substantial role in the much smaller arts, entertainment and recreation sector.
- Gig and independent work matters most at low and high income levels. Middle-income earners are less likely to be gig and independent workers.

Takeaways

- Gig and independent workers are not a driving force in the regional economy, but they play an important supporting role in many of the region's leading industries.
- More individuals are creating their own jobs or earning additional income through gig and independent work arrangements, which may make the regional economy less reliant on full-time employment than in the past.
- The downside is that the associated earnings are less secure and more unpredictable. Gig and independent workers are also less likely to have health insurance or a retirement account and are not covered by unemployment insurance. These factors matter less for work that is secondary or supplemental, but they are critical for those for whom gig and independent work is the primary source of income.
- Gig and independent work provides new opportunities for work and earnings, especially for individuals who face barriers to full-time employment or are seeking to balance work with lifestyle, school or family commitments.

- Compared to other regions, more people in the Washington region appear to be engaged in gig and independent work as a choice – either as a career preference or to supplement income – than as an economic necessity.
- At the same time, gig and independent work is an important source of earnings for low-income groups in the Washington region, and more research should be done to determine if it is a beneficial supplement, reflects poor access to quality jobs, or both.
- Establishments of all types (including small businesses and government) are using gig and independent workers more frequently to supplement their wage and salary workforce. This trend will likely continue. Washington's demographics and specialized professional economy suggest there will be growing supply of and demand for gig and independent workers.
- Increasing numbers of individuals will find themselves engaged in gig and independent work at some point – or points – in their careers. Preparing for independent work is becoming a career imperative.

Gig and Independent Work in the Washington Region's Economy

Introduction

The gig economy and independent work arrangements receive much national attention, but their role in regional economies is not well understood. Business Development Advisors (BDA) and The Stephen S. Fuller Institute have been examining trends in the changing nature of work in the Washington region to understand how recent developments may affect the growth and competitiveness of our regional economy. This report is the third installment in our series.¹

In this research report we describe national level research on the evolving ways work is performed and present several measures of gig and independent work in the Washington region. Our objectives are to establish a common understanding around the changing nature of work, describe the role these new modes of work play in the Washington regional economy, and consider whether they represent a promising aspect of the region's economic future.

Gig and Independent Work

One of the challenges in creating a common understanding around the changing nature of work is the multitude of terms and definitions used to capture the different ways we work. (We counted 17. There are probably more.) Another difficulty is that this phenomenon is often defined by what it is not: it is not a full-time job with a single employer covered by unemployment insurance. We want to describe what it is and what it means for our economy.

We chose the term “gig and independent work” because this phrase captures several of the essential aspects of the changing nature of work we wish to measure and convey. For example, much of this work is temporary or project-based, involves different customers and colleagues, and likely does not occur in the same way every day. Gig and independent work is frequently self-directed and often requires the individual to play the role of employer as well as employed. The terms have many positive connotations of freedom, flexibility, ownership, and self-reliance, but also imply some downsides, such as insecurity and unpredictability.

Gig and independent work does not just refer to Uber drivers and other online platform workers, nor does it only consider the primarily self-employed. Gig and independent work encompasses many types of people working in a variety of ways for different purposes. For example, the term can include:

¹ Access all the reports in the series at <http://sfullerinstitute.gmu.edu/research/reports/nature-of-work/>.

- Freelancers, such as writers or graphic designers
- Professionals starting a side business in their field, such as consultants
- Seniors or those with second-act careers seeking to stay active and earn income but with greater control and schedule flexibility
- Workers seeking to supplement inadequate or unpredictable income
- Individuals who can't find employment and do gig jobs or temporary work to get by
- Workers classified as independent contractors, often engaged in sales, construction, or professional occupations
- Contract, on-call, or temporary workers
- Entrepreneurs initiating a business idea
- People who see greater career and income potential as an independent rather than an employee but don't seek to grow a business
- Students, parents and caregivers who wish to earn extra income but need to set their own schedule in order to meet other commitments
- Individuals pursuing the money-making potential of personal interest or hobby, such as photography or personal fitness

Studies indicate that gig and independent work is a positive phenomenon for most individuals because it provides greater control, flexibility and income potential than do traditional jobs. For others, however, it reflects a necessity rather than a choice. Some gig and independent workers wish to have a regular full-time job, but find themselves in gig, temporary or on-call work that provides neither the desired level of income nor any control. The data in this report also suggest that many gig and independent workers fall into low-income categories, and it is not clear if this is a welcome source of additional income, reflects a lack of other quality work opportunities, or both.

Why Understanding Gig and Independent Work Is Important

BDA and the Fuller Institute began thinking about the evolution in the way we work nearly a decade ago when we prepared a series of reports for The 2030 Group on the potential effect of a set of megatrends on growth patterns in the Washington region.² More recently, the changing nature of work was described as the top trend affecting industries in the United States based on a global survey of business executives.³ The report concluded that the professional services, media and information sectors – which count among the Washington region's leading industry clusters – are likely to be disproportionately affected by these trends.

² "How We Work" in *Megatrends: The Potential Effect on Growth Patterns in Greater Washington*, Center for Regional Analysis, September 2009.

³ *The Future of Jobs. Employment, Skills and Workforce Strategy for the Fourth Industrial Revolution*. 2016. Global Challenge Insight Report. World Economic Forum.

Research also suggests that gig and independent work has several wide-ranging social and economic implications for metropolitan areas:

New opportunities for work: Because it offers low barriers to entry and schedule flexibility, gig and independent work may provide new opportunities for individuals who do not have a wage and salary job or for whom conventional work arrangements pose access or schedule challenges.

Effect on income distribution: Examinations of earnings among gig and independent workers show a barbell effect, with concentrations at both the low end and high end of the income spectrum. It is not clear if gig and independent work exacerbates or ameliorates income disparities.

Quality of work and income stability: Economists and policy makers are concerned about income and job stability in both the traditional job market and among gig/independent workers. 41% of individuals experience more than a 30% change in income on a month-to-month basis.⁴ Again, it is not clear if gig and independent work eases or worsens this situation.

Changing employment models: Businesses and governments are increasingly using a combination of traditional employees and gig and independent workers in their operations. One industry study found that 44% of workforce spending among surveyed companies goes to the external workforce including non-payroll workers (contractors, consultants, temporary labor), outside service providers, and on-demand freelancers.⁵ These types of reports don't carry the same weight as federal statistics, but they are useful indicators of current business thinking on gig and independent work.

The trend is not limited to big companies. A 2017 survey of US small business owners identified a 37% increase in the hiring of gig workers over the past six months compared to a 13% increase for full-time employees. Nearly 20% reported replacing employees with contractors over that same period.⁶ State and local governments are following a similar pattern. A 2018 survey found 45% had hired contract or temporary employees in the past year.⁷ Even "non-employers" use gig and independent workers: 47% reported doing so for an average of 3.2 workers per firm.⁸

⁴ Farrell, Diana, and Fiona Greig. 2016. "Paychecks, Paydays, and the Online Platform Economy." JPMorgan Chase & Co. Institute.

⁵ *External Workforce Insights 2018: The Forces Reshaping How Work Gets Done*. Oxford Economics for SAP Fieldglass.

⁶ *The Megaphone of Main Street: Small Business Jobs Report*. 2017. SCORE.

⁷ *Survey Findings. State and Local Government Workforce: 2018 Data and 10 Year Trends*. 2018. Center for State & Local Government Excellence.

⁸ *Megaphone* 2017.

Lack of a social safety net: While some individuals earn high incomes from gig and independent work,⁹ in general they earn less and are less likely to have health insurance coverage or have a retirement account than wage and salary workers.¹⁰ Most gig and independent workers are not eligible for unemployment insurance.

Because work has become increasingly nontraditional (detached from single employers over the course of a career), enabled in part by technology, employment institutions may need to change in order to provide all workers with access to health care, pension funds, and other elements of the social safety net that have been historically tied to fulltime traditional employment. (114)

Source: National Academies of Sciences, Engineering, and Medicine. 2017. *Information Technology and the U.S. Workforce: Where Are We and Where Do We Go from Here?* Washington, DC: The National Academies Press.

Nascent entrepreneurship: Much of the recent growth in gig and independent work is about generating labor income, not building a business. However, there remains a segment of gig and independent workers who fit more closely with our ideas of entrepreneurship. MBO Partners reports that 12% of full-time independents and 18% of millennials intend to build a larger business.¹¹ There is also evidence that some people engaged in online platform work see it as a “middle ground between working as an employee and starting one’s own business.”¹²

Worker flexibility: Gig and independent workers tend to value work and schedule flexibility – when they get to control the terms of that flexibility. Studies of the independent workforce consistently find that freedom and flexibility are top drivers of the decision to work independently, especially among those working full-time.¹³ Older workers and millennials frequently indicate a desire for a flexible work schedule. Many women value flexibility and cite the ability to control their schedule as an important reason to work as an independent, though these characteristics are important to both men and women.¹⁴

Being able to work when you want is a good thing; not knowing whether you have work from one day to the next when you have bills to pay is not. (42)

Taylor, M., G. Marsh, D. Nicol, and P. Broadbent. 2017. *Good Work. The Taylor Review of Modern Working Practices*. London: Department for Business, Energy & Industrial Strategy.

⁹ *The State of Independence in America. 2018: The New Normal*. 2018. MBO Partners.

¹⁰ Jackson, Emilie, Adam Looney, and Shanthi Ramnath. 2017. “The Rise of Alternative Work Arrangements: Evidence and Implications for Tax Filing and Benefit Coverage.” Working Paper 114. OTA Working Papers Series. Office of Tax Analysis, The Department of the Treasury.

¹¹ *State of Independence* 2018.

¹² Thomas, Kathleen DeLaney. 2017. “Taxing the Gig Economy.” *166 U. Pa.L Rev.*

¹³ *Freelancing in America: 2017*. 2017. Edelman Intelligence.

¹⁴ *State of Independence* 2018.

In short, for many reasons, learning more about the changing nature of work, including gig and independent work, is a business and economic imperative.

National Data and Trends

Federal and private sector reports citing labor, business, and income statistics provide insights into different aspects of gig and independent work, but none offer a complete picture because each uses different definitions and draws from different pools of data using different methodologies. For this reason, the numbers and the baselines can't simply be added together. Some studies indicate gig and independent work is large and growing, others suggest the impact is actually quite small and declining.

Which is it? We have summarized findings from several sources to explain.

Online platform economy

The term gig economy sometimes refers to the entire category of non-employee work, but it can also mean a much narrower set of activities performed in conjunction with an online platform, such as Uber, Lyft, Airbnb, and many others. Although growing, the online platform economy segment still comprises a small portion of the overall economy. For example, researchers at JPMorganChase found that 1% of adults earned income from an online platform in a given month, and 4% had participated at some time over a 3-year period, indicating occasional rather than regular work. Similarly, analysts at the Office of Tax Analysis (OTA) within the Department of the Treasury reported that only 0.7% of all workers filed returns including income from participation in an online platform based business, though underreporting likely occurred.¹⁵

In many ways it is remarkable that approximately 1% of individuals work in this manner, but the online platforms that we often associate with the term "gig economy" do not engage 30-40% of the workforce. These workers also do not necessarily resemble the overall workforce. They tend to be younger, are more likely to be male, and work fewer hours than the overall workforce. One analysis suggests that online platform work accounts for an average of \$6,400 in annual earnings and likely involves less than 20 or even 10 hours per week.¹⁶

Still, the OTA and JPMorganChase analyses reveal that income from work associated with online platforms is an important component of these individuals' earnings. The OTA reports that online platform work was the primary source of income for 33% of those workers but was supplemental for the majority. JPMorganChase also

¹⁵ Jackson et al 2017.

¹⁶ Thomas 2017.

determined that work associated with online platforms was typically a secondary source of income. However, the researchers found differences between labor platforms (like Uber and TaskRabbit) and capital platforms (like ebay and Airbnb). Work associated with labor platforms was often used to “*offset* dips in non-platform income.” In other words, people turned to labor platforms when they were between jobs or were earning less income from other sources. Capital platforms were generally used to *supplement* income.

Gig and independent work as a primary job

The self-employed and independent contractors are whom we often think of when we consider “independent” workers. Data from the Bureau of Labor Statistics (BLS) show that 10.1% of US workers (15 million people) were self-employed in 2015, but that the self-employment rate has been declining for the past two decades.¹⁷ Independent contractors¹⁸ are not the same as the self-employed though there is overlap. BLS survey findings on Contingent and Alternative Employment Arrangements indicate independent contractors account for 6.9% of total employment (10.6 million people).¹⁹

The survey on Contingent and Alternative Employment Arrangements also examined several other worker categories beyond independent contractors. Many were surprised that the survey found fewer workers in contingent and alternative employment arrangements in 2017 compared to 2005, the last time the survey was conducted.²⁰ In the most recent iteration, 3.8% of workers were considered contingent (did not expect their employment to continue past one years) and 10.1% were considered to have alternative arrangements, including independent contractors, on-call workers, temporary help agency workers, and workers provided by contract firms.

A slower than expected evolution in the changing nature work, a stronger economy with more traditional jobs available, and the nature of the survey questions (which could be confusing to respondents) have been offered as possible explanations for the unexpected survey findings. These sources focus on the primary job or job worked in the last week, which could mask the number of people who have done or currently do gig or independent work in a supplemental capacity.

¹⁷ Hipple, S., and L. Hammond. 2016. “Self-Employment in the United States.” *US Bureau of Labor Statistics Spotlight on Statistics*.

¹⁸ “Independent contractors are those who are identified as independent contractors, consultants, or freelance workers in the supplement, regardless of whether they are identified as wage and salary workers or self-employed in the basic CPS labor force status questions.” *Contingent and Alternative Employment Arrangements - May 2017*. 2018. News Release, Bureau of Labor Statistics.

¹⁹ Ibid.

²⁰ “America’s gig economy is smaller now than before Uber existed, official data show,” Washington Post 6/7/18; The US government is seriously underestimating how much Americans rely on gig work,” MIT Technology Review 6/7/18; “No one agrees on the size of the gig economy, and here’s why that matters,” Inc., 6/11/18; “Was the gig economy overblown?” Wall Street Journal, 6/7/18.

Gig and independent work as a business activity

By contrast, the Office of Tax Analysis (OTA) in the Department of the Treasury has used tax data to demonstrate that a “rising share of American workers are earning income outside of traditional employee-employer relationships” through self-employment and business ownership. In 2014, nearly 25 million individuals filed tax returns reporting the operation of a nonfarm sole proprietorship – a 34% increase from 2001. Individuals with self-employment earnings are about 12% of the workforce, and 15.4% of all filers with earnings included a Schedule C.²¹

However, drawing from data on business expenses, OTA also concludes that the characteristics of the self-employed have changed, because most of the growth has been associated with individuals who are primarily providing labor services (that is, they have few business expenses). In other words, the level of small business ownership among the self-employed has not changed significantly, but the number of independent contractors, freelancers, or potentially misclassified workers has grown.²²

Tax data also support counts of proprietorships (owners of unincorporated businesses) and non-employer establishments (businesses that have no paid employees) from the Bureau of Economic Analysis and US Census, both of which can be used to estimate the amount of gig and independent work in the US economy. They have found there were 41.8 million nonfarm proprietors in the US in 2016, a 77% increase from 1997,²³ and 24.8 million non-employer establishments, a 60% increase from 1997.²⁴ Their growth has far exceeded the expansion rates for employer businesses and the population as a whole.

Participation in gig and independent work

Finally, consulting firms, policy organizations and industry groups release their own reports examining gig and independent work that primarily rely on surveys and use different definitions and means of measuring activity. These reports tend to identify much higher levels of gig and independent work than the other sources. To cite a few recent examples:

- The 2017 Freelancing in America²⁵ survey determined that 36% of the US workforce (57 million people) is freelancing, with 30% doing so full-time.

²¹ Schedule C (Form 1040) is used to report income or loss from a business that the filer operated or from a profession practiced as a sole proprietor.

²² Jackson et al 2017.

²³ Bureau of Economic Analysis, US Economic Profile. 2016.

²⁴ US Census Non-Employer Statistics and County Business Patterns. 2016.

²⁵ Freelancing in America: 2017, Edelman Intelligence commissioned by Upwork and the Freelancers Union.

The report suggests freelance work grew 3 times faster than the US workforce since 2014, yielding \$1.4 trillion in earnings.

- The 2018 State of Independence in America report based on an online survey indicated 41.8 million people in the US are independent workers, a 2.2% increase over 2017, generating \$1.3 trillion of revenue for the US economy (6.7% of GDP). The report states, “47% of the US adult workforce reports either currently working or having worked as an independent contractor at one time during their career.”²⁶ A separate report from the same source estimates independents as 32% of the US workforce.²⁷
- A Gallup study released in August 2018 and based on a survey of working adults estimates that “36% of US workers are in the gig economy.”²⁸ Examining both primary and secondary jobs, their definition includes online platform workers, freelancers, contractors, and temporary workers.

Summary

- About 1% of US workers are engaged in online platform work.
- Approximately 10% of US workers are self-employed or have an alternative work arrangement (including independent contractors) as their primary job. These percentages are decreasing.
- Business activity associated with gig and independent work is substantial and growing. 15% of individuals who file a tax return with earnings also file Schedule C (earnings from business profit/loss), and the percentage has been increasing.
- Many more US workers – generally ranging from 30%-45% of total respondents – report to private sector surveys that they have or currently are participating in gig and independent work in either a full-time or part-time, primary or supplemental capacity.

What is Happening in the Washington Region?

What do these trends mean for the Washington region? What role does gig and independent work play in the regional economy? We used federal survey and administrative data to examine self-employment, non-employer establishments,

²⁶ *State of Independence* 2018. Independent workers include consultants, freelancers, contractors, and temporary or on-call workers.

²⁷ *Looking forward: What will the independent workforce look like in 2027?* 2017. MBO Partners.

²⁸ <https://www.gallup.com/workplace/240929/workplace-leaders-learn-real-gig-economy.aspx>, citing *The Gig Economy and Alternative Work Arrangements*, 2018. Gallup.

proprietors, workers with alternative arrangements, and Schedule C filers to paint a picture of the contributions gig and independent workers make to the Washington regional economy. This section considers the numbers of people engaged in gig and independent work, income associated with their work, the industries in which they are active, and additional characteristics of gig and independent workers.

How many people are involved in gig and independent work in the Washington region?

We estimate that 10-15% of people in the workforce perform gig and independent work in the Washington region at any given time. The percentage of workers who are primarily self-employed has declined slightly but more people are starting side businesses or conducting other types of gig and independent work.

- Approximately 271,000 individuals were self-employed²⁹ in the Washington region in 2016. This number has increased since 2005 (though not steadily), but the percentage of self-employed workers relative to total employed workers declined to 8.4% in 2016 from 9.2% in 2005.
- Individuals with alternative employment arrangements³⁰ are estimated at 367,200, or 11.2% of workers in the Washington region. Most of these workers are independent contractors, but they may also be on-call or temporary workers. Within this group, approximately 36,000 employees worked for temporary help services establishments in 2016.³¹
- Tax filings suggest a higher level of self-employment and independent work. Approximately 458,000 tax returns (15% of total returns) filed in the Washington MSA included the schedule indicating self-employment,³² and 604,000 returns (20% of the total) included a Schedule C in 2015.³³ Over the past two years the number of tax returns with these schedules grew faster than total returns or returns with wages and salaries (Figure 1).

²⁹ Self-employment is a class of worker category from the US Census Bureau. Data were obtained from the American Community Survey and are based on the person's job during the previous week.

³⁰ Contingent and alternative employment arrangements include independent contractors, contingent workers (those who do not expect their employment to continue past one year), on-call workers, temporary help agency workers, and workers provided by contract firms. National level data were obtained from the Bureau of Labor Statistics survey on Contingent and Alternative Employment Arrangements conducted in May 2017 as part of the Current Population Survey based on the respondent's primary job or job worked in the previous week and adapted to the Washington region based on industry specialization.

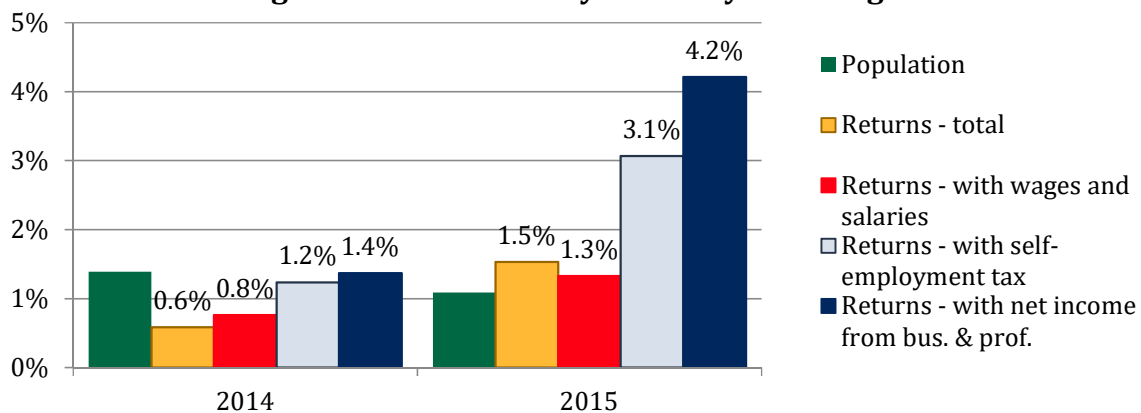
³¹ US Census Bureau County Business Patterns 2016.

³² Schedule SE (Form 1040) is used to determine the tax due on net earnings from self-employment.

³³ Schedule C (Form 1040) is used to report income or loss from a business that the filer operated or from a profession practiced as a sole proprietor.

- Non-employer establishments³⁴ are another common way of measuring gig and independent work. In 2016 there were more than 549,00 non-employer establishments in the Washington region. These small, primarily sole proprietor businesses have been growing rapidly, increasing 86% between 1997 and 2016, compared to growth rates of 49% for employer establishments and 36% for the region's population (Figure 2). Counting each establishment as one owner/worker, they now account for 17% of total employment at all establishments.

Figure 1. Tax Returns - year over year change



Source: IRS, CityScope Analytics; The Stephen S. Fuller Institute at the Schar School, GMU

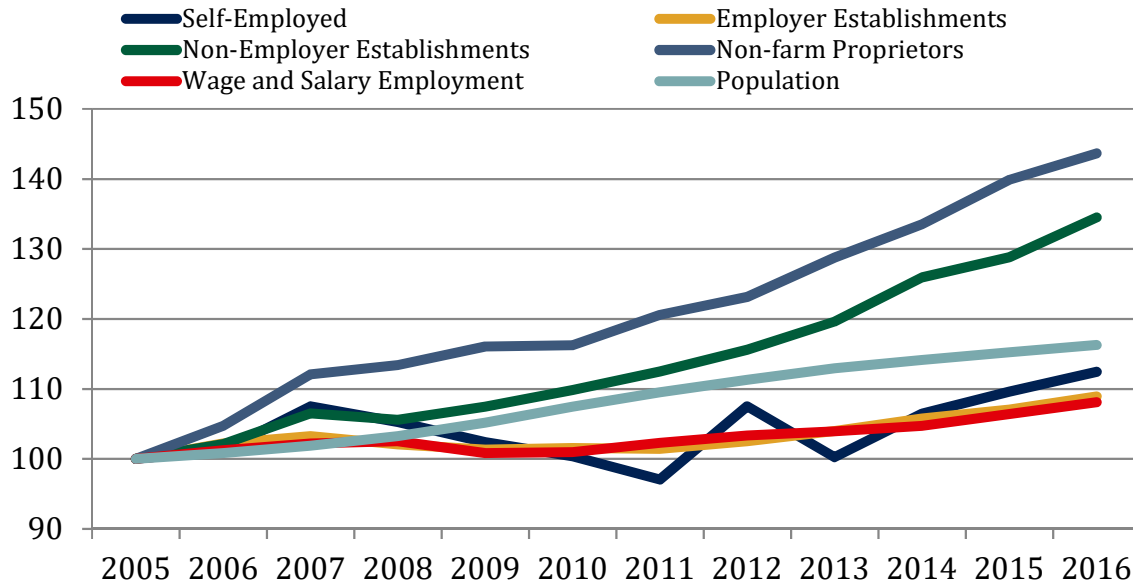
- The number of unincorporated businesses, which are primarily sole proprietorships or partnerships,³⁵ in the Washington region has also grown, reaching nearly 918,000 in 2016. There is now one proprietor for every 3.6 wage and salary workers in the Washington region. The number has doubled since 1997, while wage and salary employment has only increased 26%.

Figure 2 illustrates the growth patterns of several measures of gig and independent work since 2005 compared to employer-based work.

³⁴ Non-employer establishments have no paid employees, have annual business receipts of at least \$1,000, and are subject to federal income tax. Data were obtained from the US Census Bureau and are based on tax return data from the Internal Revenue Service.

³⁵ Proprietors are owners of unincorporated businesses, which primarily consist of sole proprietorships and partnerships. The data in this report focuses on nonfarm proprietors. Data are obtained from the Bureau of Economic Analysis based on tax data from the Internal Revenue Service.

**Figure 2. Growth in Gig and Independent Work, Employee Work, and Population, Washington Region, 2005-16
(2005=100)**



Source: US Census Bureau (Nonemployer Statistics, County Business Patterns, American Community Survey - IPUMS-USA) and Bureau of Economic Analysis; The Stephen S. Fuller Institute at the Schar School, GMU.

Note: Gig and independent work = self-employed, nonfarm proprietors, and non-employer establishments.

How much money does gig and independent work contribute to the economy?

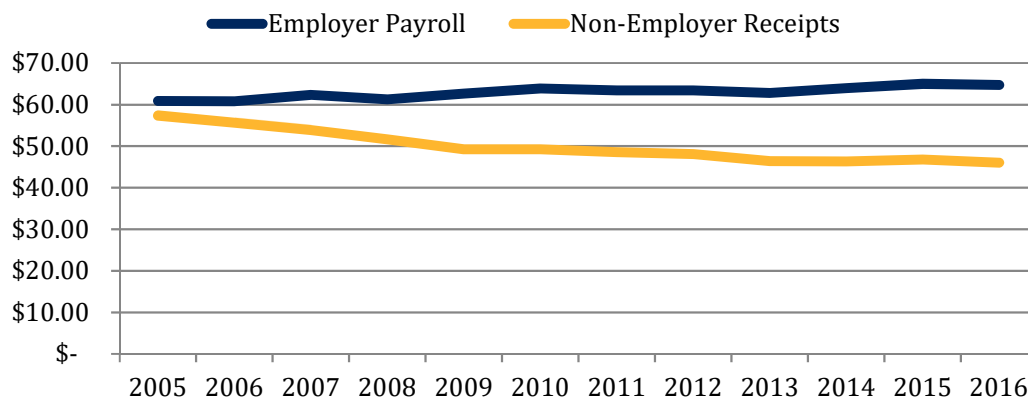
The short answer is much less than the number of gig and independent workers would suggest. While total income has increased, the average earnings from gig and independent work are relatively low, especially compared to wage and salary earnings. However, there is wide variation depending on the type of gig or independent work. The decline in earnings per gig and independent worker suggests that most of the recent growth has been in part-time, occasional, or supplemental work rather than as the primary source of earnings. Overall, approximately 3-10% of total income or earnings in the regional economy appears associated with gig or independent work.

- The total income generated in the region from gig and independent work has been increasing along with the expansion in activity. In 2016, receipts associated with non-employer establishments exceeded \$25 billion, while proprietors' income reached \$33 billion – or 10% of all earnings by place of work.
- In 2015, Schedule C business or professional net income reported in the Washington MSA grew to \$9 billion, or 3.2% of total income. By contrast,

wages and salaries were \$200 billion, or 71% of total income reported. Total income in this context includes sources beyond earnings from work.

- At the same time, the average income for each gig and independent worker has been declining. For example, the inflation-adjusted receipts per non-employer establishment in the Washington region have declined to just over \$46,000. By comparison, payroll per employee has climbed to over \$65,000 (Figure 3).

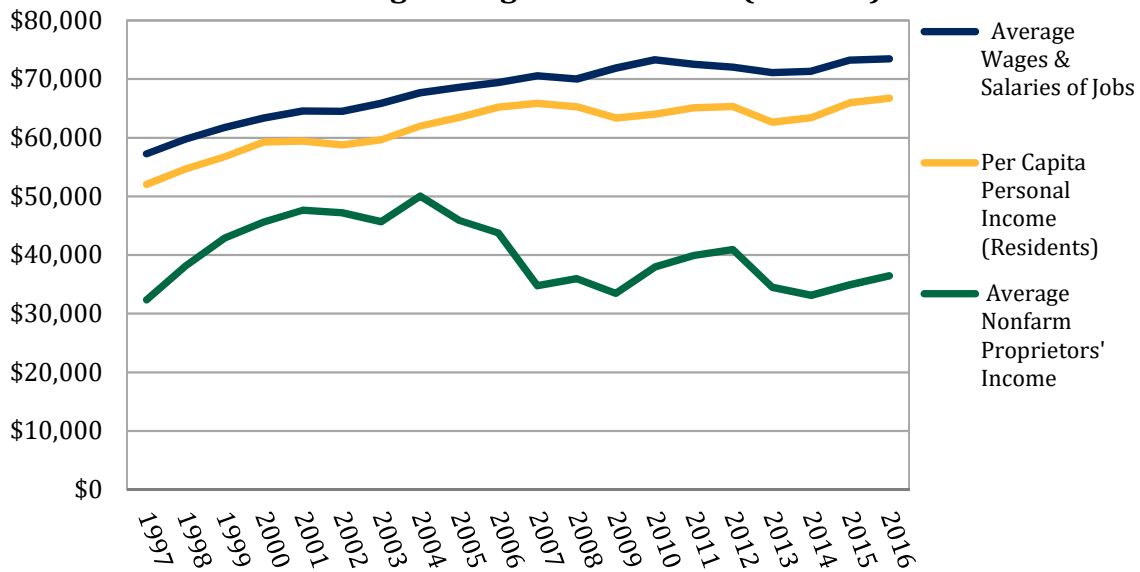
Figure 3. Average Non-Employer Receipts and Average Employer Payroll, Washington Region (000s of 2016 \$s)



Source: US Census Bureau (Nonemployer Statistics, County Business Patterns);
The Stephen S. Fuller Institute at the Schar School, GMU

- Similarly, average proprietors' income remains relatively low at just over \$36,000, which is about one-half of the average wage and salary level of \$73,000. The gap has been widening (Figure 4).

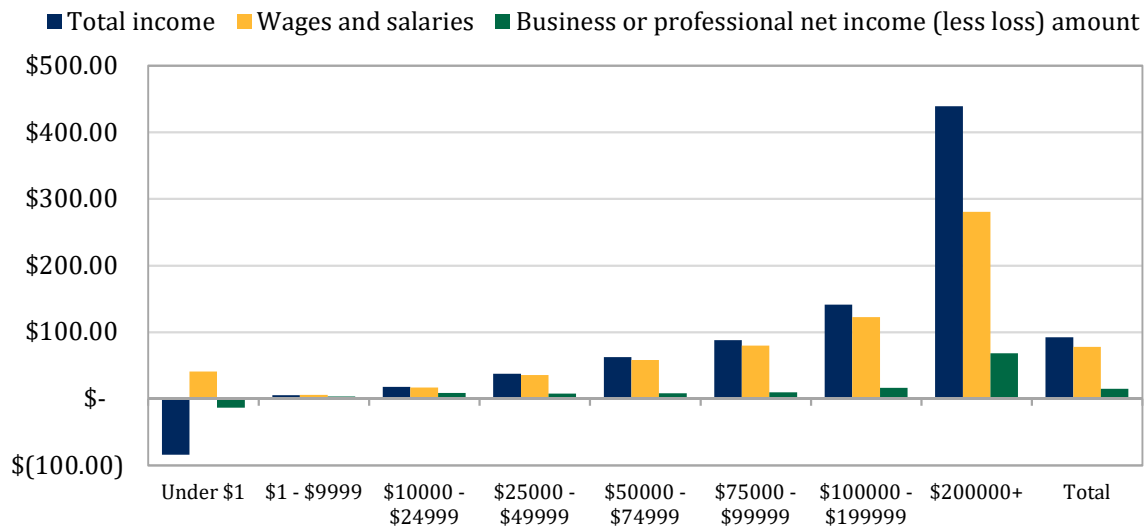
Figure 4. Average Nonfarm Proprietors' Income, Wages & Salaries, and Per Capita Personal Income Washington Region 1997-2016 (2016 \$s)



Sources: U.S. Bureau of Economic Analysis; The Stephen S. Fuller Institute at the Schar School, GMU

- The region's average reported business or professional net income amount from Schedule C filers was \$15,000 in 2015. As Figure 5 shows, average Schedule C net income is relatively low in all income categories, ranging from \$3,000 for those with less than \$10,000 in total income to nearly \$70,000 for those with total income exceeding \$200,000.

Figure 5. Average Income From All Sources, Wages & salaries, and Schedule C Net Income (\$000), by Income Category, 2015



Source: Statistics of Income, Internal Revenue Service; The Stephen S. Fuller Institute at the Schar School of Policy and Government

What are gig and independent workers doing?

The Washington region's gig and independent workers are concentrated in the following industries.

The **Professional, Scientific & Technical Services** sector, which includes consultants, lawyers, accountants, computer services, and research activity, is the Washington region's dominant industry category, representing 15% of wage and salary employment. It is also the leading category for gig and independent workers. 23% of the region's self-employed and 20% of the region's non-employer establishments are in professional services. Many of these workers are categorized as consultants. Approximately 13% of all workers in Professional Services are self-employed.

The **Other Services** sector includes repair and maintenance work, personal care services, and religious, civic or professional organizations. 12% of the region's self-employed and non-employer establishments fall into this category, many of whom are engaged in salon services, personal training, or other types of personal care. Approximately 17% of all workers involved in Other Services are self-employed.

The **Construction** sector includes construction of buildings or engineering projects such as highways. 8% of non-employer establishments but 12% of the self-employed are in Construction. Approximately 17% of those working in construction are self-employed.

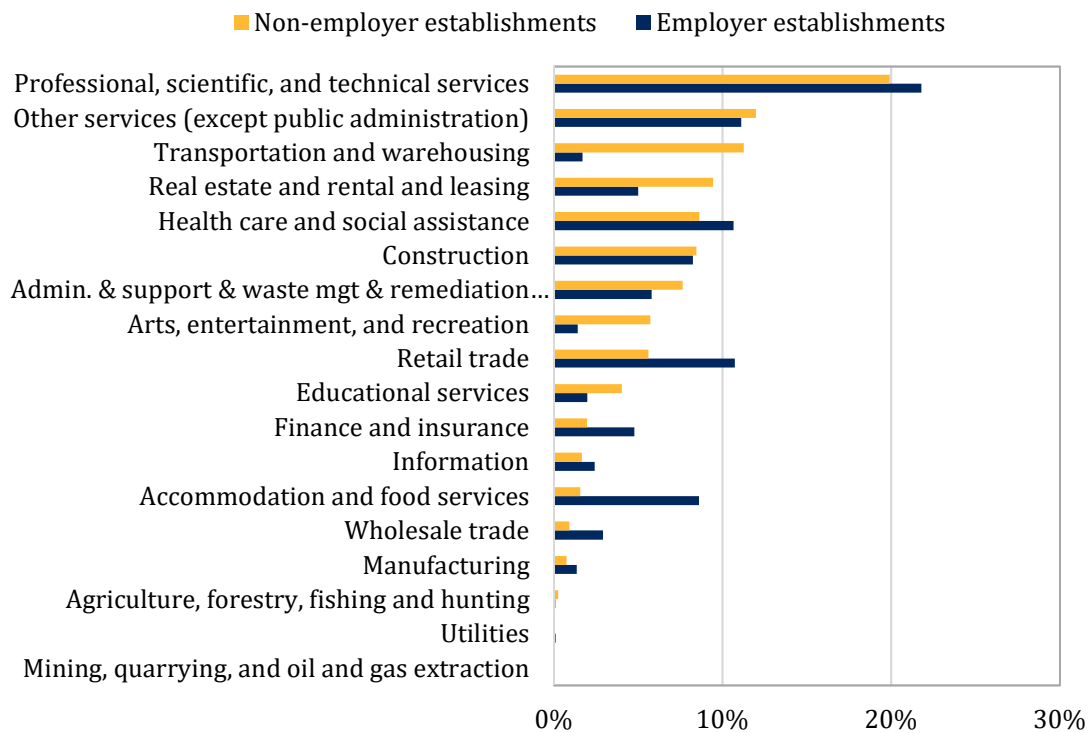
Health Care and Social Assistance covers offices of doctors and other care centers, home health care, hospitals, nursing and residential care facilities, and social assistance. 9% of non-employer establishments and 11% of the self-employed are in this sector. Approximately 9% of those working in health care and social assistance are self-employed.

Transportation and Warehousing includes taxi and limousine services, as well as all other transportation modes, sightseeing transportation, couriers, and warehousing and storage activities. Approximately 11% of non-employer establishments but less than 5% of the self-employed are in this sector. The non-employer establishment data appears to capture better the changes this sector has experienced, showing that the number of taxi and limousine service establishments without employees increased over 150% between 2010 and 2015, accounting for nearly 6% of all non-employer establishments in the Washington region.

Real Estate and Rental and Leasing primarily captures real estate rentals, management, sales, and related services. 9% of the region's non-employer establishments and 5% of the self-employed are engaged in this sector. Real estate agents and brokers account for about one-third of the category's non-employer establishments. Approximately 20% those working in real estate and rental and leasing are self-employed.

In many industries, gig and independent work does not follow the same pattern as employer-based wage and salary work. For example, Figure 6 shows that the industries in which non-employer establishments operate are distinct from the Washington region's employer establishments. While professional services and other services top both lists, the transportation and warehousing, real estate, and arts, entertainment and recreation sectors stand out for their higher percentages of non-employer establishments.

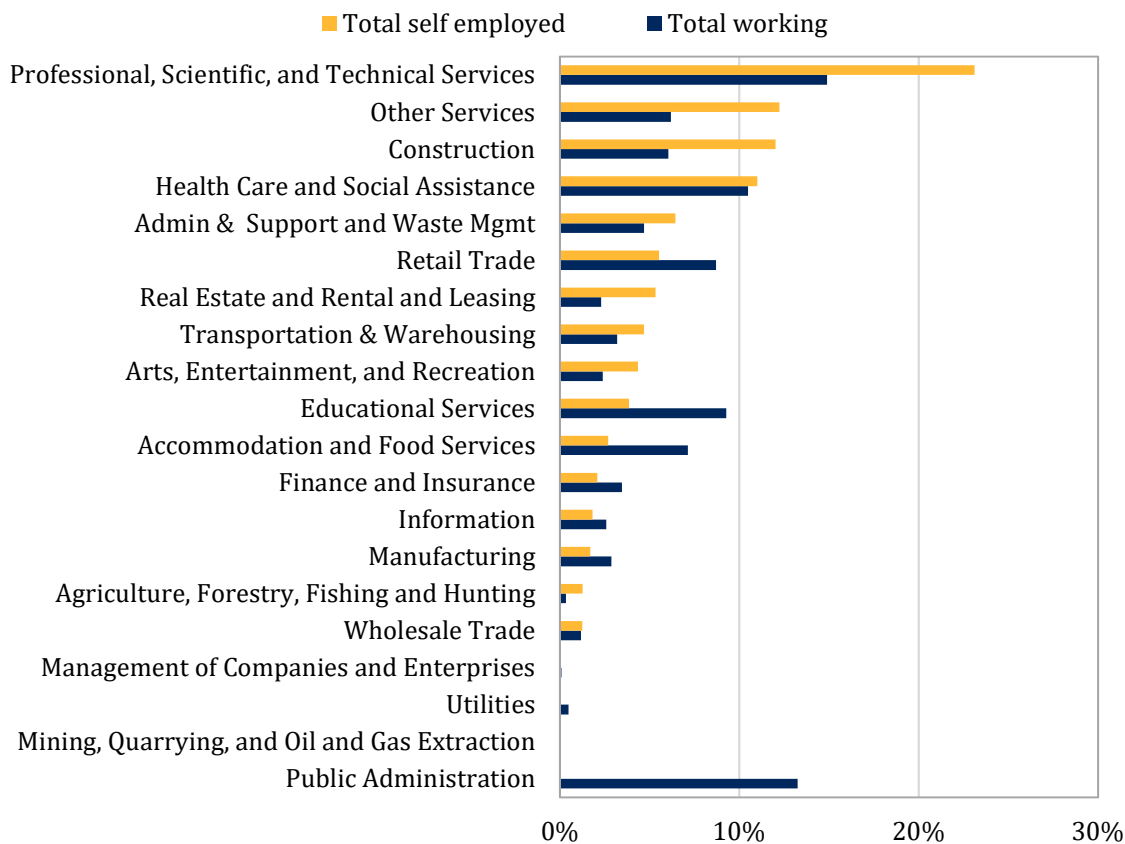
Figure 6. Industry Distribution For Non-Employer and Employer Establishments, Washington Region, 2016



Source: US Census Bureau (Nonemployer Statistics, County Business Patterns);
The Stephen S. Fuller Institute at the Schar School, GMU

Figure 7 shows differences between the industries in which the self-employed are more active compared to the total working population, with greater concentrations of self-employment in professional services, other services, construction, real estate, transportation, and arts, entertainment and recreation. By contrast, retail trade, educational services, accommodation and food services, and, of course, public administration have low levels of self-employment relative to the total number of workers.

Figure 7 Industry Distribution for Self-Employed and Total Working Population, Washington region, 2014-2016



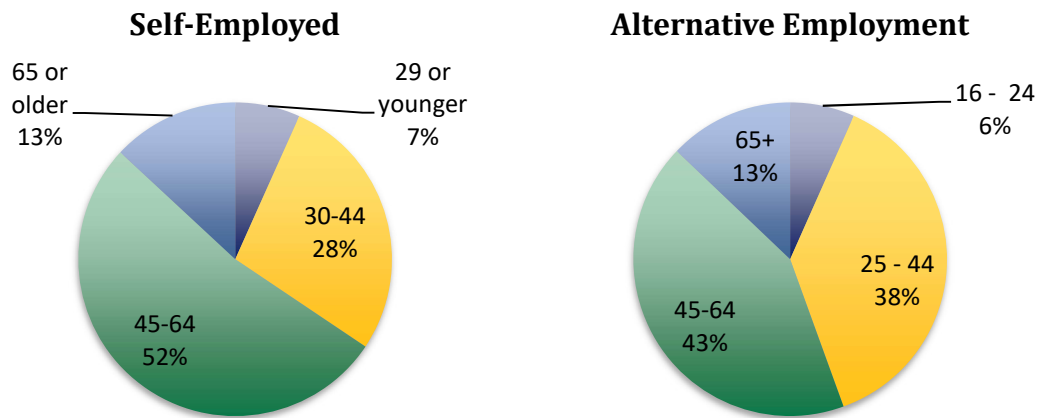
Source: US Census Bureau (American Community Survey, Industry by Class of Work);
The Stephen S. Fuller Institute at the Schar School, GMU

Age, gender and income

A high percentage of gig and independent workers in the Washington region are men. Men account for 58% of the self-employed in the Washington region, and estimates based on national statistics would indicate that they represent 60% of workers with alternative employment arrangements and as many as 85% of online platform economy workers.

Gig and independent workers are older than the workforce overall. 52% of the self-employed are between the ages of 45 and 64 compared to approximately 35% of the workforce. 13% of the self-employed are over the age 65 compared to roughly 8% of the workforce. At the other end of the spectrum only 7% are under 29 compared to 24% of the workforce. Estimates based on national statistics indicate that the same is true for workers with alternative arrangements – 43% of whom are 45-64 compared to only 6% under the age 24. (Figure 8)

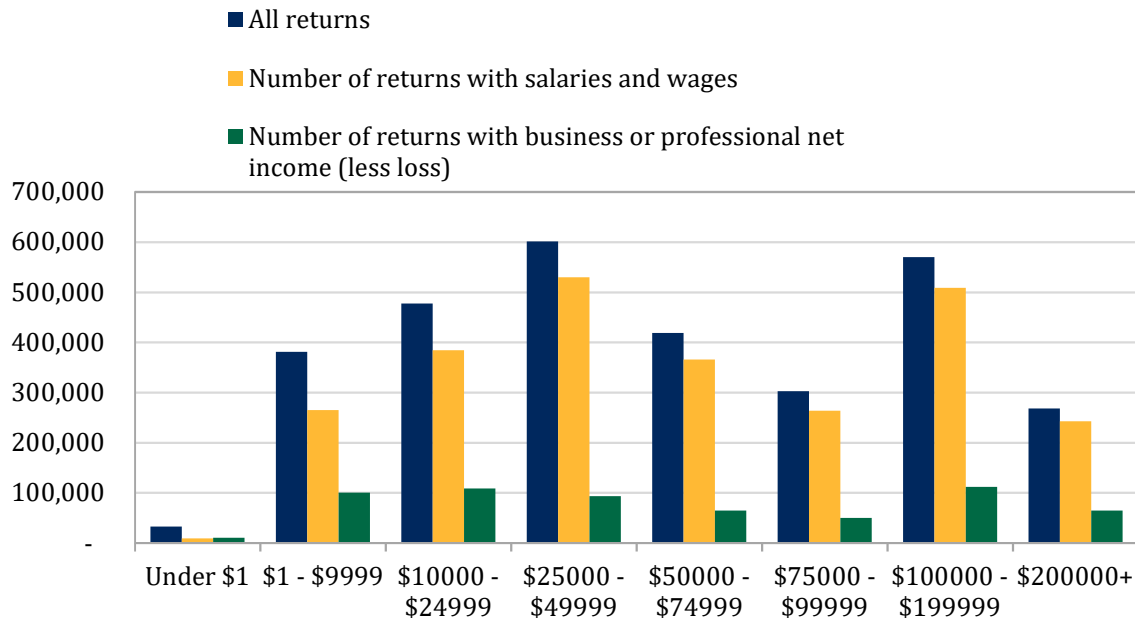
Figure 8. Self-employed and workers with alternative employment arrangements by age category, Washington Region, 2016



Source: US Census Bureau (American Community Survey - IPUMS-USA), Bureau of Labor Statistics and CityScope Analytics; The Stephen S. Fuller Institute at the Schar School, GMU

Gig and independent work matters most at low and high income levels. While people of all income levels are engaged in gig and independent work as measured by Schedule C activity, middle-income earners are less likely to be gig and independent workers (Figure 9).

Figure 9. Number of Returns by Income Range and Select Source, Washington Region, 2015



Source: Statistics of Income, Internal Revenue Service; The Stephen S. Fuller Institute at the Schar School, GM

Figure 10 shows that 17% of returns that included Schedule C have total income under \$10,000 compared to 12% of all returns. At the high end, 11% of returns that include Schedule C report total income over \$200,000 compared to 9% of all returns. In total:

- 37% of returns that include Schedule C report total income under \$25,000
- 34% report total income between \$25,000 and \$100,000
- 30% report total income over \$100,000

Figure 10. Percent of Returns by Income Range and Select Source, Washington Region, 2015

	All returns	Returns with salaries and wages	Returns with business or professional net income (less loss)
Under \$1	1%	0%	2%
\$1 - \$9999	12%	10%	17%
\$10000 - \$24999	16%	15%	18%
\$25000 - \$49999	20%	21%	15%
\$50000 - \$74999	14%	14%	11%
\$75000 - \$99999	10%	10%	8%
\$100000 -	19%	20%	19%

\$199999			
\$200000+	9%	9%	11%
Total	100%	100%	100%

Source: Statistics of Income, Internal Revenue Service; The Stephen S. Fuller Institute at the Schar School, GMU

Finally, Figure 11 indicates that Schedule C income accounts for 11-17% of total income for those in the lowest income categories compared to 3.2% across the board and 2-4% in the upper income categories.

Figure 11. Schedule C Income and Salaries & Wages as a Percentage of Total Income, by Income Range, Washington Region, 2015

Income	Business or professional net income (less loss) amount	Salaries and wages amount
\$1 - \$9999	17.3%	77%
\$10000 - \$24999	11.0%	77%
\$25000 - \$49999	3.1%	84%
\$50000 - \$74999	2.0%	81%
\$75000 - \$99999	1.8%	79%
\$100000 - \$199999	2.3%	78%
\$200000+	3.7%	58%
Total	3.2%	71%

Source: Statistics of Income, Internal Revenue Service; The Stephen S. Fuller Institute at the Schar School, GMU

Summary

- The number of gig and independent workers is increasing and accounts for a growing percentage of work performed in the Washington region.
- Average income or earnings per gig and independent worker is declining. Secondary or supplemental business activity seems to have expanded relative to the full-time self-employed and independent contractors in the region.
- Gig and independent workers are active in many of the region's leading industry clusters, with a notable role in professional services, other services, real estate, construction, healthcare, and transportation.
- Gig and independent workers are more likely to be men and are generally older than the overall workforce.
- Gig and independent work is an important source of earnings at lower income levels.

- Individuals with middle incomes are the least likely to conduct gig and independent work, with higher rates found at the lower and upper income ranges.

How Does the Washington Region Compare?

Some measures of gig and independent work have been growing faster in the Washington region compared to other large metropolitan areas. Non-employer establishments in the Washington region grew 78% between 1997 and 2015, placing it 6th among the 15 largest metro areas.³⁶ Similarly, the region experienced a 130% increase in proprietors' income over this period, the fastest growth rate among the large metro areas.³⁷

On the other hand, the Washington area had an 8.4% self-employment rate and ranked 12th by this measure, putting it in line with most of the large east coast and Midwestern cities. Self-employment rates have declined in most of the top MSAs, including Washington, since 2007 (Figure 12).

Figure 12: Self-Employment as Percentage of Total Employment, 15 Largest Metros, 2007 and 2016



Source: US Census Bureau (American Community Survey - IPUMS-USA);
The Stephen S. Fuller Institute at the Schar School, GMU

³⁶ Harpel, Ellen and Jeannette Chapman. "Working Without a Job: Trends in Non-Employer Establishments." 2017. The Stephen S. Fuller Institute.

³⁷ Harpel, Ellen. "Earnings Without a Salary: Trends in Proprietors' Income in the Washington Region." 2018. The Stephen S. Fuller Institute.

Average gig and independent earnings per worker are also generally lower in the Washington region than in other major metro areas, suggesting that the work conducted in this area is more likely to be supplemental rather than a primary work activity. The Washington region ranked 11th by receipts per non-employer establishment.³⁸ Proprietors' income as a share of earnings was 10%, also placing Washington 11th by this measure.³⁹

The characteristics of the self-employed are also different in the Washington region compared to other metropolitan areas. The Washington region has a higher percentage of the self-employed in older age categories (Figure 13) and among women (Figure 14).

Figure 13. Percentage of Total Self-Employment by Age Category, 15 Largest Metros, 2016

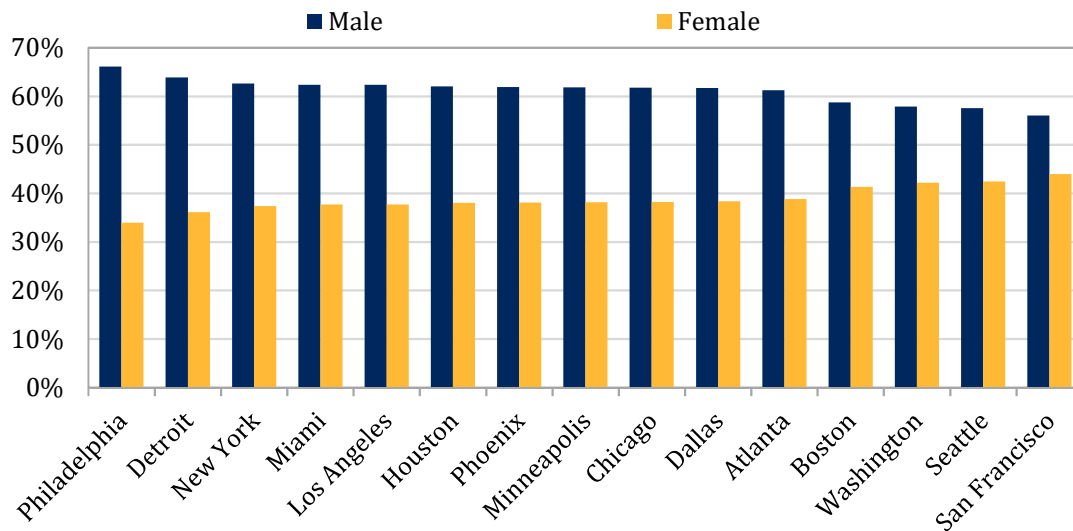
29 or younger		30-44		45-64		65 or older	
Philadelphia	5.6%	Boston	25.6%	Houston	47.3%	Houston	8.6%
Boston	6.3%	Detroit	25.8%	Phoenix	48.2%	Dallas	9.4%
Minneapolis	6.5%	Philadelphia	27.0%	Atlanta	48.8%	Atlanta	9.9%
Washington	6.7%	Seattle	27.4%	Minneapolis	49.4%	Los Angeles	10.7%
New York	6.9%	Washington	27.7%	Dallas	49.6%	Phoenix	10.7%
San Francisco	6.9%	San Francisco	28.0%	Seattle	50.7%	Miami	10.8%
Miami	7.0%	Los Angeles	28.9%	Chicago	50.7%	Chicago	10.9%
Detroit	8.0%	New York	29.0%	Los Angeles	51.2%	New York	12.5%
Atlanta	8.1%	Chicago	29.9%	New York	51.6%	Minneapolis	12.6%
Dallas	8.5%	Miami	30.3%	San Francisco	51.6%	Washington	13.1%
Chicago	8.5%	Phoenix	31.5%	Miami	51.9%	Seattle	13.3%
Seattle	8.6%	Minneapolis	31.5%	Boston	52.4%	Philadelphia	13.5%
Los Angeles	9.2%	Dallas	32.5%	Detroit	52.5%	San Francisco	13.5%
Phoenix	9.6%	Atlanta	33.2%	Washington	52.5%	Detroit	13.8%
Houston	9.6%	Houston	34.5%	Philadelphia	54.0%	Boston	15.8%

Source: US Census Bureau (American Community Survey - IPUMS-USA); The Stephen S. Fuller Institute at the Schar School, GMU

³⁸ Harpel and Chapman 2017.

³⁹ Harpel 2018.

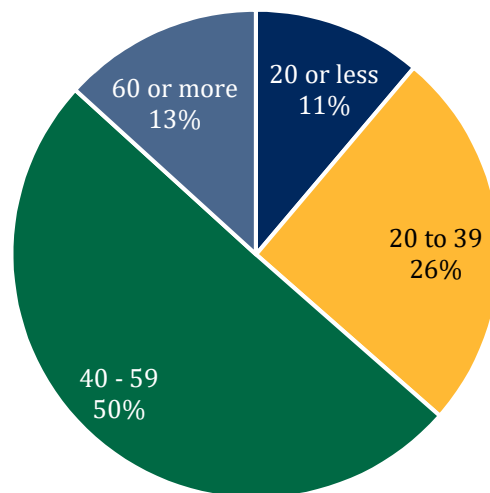
Figure 14. Self-Employment by Gender, 15 Largest Metros, 2016



Source: US Census Bureau (American Community Survey - IPUMS-USA);
The Stephen S. Fuller Institute at the Schar School, GMU

Over 60% of the Washington region's self-employed indicate they work more than 40 hours per week suggesting that this is their primary source of earnings (Figure 15). Self-employed workers in Washington are somewhat more likely to work either few (less than 20) or many (more than 60) hours compared to other metro areas (Figure 16).

Figure 15. Self-Employed by Hours Worked, Washington Region, 2016



Source: US Census Bureau (American Community Survey - IPUMS-USA);
The Stephen S. Fuller Institute at the Schar School, GMU

Figure 16. Self-Employment by Hours Worked, 15 Largest Metros, 2016

20 or less hours		20 to 39 hours		40 – 59 hours		60 or more hours	
Miami	8%	Philadelphia	23%	Seattle	46%	Miami	9%
Houston	9%	Dallas	24%	San Francisco	47%	San Francisco	10%
Philadelphia	9%	Atlanta	25%	Phoenix	49%	Los Angeles	11%
New York	9%	Minneapolis	25%	Boston	49%	Seattle	11%
Atlanta	9%	Washington	25%	Detroit	50%	Boston	12%
Chicago	9%	New York	25%	Minneapolis	50%	Houston	12%
Dallas	10%	Chicago	26%	Washington	50%	Detroit	12%
Detroit	10%	Houston	26%	Los Angeles	51%	Phoenix	12%
Los Angeles	11%	Miami	27%	Atlanta	51%	Minneapolis	13%
Washington	11%	Boston	27%	Chicago	52%	Chicago	13%
Phoenix	12%	Los Angeles	28%	Philadelphia	52%	Washington	13%
Boston	12%	Phoenix	28%	New York	52%	New York	13%
Minneapolis	12%	Detroit	29%	Houston	53%	Dallas	14%
San Francisco	13%	Seattle	29%	Dallas	53%	Atlanta	14%
Seattle	14%	San Francisco	30%	Miami	55%	Philadelphia	16%

Source: US Census Bureau (American Community Survey - IPUMS-USA); The Stephen S. Fuller Institute at the Schar School, GMU

Metropolitan areas also have different concentrations of self-employment among the top industries in which the self-employed are most active. The Washington region stands out for its high proportion of self-employment in professional services (Figure 17).

Figure 17. Self-Employment in Select Industries as a Percentage of Total Self-Employment, 15 Largest Metros, 2016

Construction		Health Care and Social Assistance		Other Services (except Public Administration)		Professional, Scientific, and Technical Services	
San Francisco	11%	Atlanta	7%	Philadelphia	10%	Houston	13%
New York	11%	Miami	8%	Minneapolis	11%	Miami	13%
Seattle	12%	Detroit	8%	New York	11%	Phoenix	14%
Los Angeles	12%	Phoenix	8%	Washington	12%	Minneapolis	14%
Washington	14%	Los Angeles	8%	Chicago	12%	Dallas	14%
Phoenix	14%	Houston	8%	Seattle	12%	Los Angeles	15%
Boston	14%	Seattle	9%	Detroit	13%	Detroit	15%
Minneapolis	15%	Dallas	9%	Boston	13%	Chicago	16%
Chicago	15%	Philadelphia	9%	Dallas	13%	Philadelphia	16%
Detroit	15%	Minneapolis	10%	San Francisco	14%	Atlanta	17%
Houston	16%	Chicago	11%	Los Angeles	14%	New York	17%
Philadelphia	16%	Washington	11%	Atlanta	14%	Seattle	18%

Atlanta	17%	New York	11%	Miami	15%	Boston	20%
Miami	17%	San Francisco	11%	Houston	16%	San Francisco	20%
Dallas	18%	Boston	12%	Phoenix	17%	Washington	22%

Source: US Census Bureau (American Community Survey - IPUMS-USA); The Stephen S. Fuller Institute at the Schar School, GMU

Summary

- A faster-growing number of people are engaged in gig and independent work in the Washington region compared to other top metro areas, but earnings per establishment are lower and declining, suggesting that this new work is supplemental rather than a primary source of income.
- The self-employed are an important subset of gig and independent work because they identify self-employment as their primary job. The self-employment rate in the Washington region is lower than in other top metro areas and, as in most places, is declining.
- The Washington region's self-employed are older, tend to work full-time, and are more likely to be female than in other cities. They are also more likely to be professionals, indicating an important supporting role within the region's leading industry.
- Taken together, it appears that more people in the Washington region are engaged in gig and independent work as a choice – either as a career preference or to supplement income – rather than as an economic necessity.

Conclusion

Gig and independent work is growing in the Washington regional economy, engaging hundreds of thousands of people who are working in a variety of ways outside of an employer-employee relationship. The characteristics of the recent growth in gig and independent work in the Washington region suggest the expansion is largely supplemental activity, but there is a core for whom gig and independent work is full-time and/or their primary source of income. Gig and independent work is a positive phenomenon for many individuals because it provides greater opportunity, control, flexibility, and income potential. For others, however, it represents a precarious necessity rather than a choice.

Gig and independent work is not an economic driver, but it will influence the region's competitiveness. Most people continue to work as employees, and the earnings associated with gig and independent work still account for a small portion of total regional income. Yet gig and independent work plays an important

supporting role in many of the region's leading industries, and the region's demographic and industry characteristics suggest that the demand for and supply of gig and independent workers will continue to grow.

The implications are that as more individuals are creating their own jobs or earning additional income through gig and independent work arrangements, the regional economy may become less reliant on full-time employment than in the past. Establishments of all types are likely to expand their engagement of gig and independent workers as a complement to their employee workforce. More individuals can expect to find themselves engaged in gig and independent work at some point – or multiple points – over the course of their careers. Preparing for independent work is becoming a career imperative.