

Consequences of Restricting Independent Work

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Legislation recently proposed in various US government bodies has featured greater restrictions in independent contractor classifications. In 2019 California passed Assembly Bill 5 (AB5), which codified the “ABC test,” a stricter test for determining whether a worker is an employee or an independent contractor.¹ As intended, AB5 has made it more difficult for workers in California to be classified as independent contractors. Meanwhile, a bill that recently passed the US House of Representatives—the Protecting the Right to Organize (PRO) Act—attempts to implement a similar ABC test for workers throughout the nation.² The bill would make it more difficult for US workers to be classified as independent contractors.

This legislation is often justified as an effort to combat misclassification of independent contractors. Moreover, independent contractors are left out of employment-based protections and labor regulations (e.g., minimum wage requirements, overtime regulations, paid leave), so legislation that causes independent contractors to be reclassified as employees would enable more workers to receive employment-based benefits from the companies that hire them.

This piece refers to individuals who are engaged in independent contracting as *independent workers*, a term that encompasses gig and platform workers, freelancers, contractors, and workers in other types of external or alternative labor arrangements.³

Ostensibly, AB5 and the PRO Act are intended to make independent workers better off. But there are reasons to be skeptical that independent contractors will benefit from new restrictions to independent contracting:

- A majority of independent workers prefer their nontraditional job arrangements over an employment arrangement because independent work provides far more flexibility in terms

of work schedule. Work-schedule flexibility in nontraditional arrangements gives workers more freedom to choose what time to work and how often to work. In contrast, traditional employment often means a specified schedule (e.g., nine-to-five) and a specified quantity of work (e.g., 48 weeks a year).

- Many independent workers would not receive the additional benefits associated with becoming employees, because many of them would neither become employees nor be able to maintain their jobs as independent workers.
- Independent work is an important source of income for those who have recently faced income loss and unemployment. Therefore, the loss of independent work opportunities would cause particular harm to these more vulnerable individuals, many of whom would lose their independent work income sources after already facing unemployment and income loss.
- Restricting independent work opportunities and reclassifying independent work as traditional employment would be harmful for women, many of whom turn to independent work for the flexibility they need in their work schedules.
- Restricting independent work would also harm small technology startups that rely on independent workers. These technology startups are valuable because they tend to be highly innovative and have the potential to contribute substantially to job creation—harming them would further limit work opportunities for independent workers.

This policy brief will explore each of these points, showing how legislation that substantially limits independent work will cause more harm than benefit to independent workers. Instead of limiting work opportunities, policymakers should aim to provide more desirable portable benefits options for these workers.

FEWER OPTIONS FOR MAJORITY OF WORKERS WHO PREFER INDEPENDENT WORK

One way to evaluate whether independent workers would be better off with the ABC test is to investigate their preferences. Would most independent workers *prefer* to be reclassified as employees?

At least 14 surveys provide evidence of an overwhelming consensus: most independent workers would like to keep their nontraditional work arrangements.⁴ This is because most independent workers choose those types of work arrangements because such arrangements afford them more flexibility.

The US Bureau of Labor Statistics reported in 2017 that 79 percent of independent contractors preferred their arrangement over a traditional job and fewer than 1 in 10 independent contractors would prefer a traditional work arrangement instead.⁵ The individuals surveyed were workers who indicated that independent contractor work was their primary source of income.

The report “Freelancing in America: 2019” found that that 71 percent of individuals engaging in independent work appreciate the increased flexibility of their work.⁶ The report separates those who do independent work full time from those who do it part time and finds that the vast majority of both full-time (79 percent) and part-time (73 percent) independent workers indicate that they engage in this type of work in order to have a more flexible lifestyle.

Indeed, according to the same report, approximately 46 percent of these workers state that independent work gives them the flexibility they need because they are unable to work for a traditional company owing to personal circumstances (health issues or family obligations). According to the survey, the proportion of workers who are parents and caregivers is higher for independent workers (46 percent) than for US workers overall (38 percent).⁷

In fact, 51 percent of individuals engaging in independent work indicated that there is no amount of money that would entice them to switch back to traditional employment.⁸

The results of the “Freelancing in America: 2019” report are similar to those of an economic study that created a model to estimate the value of flexibility to UberX drivers.⁹ The economists found that for any given driver, the hours the driver drove in one week differed significantly from those the driver worked in the next week—in other words, most drivers changed the hours they worked from week to week. The study also found that drivers would require almost twice as much pay to accept the inflexibility that comes from adopting a taxi-style schedule. The researchers concluded that drivers would reduce their hours driving on the Uber platform by more than two-thirds if they were required to work more-inflexible hours, such as those of a taxi-style schedule.¹⁰

Another high-profile survey of independent workers, published in the *Journal of Economic Perspectives* in 2020, found that among the self-employed “the degree of flexibility that self-employed work offers seems likely to be the main driver of relatively high levels of satisfaction.”¹¹

Studies from consulting firms McKinsey Global Institute, EY Global, and MBO Partners also all point to flexibility as the primary driver of independent workers engaging in this type of work.¹²

Overall, the survey research indicates that a vast majority of independent workers would prefer to keep their nontraditional job arrangements rather than enter an employment arrangement, because the former provides extensive work-schedule flexibility. This means that, judging from what independent workers say about their own preferences, most of them would be worse off if they were forced to be classified as employees. They do not prefer to be employees of any particular company or organization.

SUBSTANTIAL JOB LOSSES FOR INDEPENDENT WORKERS

A significant and pressing question about a nationwide reclassification of independent workers as employees is whether most of the workers who no longer qualify as independent workers would indeed become employees. While the existing evidence is limited, it does indicate that there would be job losses because not all independent workers would be hired as employees. In fact, this was the conclusion of an analysis from the California Legislative Analyst's Office regarding California's AB5: "We cannot predict the exact number of contractors who will become employees due to AB 5. Although we cannot predict the exact figure, it is probably much smaller than the roughly 1 million contractors that AB 5 applies to."¹³ One of the primary reasons the office expects this outcome is that "businesses will comply with the law in different ways. Some businesses may hire their contractors as employees, while others may hire some, but not all, of their contractors. Other businesses may decide to stop working with their California-based contractors."¹⁴

The analysis from the California Legislative Analyst's Office complements Uber's own analysis, although—given that Uber is directly affected by proposed legislation—it's best to consider Uber's estimate to be the upper bound of all estimates. Uber's estimate suggested that AB5 would lead to a 76 percent decrease in the number of drivers who find work on the Uber platform.¹⁵ In another report, also providing what should be considered an upper-bound estimate, Uber CEO Dara Khosrowshahi provides an impact analysis for a scenario in which a national rule required all US drivers to be employees: "If Uber instead *employed* drivers, we would have only 260,000 available full-time roles—and therefore 926,000 drivers would no longer be able to work on Uber going forward. In other words, three-fourths of those currently driving with Uber would be denied the ability to work."¹⁶

There is some anecdotal evidence of these job losses in response to AB5. For example, the *Los Angeles Times* reported job losses in the creative community of independent workers such as professional choral artists, classical performers and singers, dancers, actors, musicians, and other types of artists.¹⁷ Several other news articles reported harm and job losses for translators and interpreters, court transcript editors, musical performers, writers, and truck drivers.¹⁸ The American Society of Journalists and Authors (the nation's largest professional organization of independent nonfiction writers) and the National Press Photographers Association (a leading professional organization for visual journalists such as photographers, videographers, multimedia journalists, and editors in print, TV, and electronic media) filed a lawsuit on behalf of their members because of harm from AB5—in particular, harm resulting from a significant loss of freelancing opportunities for their members.¹⁹ Indeed, the *New York Times* reported that Vox Media had to terminate 200 freelance writers in response to the law.²⁰ Because of these challenges, after the passage of AB5 California added 53 occupations to its list of occupations exempt from the law—bringing the total to 110. Gig platform workers also received an exemption with the passage of a ballot initiative called Proposition 22.

The estimates and anecdotal evidence of job losses seem consistent with estimates of the cost of reclassifying contractors as employees. One study finds that having an employee costs a business between 29 and 39 cents extra for every dollar of the employee's pay.²¹ Another report indicates that if Uber and Lyft were forced to reclassify all their drivers as employees in response to AB5, they would face an additional annual cost of \$3,625 per driver. Given that there are approximately 140,000 Uber drivers and 80,000 Lyft drivers in California alone, the report estimates that AB5 would lead to an operating loss of more than \$500 million for Uber and more than \$290 million for Lyft.²²

Owing to these substantial, additional costs, organizations—especially small organizations—may not be able to hire all their independent contractors as employees. In fact, according to tax data, between 2000 and 2016, small firms (those with fewer than 20 employees) saw the greatest growth in the hiring of independent workers, compared with medium-sized or large firms.²³

This situation has several implications for discussions about the benefits of legislation such as the PRO Act or AB5. Some independent workers would be better off as employees because of the value of benefits they would receive as employees—such as paid leave, a minimum wage, overtime regulations, insurance benefits, workers' compensation, and so on.²⁴ One point of reference is provided by Heidi Shierholz, a senior economist at the Economic Policy Institute, who estimates that employees at the bottom of the pay scale would experience a drop of 25.7 percent in compensation if they were reclassified as independent contractors.²⁵

Shierholz's estimate suggests that making the opposite change and reclassifying contractors as employees (the way AB5 and the PRO Act do) would increase their compensation by up to 34.6 percent. Consequently, it seems reasonable to expect that stricter rules on classifying workers as independent contractors would translate into significant gains for the workers who become reclassified as employees. In reality, however, many independent workers would not receive these benefits because they would end up without jobs—either as employees or as independent workers. If a large number of contractors lose their jobs, the aggregate benefit of a reclassification of workers is not likely to offset its aggregate cost.

Moreover, there is an additional question about whether independent contractors who become employees would maintain their same level of pay. Companies may compensate for the extra costs of employment by lowering a worker's base salary. For example, economists Jonathan Gruber and Alan Krueger find that even though mandatory workers' compensation insurance was legally paid for by employers, the cost was largely shifted to employees in the form of a lower wage.²⁶ Moreover, several empirical studies by various economists show that when there have been changes to overtime regulations that have significantly increased the costs to employers, employers have cut their workers' salaries in response.²⁷

Therefore, it is not yet clear whether independent contractors who become employees will maintain the same pay. Many empirical studies in economics imply that pay will decrease to compensate for the added costs of employment benefits.²⁸

There is a clear danger that the proposed classification reform may not confer its intended benefits on many independent workers, who would neither become employees nor be able to maintain their jobs as independent workers. The loss of independent contractor jobs could further harm industries and communities already suffering from the job losses caused by the COVID-19 pandemic.

FEWER OPTIONS FOR INDIVIDUALS FACING LOSS OF INCOME

Several studies suggest that individuals turn to independent work temporarily after the loss of a job. In a 2017 paper published in the *American Economic Review*, economists Lawrence Katz and Alan Krueger report that workers who “suffered a spell of unemployment are 7 to 17 percentage points more likely than observationally similar workers to be employed in an alternative work arrangement when surveyed 1 to 2.5 years later.”²⁹

A study that uses IRS data to understand the income trends of both conventional freelancers and workers in the online platform economy finds that individuals turn to both types of independent work in order to smooth temporary income shocks after they have faced income declines or unemployment.³⁰

A similar result is reported by another study that analyzed financial data of individuals working on digital platforms. Economist Dmitri Koustas finds a significant pattern among individuals who participate in online “gig” platforms for work: they faced a decline in income or a significant run-down of assets a quarter before they began participating in gig economy work.³¹ Their income and liquid assets partially recovered in the quarter after they began working in gig economy jobs.

Last, the previously-mentioned *Journal of Economic Perspectives* study reports a similar finding: “Individuals are significantly more likely to enter solo self-employment from unemployment than from traditional employment.”³² The study reports the survey responses of 45,000 individuals from across the United States, the United Kingdom, and Italy.³³ The study also concludes that “policies which seek to regulate alternative work arrangements by limiting their flexibility may not be desirable, in that they may well harm individuals” who need the extra income.³⁴

This research should draw attention to the potentially harmful impact of restrictions on independent work for vulnerable individuals—those who have recently faced unemployment, income losses, or deterioration of assets. Rules like the PRO Act could eliminate work opportunities for these individuals and thereby worsen their economic standing, especially during the COVID-19 pandemic and recovery.

HARM TO WOMEN AS INDEPENDENT WORKERS

There is substantial research on women who participate in independent work because it allows them greater flexibility to structure their days, a benefit that is crucial for women who are the primary caregivers in their households. Policies that, like the PRO Act, restrict independent work opportunities and reclassify or restructure independent work as traditional employment could be harmful for women who are unable to accept the nonflexible work requirements of traditional employment opportunities.

Research from the JPMorgan Chase Institute indicates that, if the transportation sector platforms (such as ridesharing and delivery) are omitted from the analysis, women compose a greater share of income earners on digital platforms than men do.³⁵ This is corroborated by a 2017 Hyperwallet study, which reports the results of a survey of 2,000 women who use platform-economy companies: most women indicated that they participated in professional freelancing, direct selling, or service platforms (e.g., Upwork, TaskRabbit, Care.com), but only 22 percent of women indicated that they participated in ridesharing (e.g., Uber, Lyft), and only 8 percent indicated that they participated in food delivery (e.g., Postmates, Grubhub).³⁶ Research suggests that there is significant variation in female participation across gig economy platforms; for example, between 2014 and 2015, 86 percent of independent workers on the platform Etsy were female, whereas only 19 percent of workers on the platform Uber were female.³⁷

Additionally, an IRS study that used tax data finds that the number of female contractors grew faster than the numbers of female employees or male contractors between 2001 and 2016.³⁸ After analyzing other factors such as whether independent work is a primary source of income, the authors conclude that “these trends suggest that the long-run growth in [independent contractor] labor in the U.S. cannot solely be attributed to individuals seeking supplemental income or to the rise of a few online platforms, but may represent a structural shift in the labor market, particularly for women.”³⁹

Another study that also used IRS tax data finds that, while independent work is more common among men, the participation in independent contracting since 2000 has grown significantly more among women.⁴⁰

Survey research reveals why women may prefer to participate in independent work. The 2017 study by Hyperwallet finds that 96 percent of these women indicated that the primary benefit of engaging in platform-economy work is the flexible working hours.⁴¹ Moreover, the study finds that 70 percent of these platform-working women were the primary caregivers in their homes. A quarter of these women recently left their full-time employment for platform-based work, and 60 percent of them indicated that they did so because they wanted flexibility, needed more time to care for a child, parent, or other relative, or both.

Reports by MBO Partners can also provide some information, though researchers should exercise caution since the company would be directly affected by stricter independent contracting

legislation. Survey research published by MBO Partners in 2016, 2017, 2018, and 2019 finds that women prefer independent work because these work arrangements allow greater flexibility. For example, in its 2018 report, MBO Partners finds that the primary reasons why women engaged in independent work were flexibility (76 percent) and the ability to control their schedules (71 percent).⁴² Contrast this with men, who said that their primary reasons for engaging in independent or freelance work were that they enjoy being their own boss (67 percent) and do not like answering to a boss (64 percent). The 2017 report by MBO Partners finds similar results: “Women were significantly more likely to note that flexibility was a more important motivator for independent work than men (74 percent vs. 59 percent).”⁴³

Furthermore, a 2016 McKinsey Global Institute study reports the results of a survey of 8,000 independent workers and finds that 42 percent of US women and 48 percent of European women who participated in independent work were also caregivers.⁴⁴ In fact, referring to the 17 percent of the total sample in their survey who reported providing care to an elderly dependent, the authors state that “these caregivers participated in independent work at a significantly higher rate . . . than non-caregivers.”⁴⁵ Moreover, the study indicates that caregivers engage in independent work for supplemental income (67 percent, compared with 54 percent for noncaregivers). The authors conclude that independent work “provides a way for caregivers [who are disproportionately women] to generate income while fitting their hours around the needs of their families. This type of flexibility can ease the burden on financially stressed households facing logistical challenges.”⁴⁶

In a survey by the Kaiser Family Foundation (in partnership with CBS and the New York Times), researchers find that about 75 percent of self-identified homemakers, or stay-at-home mothers in the United States, indicated that they would likely return to work if they had flexible options.⁴⁷

All together, this research indicates that independent work may be important for women who require more flexible work arrangements. Thus, to the extent that specific nontraditional work arrangements provide flexibility to those who need it and extend work opportunities to women who are unable to participate in traditional employment, restricting the legal classification of independent contractors could disproportionately hinder women’s participation in the labor force.

HARM TO SMALL, INNOVATION-DRIVEN TECHNOLOGY STARTUPS

Small, early-stage technology startups are similar to a typical “mom and pop” small business in that both are cash constrained. Indeed, many of today’s tech giants—such as Google and Amazon—started off with limited operating costs and few (or zero) employees.

This is still the case today, and small technology startups tend to rely heavily on independent workers in their early stages. As one of the principal investigators for the New York University School of Law study “Startup Innovation: The Role of Regulation in Entrepreneurship,”⁴⁸ I led

an effort to interview and survey the CEOs of technology startups throughout the United States. The findings presented in this section come from both original interviews and an original online survey conducted in the United States.⁴⁹

In the online survey, approximately 80 percent of technology startup executives indicated that they used contract labor. We asked some follow-up questions to better understand the use of independent contractors. For example, we asked the executives in our sample who hire independent contractors, “How important is the use of 1099 contractors for your specific business model?” They responded as follows:

- 57 percent indicated that the use of contract labor is an indispensable or essential part of their business model.
- 39 percent indicated that contract labor is not essential but is highly valuable.
- 4 percent indicated that the use of contract labor is not essential and is unimportant.

We also asked respondents to “rank up to 3 primary reasons why the startup uses 1099 contractors.” Executives gave the following responses:

1. They needed individuals for one-off projects, or they needed specialized talent that they could not hire full time (69 percent).
2. They needed flexibility, given the risk associated with early-stage development (60 percent).
3. They needed flexibility, given fluctuating demand for their product or service (49 percent).

Our fieldwork interviewees added robustness to these findings: 71 percent of the startups that we interviewed relied on independent contractors and thought it was necessary to use contract labor during their early stages. The interviewees explicitly discussed the reason that early-stage small startups prefer contract labor over employee labor: during unpredictable times, when startups are trying to find their market and build their product, they need flexible labor and need to be able to hire and fire easily.

Indeed, our interviews suggest that the primary concern for startups in terms of labor regulation and policy is the regulation of independent contractors. Therefore, any impact analysis of a rule like the PRO Act should seriously consider the constraints and challenges faced by technology startups—particularly because they have a large impact on job creation.

A 2014 academic study finds that high-growth businesses (which disproportionately are young firms) account for almost 50 percent of gross job creation.⁵⁰ The researchers describe the unique role of young and fast-growing startups: most new businesses die within 10 years and most surviving young businesses do not grow but remain small (these may be what most people imagine as the typical “Main Street” small business), but a small portion of young businesses exhibit very

high growth and contribute substantially to job creation.⁵¹ Other studies also indicate that almost all net job creation in the United States has occurred in firms younger than five years old, and of these firms, a small percentage of high-growth firms are responsible for most of the jobs.⁵² Technology startups are also important because they are often highly innovative.

Thus, rules that restrict whether individuals may work as independent contractors can be harmful for small, innovation-driven technology startups that rely on flexible independent-contractor labor in their early and formative stages.

CONCLUSION

Taken together, the economic research reviewed in this article suggests that legislation that limits independent work opportunities is likely to have a negative net effect on the current total population of independent workers. Instead of curtailing independent work opportunities, policymakers should look for ways to expand independent workers' access to benefits. About 80 percent of self-employed workers would like flexible, shared, or portable benefits.⁵³ This means that rather than changing worker classification rules, policymakers should introduce more forward-looking solutions—such as shared, flexible, and portable benefits that are not tied to employment. Embracing innovative reforms such as portable benefits solutions will help workers to step into the future.

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NOTES

1. Here is the ABC test as it appears in AB5: "A person providing labor or services for remuneration shall be considered an employee rather than an independent contractor unless the hiring entity demonstrates that all of the following conditions are satisfied: (A) The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact. (B) The person performs work that is outside the usual course of the hiring entity's business. (C) The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed." Assemb. B. 5, 2019–20 Reg. Sess. (Cal. 2019). The ABC test was formulated by the California Supreme Court in *Dynamex Operations W., Inc. v. Superior Court* to distinguish between independent contractors and employees. 416 P.3d 1 (Cal. 2018).
2. Protecting the Right to Organize Act of 2021, H.R. 852, 117th Cong. § 101(b) (2021). The ABC test is one feature of the PRO Act. There are several other features of the PRO Act relating directly to unionization that are not addressed in this analysis.
3. While the terms *platform-based work*, *gig work*, *freelancing*, and *contracting* all have slight differences, they are often used interchangeably because they are all referred to as alternative or external labor arrangements, and workers with such arrangements are legally classified as independent contractors (i.e., workers who receive IRS form 1099). These workers are starkly different from traditional employees (i.e., workers who receive IRS form W-2). Therefore, I use the

term *independent workers* throughout this policy brief to capture the groups of people who are legally classified as independent contractors.

4. Some of these surveys were conducted during multiple years by the same organizations (e.g., the US Bureau of Labor Statistics, Edelman Intelligence, and MBO Partners). US Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements—May 2017,” news release USDL-18-0942, June 7, 2018; US Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements—February 2005,” news release USDL 05-1433, July 27, 2005; Edelman Intelligence, “Freelancing in America,” study commissioned by Upwork and the Freelancers Union, for years 2017–2020; Tito Boeri et al., “Solo Self-Employment and Alternative Work Arrangements: A Cross-Country Perspective on the Changing Composition of Jobs,” *Journal of Economic Perspectives* 34, no. 1 (2020): 170–95; David Storey, Tony Steadman, and Charles Davis, “How the Gig Economy Is Changing the Workforce,” EY Global, November 20, 2018, https://www.ey.com/en_gl/tax/how-the-gig-economy-is-changing-the-workforce; MBO Partners, “The State of Independence in America,” for years 2016–2019; James Manyika et al., *Independent Work: Choice, Necessity, and the Gig Economy* (New York: McKinsey Global Institute, October 2016); Hyperwallet, *The Future of Gig Work Is Female: A Study on the Behaviors and Career Aspirations of Women in the Gig Economy*, 2017.
5. US Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements—May 2017.”
6. The report uses the term *freelancing*. For consistency’s sake, I use the term *independent work* instead. Edelman Intelligence, “Freelancing in America: 2019,” study commissioned by Upwork and the Freelancers Union, October 2019.
7. Edelman Intelligence, “Freelancing in America: 2019.”
8. Edelman Intelligence, “Freelancing in America: 2019.”
9. M. Keith Chen et al., “The Value of Flexible Work: Evidence from Uber Drivers,” *Journal of Political Economy* 127, no. 6 (December 2019): 2735–94. The study was conducted in the United States between 2015 and 2016 using UberX data.
10. Chen et al., “Value of Flexible Work.”
11. Boeri et al., “Solo Self-Employment.”
12. Storey, Steadman, and Davis, “How the Gig Economy Is Changing the Workforce”; MBO Partners, “The State of Independence in America, 2018: The New Normal,” 2018; Manyika et al., *Independent Work*.
13. “Staffing to Address New Independent Contractor Test,” California Legislative Analyst’s Office, February 11, 2020, <https://lao.ca.gov/Publications/Report/4151>.
14. “Staffing to Address New Independent Contractor Test.”
15. Alison Stein, “Analysis on Impacts of Driver Reclassification,” *Uber under the Hood (Medium)*, May 28, 2020.
16. Dara Khosrowshahi, “The High Cost of Making Drivers Employees,” Uber, October 5, 2020, <https://www.uber.com/newsroom/economic-impact/> (emphasis added).
17. Makeda Easter, “The AB5 Backlash: Singers, Actors, Dancers, Theaters Sound Off on Freelance Law,” *Los Angeles Times*, February 12, 2020.
18. Sophia Bollag and Dale Kasler, “California Workers Blame New Labor Law for Lost Jobs. Lawmakers Are Scrambling to Fix It,” *Sacramento Bee*, February 10, 2020; Carolyn Said, “Musicians Say AB5 Strikes Sour Note with Gig-Driven Profession,” *San Francisco Chronicle*, February 24, 2020; Clarissa Hawes, “Some California Truckers Exit State before AB5 Labor Law Takes Effect,” *FreightWaves*, December 31, 2019; Allana Akhtar, “It Feels Cold and Heartless: Hundreds of California Freelancers Have Been Fired before the Holidays over a State Law Meant to Help Uber and Lyft Drivers,” *Business Insider*, December 18, 2019; “Translators and Interpreters Unite to Demand AB5 Exemption,” *EIN Presswire*, April 22, 2020.
19. The lawsuit was filed on December 17, 2019, and the legal filings show that the threat of enforcement had already resulted in lost freelancing opportunities even before the law went into effect on January 1, 2020 (in addition to other cited damages from AB5). American Society of Journalists and Authors, Inc., and National Press Photographers Association v. Xavier Becerra, Case No. 2:19-cv-10645, December 17, 2019.

20. Marc Tracy and Kevin Draper, “Vox Media to Cut 200 Freelancers, Citing California Gig-Worker Law,” *New York Times*, December 16, 2019.
21. Robert Habans, “Exploring the Costs of Classifying Workers as Independent Contractors: Four Illustrative Sectors” (report, UCLA Institute for Research on Labor and Employment, Los Angeles, December 2015).
22. For a summary of the report, see Alison Griswold, “How Much It Would Cost Uber and Lyft If Drivers Were Employees,” *Quartz*, June 14, 2019.
23. Katherine Lim et al., “Independent Contractors in the U.S.: New Trends from 15 Years of Administrative Tax Data” (working paper, Internal Revenue Service, July 2019).
24. These benefits are analyzed in Heidi Shierholz, “EPI Comments on Independent Contractor Status under the Fair Labor Standards Act,” Economic Policy Institute, October 26, 2020; Michael Reich, “Pay, Passengers and Profits: Effects of Employee Status for California TNC Drivers” (IRLE Working Paper #107-20, Institute for Research on Labor and Employment, University of California, Berkeley, October 2020); Linda Moe, James A. Parrott, and Jason Rochford, “The Magnitude of Low-Paid Gig and Independent Contract Work in New York State,” New School Center for New York City Affairs, February 2020.
25. Shierholz was analyzing a Department of Labor proposed rule change that would have made it easier for employers to classify workers as independent contractors. Shierholz, “EPI Comments on Independent Contractor Status.” The proposed rule change that Shierholz analyzed was more liberal than the finalized rule that came into effect in January 2021. For the proposed rule change, see Independent Contractor Status under the Fair Labor Standards Act, 85 Fed. Reg. 60600 (September 25, 2020). For the finalized rule change, see Independent Contractor Status under the Fair Labor Standards Act, 86 Fed. Reg. 1168, 1172–75 (January 7, 2021).
26. Jonathan Gruber and Alan B. Krueger, “The Incidence of Mandated Employer-Provided Insurance: Lessons from Workers’ Compensation Insurance,” *Tax Policy and the Economy* 5 (1991): 111–43.
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28. In addition to Gruber and Krueger, “Incidence of Mandated Employer-Provided Insurance,” see Ángel Melguizo and José Manuel González-Páramo, “Who Bears Labour Taxes and Social Contributions? A Meta-analysis Approach,” *SERIEs* 4, no. 3 (2013): 247–71; Jonathan Gruber, “The Incidence of Mandated Maternity Benefits,” *American Economic Review* 84, no. 3 (1994): 621–41; Patricia M. Anderson and Bruce D. Meyer, “The Effects of the Unemployment Insurance Payroll Tax on Wages, Employment, Claims and Denials,” *Journal of Public Economics* 78, no. 1–2 (October 2000): 81–106; Katherine Baicker and Amitabh Chandra, “The Labor Market Effects of Rising Health Insurance Premiums,” *Journal of Labor Economics* 24, no. 3 (2006): 609–34; Jonathan Deslauriers et al., “Estimating the Impacts of Payroll Taxes: Evidence from Canadian Employer-Employee Tax Data” (IZA DP No. 11598, Institute of Labor Economics, Bonn, Germany, June 2018), 39.
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31. Dmitri K. Koustas, “What Do Big Data Tell Us about Why People Take Gig Economy Jobs?,” *AEA Papers and Proceedings* 109 (May 2019): 367–71.
32. Boeri et al., “Solo Self-Employment,” 183. In the study, “solo self-employed” refers to individuals such as gig workers and other types of independent contractors who are legally classified as self-employed but do not have employees.
33. Boeri et al., “Solo Self-Employment.” For the US labor market, the researchers used the Princeton Self-Employment Survey conducted in April 2017, which included 10,000 individuals.

34. Boeri et al., "Solo Self-Employment," 182.
35. Diana Farrell, Fiona Greig, and Amar Hamoudi, *The Online Platform Economy in 2018: Drivers, Workers, Sellers, and Lessors* (New York: JPMorgan Chase Institute, 2018).
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