The Heritage Foundation

BACKGROUNDER

No. 3143 | OCTOBER 7, 2016

The Rise of the "Gig" Economy: Good for Workers and Consumers

James Sherk

Abstract

While many Americans prefer jobs with regular hours, workers in today's "gig" economy value flexibility and control of their own schedules. The gig economy now faces a significant legal threat. Numerous lawsuits seek to reclassify people working individual gigs as "employees" instead of "independent contractors." If the lawsuits succeed, gig firms will become liable for overtime, minimum wages, and expenses, and be forced to take significant control of gig workers' schedules—undermining the value of the gig economy to the workers currently in it. Congress should clarify "independent contractor" status to reduce this threat and equalize the tax treatment of benefits between independent contractors and employees.

In today's growing "gig" economy, workers and customers connect directly through computer programs or smartphone apps. Most people taking on these gigs work for themselves. They choose when and where to work, and when not to. While many Americans prefer jobs with regular hours, gig workers value flexibility and control over their schedules. Most gig workers say they prefer their gigs to working regular hours as an employee. The gig economy has also benefitted customers by making personal services more accessible. For example, the greater ease of ordering an Uber or Lyft than calling or hailing a taxi has measurably reduced deaths from drunk driving.

The gig economy now faces a significant legal threat. Numerous lawsuits seek to reclassify people working individual gigs as employees instead of independent contractors. If they succeed, gig firms will become liable for overtime, minimum wages, and expenses. This would force these companies to take significant control of

Key Points

- The Internet and smartphones allow workers to quickly connect with clients allowing for many new individual work arrangements—creating the "gig" economy.
- The gig economy is small but growing quickly. Roughly 0.5 percent of workers now earn money through gig work. That number has increased by a factor of 50 in the past three years. The number of Uber driver-partners grew from 160,000 to 400,000 in 2015.
- Gig-economy jobs attract workers who value flexibility. Three-quarters of Uber's driver-partners say they prefer gig work to a steady 9-to-5 job with a salary and benefits.
- Lawyers and unions have launched lawsuits seeking to reclassify gig-economy firms as "employers" of the independent contractors with whom they work—which would destroy their business model.
- Congress should ensure that this litigation does not stifle the gig economy. It should also create equal benefits between the self-employed and formal employees.

This paper, in its entirety, can be found at **http://report.heritage.org/bg3143**

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214 Massachusetts Avenue, NE
Washington, DC 20002
(202) 546-4400 | heritage.org

gig workers' schedules—undermining the value of the gig economy to the workers currently in it. Congress should clarify independent contractor status to reduce this threat. Congress should also equalize the tax treatment of benefits between independent contractors and employees.

The Gig Economy

For centuries, customers have contracted directly with workers for specific jobs. Until recently, though, connecting customers and workers took time. This kept the size of the "gig" economy (taking on individual jobs, each on a contract basis) relatively small. The Internet and smartphones have changed this. Workers can now quickly connect with clients online, creating many new work arrangements.

Uber and Lyft are the largest gig-economy firms in the U.S.[1] They both run smartphone apps that connect riders and drivers. Customers can typically order a ride in minutes through these apps. The apps handle all payment; riders do not need cash or a credit card on hand. By the end of 2015, nearly 500,000 drivers regularly used these apps—matching the number of taxi drivers in the U.S.[2]

Many other gig-economy firms have also arisen. Amazon.com's "Mechanical Turk" connects businesses with individuals to do tasks that computers cannot. Turkers might write product descriptions, or select which product photos to feature online. Thumbtack is an online marketplace for services such as house painting or bartending at a wedding. Users describe what they need, and vetted professionals pay Thumbtack a small fee to send users a price quote.

Most workers in the gig economy are independent contractors—they work for themselves. While they find clients using a company's app or website, they do not work for that company. They take jobs, or not, when they choose. As independent contractors they set their own hours and use their own equipment (cars, in the case of Uber and Lyft drivers). They can find work using multiple applications; drivers often seek clients through both Uber and Lyft simultaneously. Independent contractor status gives gig workers considerable control over when and how they work.

Growth of the Gig Economy

The gig economy has become a growing alternative to traditional 9-to-5 work. But it is not clear how quickly it is growing. Different data sources give conflicting accounts. The Bureau of Labor Statistics (BLS) household survey reports that self-employment has fallen modestly since the mid-1990s.[3] This implies that the gig economy has grown fairly slowly—too slowly to offset declines in self-employment caused by other factors.

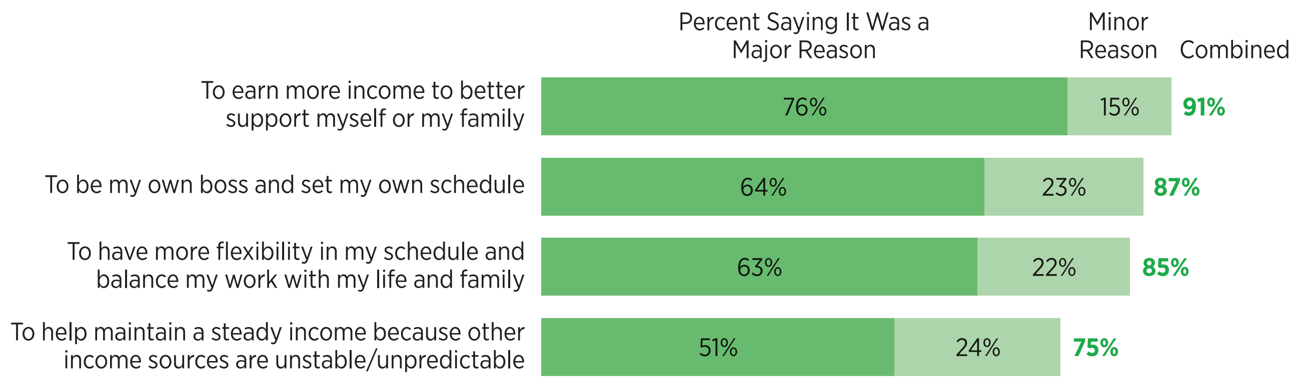
Tax return data paint a very different picture. Clients hiring independent contractors report these payments on IRS Form 1099. Over the past two decades, the number of 1099 forms issued has grown considerably faster than W-2 employee tax forms.[4] This suggests that the household survey is missing a substantial expansion in self-employment; most Americans do not over-report to tax authorities.

Overall, the gig economy currently appears relatively small, but it is growing quickly. A RAND survey conducted in 2015 found that 0.5 percent of Americans earned labor income through the gig economy.[5] Analysts at JPMorgan Chase examining financial transaction data came to the same conclusion.[6] The JPMorgan analysts also found that the number of

1. Disclosure: The spouse of an executive of Heritage Action for America, Inc., an affiliate of The Heritage Foundation, is an executive of Uber, Inc.
2. Judd Cramer and Alan Krueger, "Disruptive Change in the Taxi Business: The Case of Uber," NBER *Working Paper* No. 22083, March 2016, p. 2, http://www.nber.org/papers/w22083.pdf (accessed July 5, 2016). On average, rideshare drivers work shorter hours than taxi drivers. So while there are the same number of rideshare drivers as taxi drivers, taxi drivers account for twice as many hours driven as rideshare drivers.
3. Self-employment fell from 7.3 percent to 5.9 percent of total employment in non-agricultural industries between 1995 and 2015. Heritage Foundation calculations using data from the Bureau of Labor Statistics, "The Employment Situation: Household Survey," Table A-8, class of worker and part-time status / Haver Analytics.
4. Eli Dourado and Christopher Koopman, "Evaluating the Growth of the 1099 Workforce," Mercatus Center, December 2015, http://mercatus.org/sites/default/files/Evaluating-Growth-1099_Dourado_MOP_v2.pdf (accessed July 5, 2016).
5. Lawrence Katz and Alan Krueger, "The Rise and Nature of Alternative Work Arrangements in the United States, 1995–2015," Scholars at Harvard *Working Paper*, March 29, 2016, http://scholar.harvard.edu/files/lkatz/files/katz_krueger_cws_v3.pdf?m=1459290955 (accessed July 5, 2016).
6. Diana Farrell and Fiona Greig, "Paychecks, Paydays and the Online Platform Economy," JPMorgan Chase & Co. Institute, February 2016, p. 21, https://www.jpmorganchase.com/corporate/institute/document/jpmc-institute-volatility-2-report.pdf (accessed July 5, 2016).

CHART 1

Survey: Reasons for Partnering with Uber



SOURCES: Jonathan Hall and Alan Krueger, "An Analysis of the Labor Market for Uber's Driver-Partners in the United States," January 22, 2015, http://dataspace.princeton.edu/jspui/handle/88435/dsp010z708z67d (accessed August 1, 2016), and Beneson Strategy Group, "Uber: The Driver Roadmap," survey of 601 Uber driver-partners conducted December 16–22, 2014, http://www.bsgco.com/insights/uber-the-driver-roadmap (accessed August 1, 2016).

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Americans working in the gig economy grew by more than a factor of 50 between 2012 and 2015.[7] Prominent gig-economy companies have clearly grown rapidly. Alan Krueger, the former chairman of the Council of Economic Advisers, and Seth Harris, former acting Secretary of Labor, estimate that Uber expanded from 160,000 active driver-partners in December 2014 to 400,000 in December 2015.[8]

Workers Want Flexible Schedules. Uber has attracted so many drivers because it meets their needs. Uber drivers value the control of their own time. Krueger and Jonathan Hall, the head economist and policy researcher at Uber, commissioned a survey of Uber's driver-partners and asked why they drove for it. Unsurprisingly, 91 percent said they did so to make more money for themselves or their families. But the next most common responses both dealt with flexibility; 87 percent of drivers said they worked with Uber "to be my own boss and set my own schedule." Fully 85 percent said they did so "to have more flexibility in my schedule and balance my work with my life and family."[9]

Krueger and Hall found that Uber drivers value this flexibility for many reasons. Most have another job and drive with Uber to supplement their regular incomes. Some are students. A small number are stay-at-home parents. Ridesharing allows them to schedule work around their regular obligations.[10] Often this involves a small number of part-time hours. Over half (51 percent) of Uber's driver-partners work between 1 hour and 15 hours a week.[11]

Most Uber drivers do not want a regular 9-to-5 job. The survey asked: "If both were available to you, at this point in your life, would you rather have

7. Ibid.

8. Seth Harris and Alan Krueger, "A Proposal for Modernizing Labor Laws for Twenty-First Century Work: The 'Independent Worker,'" The Hamilton Project *Discussion Paper* No. 2015-10, December 2015, p. 12, http://www.hamiltonproject.org/assets/files/modernizing_labor_laws_for_twenty_first_century_work_krueger_harris.pdf (accessed July 5, 2016).

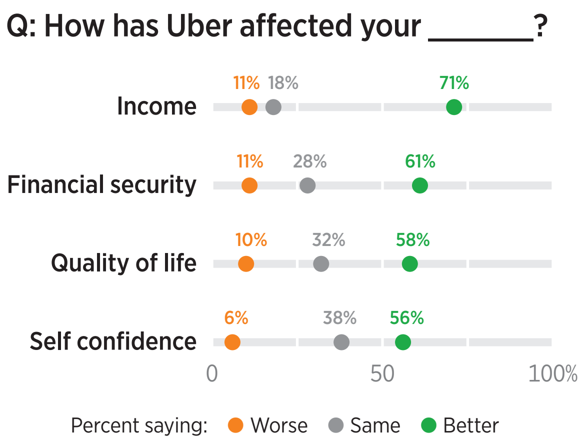
9. Jonathan V. Hall and Alan B. Krueger, "An Analysis of the Labor Market for Uber's Driver-Partners in the United States," Princeton University Industrial Relations Section, January 22, 2015, p. 11, https://irs.princeton.edu/sites/irs/files/An%20Analysis%20of%20the%20Labor%20Market%20for%20Uber%E2%80%99s%20Driver-Partners%20in%20the%20United%20States%20587.pdf (accessed July 5, 2016).

10. Ibid., p. 10.

11. Ibid., Table 4.

CHART 2

Survey: Benefits of Uber



SOURCES: Jonathan Hall and Alan Krueger, "An Analysis of the Labor Market for Uber's Driver-Partners in the United States," January 22, 2015, http://dataspace.princeton.edu/jspui/handle/88435/dsp010z708z67d (accessed August 1, 2016), and Beneson Strategy Group, "Uber: The Driver Roadmap," survey of 601 Uber driver-partners conducted December 16–22, 2014, http://www.bsgco.com/insights/uber-the-driver-roadmap (accessed August 1, 2016).

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a steady 9-to-5 job with some benefits and a set salary or a job where you choose your own schedule and be your own boss?" Almost three-quarters (73 percent) of Uber drivers preferred being their own boss.[12] Similarly, Uber's driver-partners appear quite happy with their work. Large majorities say that working with Uber has increased their incomes, their financial security, and their quality of life.

Krueger's and Hall's survey questioned only drivers for Uber, the largest of the gig-economy companies. The factors motivating its driver-partners probably apply to other gig-economy firms. Most Americans are satisfied with traditional 9-to-5 jobs; a minority of workers highly value flexibility or want to supplement their main earnings. These workers seek out "gig" work.

Workers Want Better Working Conditions. Some workers in the gig economy do work full-time hours, including about one-fifth of Uber drivers.[13] For many of these full-time workers the flexibility of the gig economy has improved their working conditions—especially in the taxi industry. Rideshare drivers appear to earn somewhat higher hourly wages than taxi drivers.[14] They also avoid a system that pressures drivers to work long shifts.

Many cities require government-issued medallions in order to operate a taxi. Investors typically buy these medallions and lease them to taxi drivers. Consequently, most taxi drivers start their shifts owing money. This pressures them to work long hours to recoup fixed lease costs. This system explains why over a third of taxi drivers work more than 50 hours a week.[15]

By contrast, ridesharing companies charge drivers a percentage of their commission on rides. The drivers never start out owing money. If they work fewer hours, they pay less, and vice versa. This gives Uber and Lyft drivers much more flexibility to work when they choose.

Most workers prefer higher wages and more flexible schedules. Krueger's and Hall's survey asked Uber drivers who previously drove taxis how partnering with Uber had affected them financially. Almost three-fifths (59 percent) said it had increased their incomes, only 17 percent said their incomes had decreased. Seventy-three percent of the former cabbies also said they now have more control over their schedule.[16]

These survey answers are consistent with the actual behavior of taxi drivers: Many have switched to ridesharing. As one New York City taxi dispatcher told reporters, "everyone is going to Uber, where they don't have to pay a lease, and they don't have to

12. Ibid., p. 11.
13. Full-time here follows the BLS definition of 35 hours a week or more. See ibid., Table 4.
14. Exact comparisons are difficult because rideshare companies only have information on drivers' gross earnings, which do not include depreciation or fuel expenses. Still, Krueger and Hall conclude that "unless their after-tax costs are more than $6 per hour, the net hourly earnings of Uber's driver-partners typically exceed the average hourly wage of employed taxi drivers and chauffeurs." Ibid., p. 23.
15. Ibid., Table 4.
16. Beneson Strategy Group, "Uber: The Driver Roadmap," survey of 601 Uber Driver-partners from December 16–22, 2014, http://www.bsgco.com/insights/uber-the-driver-roadmap (accessed July 6, 2016).

deal with a dispatch."[17] The exodus of taxi drivers has prompted taxi companies to file suit against New York City. They charge:

> [T]axicab drivers have left the taxicab industry in droves, choosing instead to drive for Uber.... [Taxi companies] have been forced to repeatedly slash daily lease rates to compete. Despite this, there are still not enough drivers willing to lease medallion taxicabs at any price, resulting in "taxicab graveyards" scattered throughout New York City.[18]

The gig economy has improved many former taxi drivers' working conditions.

Benefits for Customers and Society. The gig economy benefits customers, too. Connecting directly online reduces wait times for services. The taxi industry illustrates this fact dramatically. Ordering a taxi outside well-travelled areas can involve waiting a half-hour or more. Rideshare apps direct drivers straight to the nearest customer—dramatically reducing wait times.

Researchers analyzed how long it took to call a taxi or an Uber in low-income sections of Los Angeles. While the average taxi driver took 17 minutes and 42 seconds to respond, the average Uber arrived in just six minutes and 49 seconds—more than twice as fast. Unlike taxis, Uber wait times never exceeded 30 minutes.[19]

Because ridesharing drivers do not need medallions, they do not pass medallion-lease costs onto their customers. This means lower fares. The same researchers found that an Uber ride costs less than half as much as a taxi ride of the same distance.[20]

Ridesharing's lower cost and greater convenience has reduced drunk-driving deaths. Demand for ridesharing services surges around bar-closing times.[21] Many who would have driven home under the influence now use rideshares to get home. Researchers at Temple University found that drunken driving deaths fall between 4 percent and 6 percent after ridesharing apps enter a city.[22] Electronic cash-free payments and electronic customer identification also reduce incentives for robbery, which in turn makes rideshare drivers less likely to turn down riders. A recent Pew Research survey found that 54 percent of users believe ridesharing is "a good option for people who have trouble hailing cabs."[23] The gig economy has substantially benefitted consumers.

Independent Contractor vs. Employee. Most gig workers are classified as independent contractors. Trial lawyers and labor unions have recently filed lawsuits attempting to reclassify gig workers as employees.[24] They argue that employers have "misclassified" employees as independent contractors to reduce their labor costs. Employers cover employees' expenses, pay the employer share of the payroll tax, and often provide benefits. They must also pay overtime and at least the minimum wage. Contractor's clients have none of these obligations. The unions and trial lawyers contend that independent contractor status shortchanges gig workers.

These arguments carry little economic weight. Economists find that employees pay for benefits and payroll taxes through lower wages. When companies must pay more for benefits or payroll taxes, they reduce employees' wages by a nearly

17. Emma Whitford, "Greenpoint's Growing Taxi Graveyard," *The Gothamist*, August 21, 2015, http://gothamist.com/2015/08/21/why_yellow_cabs_are_taking_up_all_o.php#photo-1 (accessed July 6, 2016).

18. Joe Mullin, "Cab Medallion Owners Sue NYC, Blame Uber for Ruining Business," ArsTechnica, November 17, 2015, http://arstechnica.com/tech-policy/2015/11/cab-medallion-owners-sue-nyc-blame-uber-for-ruining-business/ (accessed July 6, 2016).

19. Rosanna Smart et al., "Faster and Cheaper: How Ride-Sourcing Fills a Gap in Low-Income Los Angeles Neighborhoods," BOTEC Corporation, July 2015, http://botecanalysis.com/wp-content/uploads/2015/07/LATS-Final-Report.pdf (accessed July 5, 2016).

20. Ibid., Table 2.

21. Uber Corporation and Mothers Against Drunk Driving, "More Options. Shifting Mindsets. Driving Better Choices." January 2015, https://newsroom.uber.com/wp-content/uploads/2015/01/UberMADD-Report.pdf (accessed July 5, 2016).

22. Brad Greenwood and Sunil Wattal, "Show Me the Way to Go Home: An Empirical Investigation of Ride Sharing and Alcohol Related Motor Vehicle Homicide," Temple University Fox School of Business *Research Paper* No. 15-054, January 29, 2015, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2557612 (accessed July 5, 2016).

23. Aaron Smith, "Shared, Collaborative, and On Demand: The New Digital Economy," Pew Research Center, May 19, 2016, p. 27, http://www.pewinternet.org/files/2016/05/PI_2016.05.19_Sharing-Economy_FINAL.pdf (accessed July 5, 2016).

24. This would allow trial lawyers to file overtime suits against gig-economy firms, and allow unions to unionize gig-economy contractors.

or entirely offsetting amount.[25] Reclassifying gig-economy firms would cause them to formally pay the employer share of payroll taxes. They would also reduce payments to gig workers by roughly the same amount. Classification as employees or contractors has little effect on gig workers' net earnings. The same analysis applies to benefits and employment expenses.

Common Law Test

While these lawsuits have little economic merit, their legal validity is more complicated. Congress has not passed a bright-line test differentiating independent contractor status from employee status. Instead, different federal statutes use variants of the common law test.[26] The common law test centers on the degree of control an employer has over an agent. The more control the employer has over how an individual works, the more likely the individual is considered an employee than an independent contractor. The less an employer directs how an individual performs a job function, the more likely the agent is an independent contractor of the employer. The common law test has many factors and no single factor necessarily determines employee vs. contractor status. These factors include:

- **Control.** If an employer has control over work hours, pay rates, and how the individual does the job, the individual is more likely an employee.
- **Duration.** If an employer has a long-term or open-ended relationship with a worker, the worker is more likely an employee. A definite-term relationship, especially a short-term relationship for a fixed term, is more likely an indication that the worker is a contractor.
- **Independent business judgment.** If a worker exercises independent business judgment, can accept other clients without the approval of the employer, and can experience profit or loss based on his own business judgment, he is more likely a contractor. If a worker has withdrawn from other employment opportunities to work solely for a firm, he is more likely to be an employee.
- **Investment.** If a company provides the tools and equipment used in the work, and bears the risk of losses if those tools are damaged or wear down, the worker is more likely an employee. If the worker does so, he is more likely a contractor.
- **Method of payment.** Does the worker receive a fee for performing a specific task, or a guaranteed wage or salary? Fees tend to indicate contractor status, wages and salaries tend to indicate employment.
- **Role of work.** If the work performed is central to a firm's operations, the worker is more likely an employee.
- **Skills involved.** Does the work require specialized skills? If so, the worker is more likely a contractor. If not, it tends to indicate employment.

Many gig-economy workers have elements of both employee and contractor status, such as ridesharing drivers.

Rideshare drivers decide when and where to drive, and often drive for multiple rideshare platforms. A majority rideshare while working a separate job. They use their own cars, pay for their own gas, and pay for all repairs. They can lose money if they do not bring in enough to cover gas and depreciation costs. Rideshare drivers also receive a fixed rate for driving, not a wage or salary.[27] These all point to the driver being contractors, not employees.

On the other hand rideshare drivers have an open-ended relationship with Uber and Lyft. Giving people rides is central to the operations of rideshare companies. Moreover, driving is not a particularly specialized skill. So the duration, role of work, and skills tests all suggest employee status.

Finally, rideshare companies exercise limited control over drivers' work. Companies exercise indirect control through user ratings and surge pricing.

25. See, for example, Jonathan Gruber, "The Incidence of Mandated Maternity Benefits," *The American Economic Review*, Vol. 84, No. 3 (June 1994), pp. 622–641.

26. This common law test is outlined in "Restatement (Second) of Agency," 1958.

27. Typical rideshare rates involve a fixed rate per minute driven plus a fixed amount per mile driven.

Any driver whom customers rate too badly is kicked out of the system. Rideshare companies require drivers to accept most customers.[28] The rideshare companies also exercise direct control by setting fares and having dress codes, car cleanliness and safety codes, insurance requirements, and other requirements. On the other hand, drivers set their own hours, pick their own routes, and do have a limited ability to refuse customers.

So far, Uber and Lyft have either settled or won most of the lawsuits alleging drivers have employee status. But many more suits are pending. Although the ridesharing companies have strong legal arguments in favor of independent contractor status, there are arguments on the other side. Courts could rule that many gig workers are employees.

"Employee" Status Ends Most Gig-Economy Jobs

Employee status would end much of the gig economy. It would force companies to take control over workers' schedules and activities—undermining their attraction to workers. If the courts classify ridesharing companies as employers they will have to pay drivers at least the minimum wage, overtime, and cover their driving expenses.

This would force Uber and Lyft to take significant control of their drivers' work. California and New York have raised their minimum wage to $15 an hour. Uber and Lyft would have to ensure that driver-employees earned at least that amount, net of expenses. They could no longer let drivers work when and where they liked. They would have to direct them to work in areas and times with more passengers. Similarly, the rideshare firms would have to limit drivers to 40 hours a week to avoid paying overtime. They would also have to control the make and model of their drivers' vehicles, to contain fuel and depreciation costs.

Uber's recently instituted earnings-guarantee program illustrates this dynamic. Uber recently cut fares in several cities to boost ridership. Uber compensated drivers by guaranteeing minimum hourly earnings. However, drivers who want guaranteed earnings must accept restrictions. They must work for at least 50 minutes of each hour with guaranteed earnings, accept at least 90 percent of ride requests, and average at least one trip an hour.[29] These restrictions ensure that the wage guarantee will not hurt Uber's bottom line.

These restrictions are voluntary. Uber drivers can turn down the wage guarantee and choose more flexible schedules. But the minimum wage is not optional. Nor is overtime or the requirement that employers cover expenses. If ridesharing companies become their drivers' employers, they will need more control over their work. Such control would curtail the flexibility that attracts workers to the gig economy in the first place. If gig-economy firms become employers, their business model falls apart.

Hurting Gig-Economy Workers. For this reason, most gig-economy firms try to avoid things that could trigger "employer" status: Most gig-economy companies provide little to no training. Training implies the company cares how the worker performs the job, which implies control—an indicia of employment. Nor do they provide benefits. Courts also consider benefits an indicator of employment status.

These defensive reactions hurt gig-economy workers. They deprive them of potentially valuable training. They also lower the quality of benefits they can access. Independent contractors' benefits are taxed more heavily than employer-provided benefits. For example, employees pay no taxes on employer provided health benefits. Self-employed workers pay payroll taxes of 15.3 percent on health insurance they buy for themselves.

Policy Responses

The gig economy provides better options for workers who want flexible schedules. It also benefits consumers. Congress should protect gig-economy jobs from misclassification litigation. To do so, Congress should:

1. **Clarify "independent contractor" status under federal law.** Congress should clarify the test for independent contractor status under the Fair Labor Standards Act, the National Labor Relations Act, and the tax code. Congress should make it clear that the central elements of the test

28. For example, Uber currently requires drivers to accept at least 80 percent of ride requests.
29. Gregory Ferenstein, "Uber to Cut Fares in 48 Cities, Promises to Guarantee Driver Earnings," Venture Beat, January 8, 2015, http://venturebeat.com/2015/01/08/uber-well-guarantee-driver-earnings-in-every-city-where-were-cutting-prices/ (accessed July 5, 2016).

are the "control over work," "investment," and "independent business judgment" factors. This clarification should make it clear that individuals who decide when and where to work using their own equipment, and are free to work for other companies, are independent contractors. This would protect ridesharing and other gig-economy jobs from litigation.

2. **Create a temporary safe harbor for gig-economy jobs**. If Congress does not want to comprehensively re-write the "federal independent contractor" definition, Congress should create a temporary safe harbor for gig-economy companies. Congress should declare that companies that connect workers to clients online, where workers control their own schedules and use their own equipment, will not be considered employers for the next 10 years. This would protect the growing gig-economy sector from the risk of lawsuits. It would also allow gig-economy firms to experiment with alternative work arrangements, such as providing benefits or training, without the risk of being declared employers. At the end of the period, Congress could re-evaluate how to define employment relationships for the gig economy.

3. **Create benefit equality for the self-employed.** Congress should fully equalize the tax treatment of benefits between self-employed workers and workers who have employers. This should include ensuring the tax code is neutral both with respect to how an individual obtains health coverage (whether directly or through an employer or an association) as well as with respect to an individual's choice of plan design (such as a health maintenance organization, a preferred-provider organization, a high-deductible plan, or another arrangement).

Conclusion

Technology has made connecting workers and customers easier than ever before. This has enabled the rise of the rapidly growing gig economy. While most workers prefer regular 9-to-5 jobs with benefits, a substantial minority value flexibility more. The gig economy attracts these workers and meets their needs. Surveys find that gig workers are extremely happy with their working arrangements. This transformation has also provided customers with better and less expensive services. However, lawsuits are seeking to reclassify gig-economy firms as employers of the independent contractors with whom they work. This would destroy their business model. Congress should ensure that litigation does not stifle the gig economy. It should also create equal benefits between the self-employed and formal employees. The tax code should not penalize Americans who work for themselves.

*—**James Sherk** is Research Fellow in Labor Economics in the Center for Data Analysis, of the Institute for Economic Freedom and Opportunity, at The Heritage Foundation.*