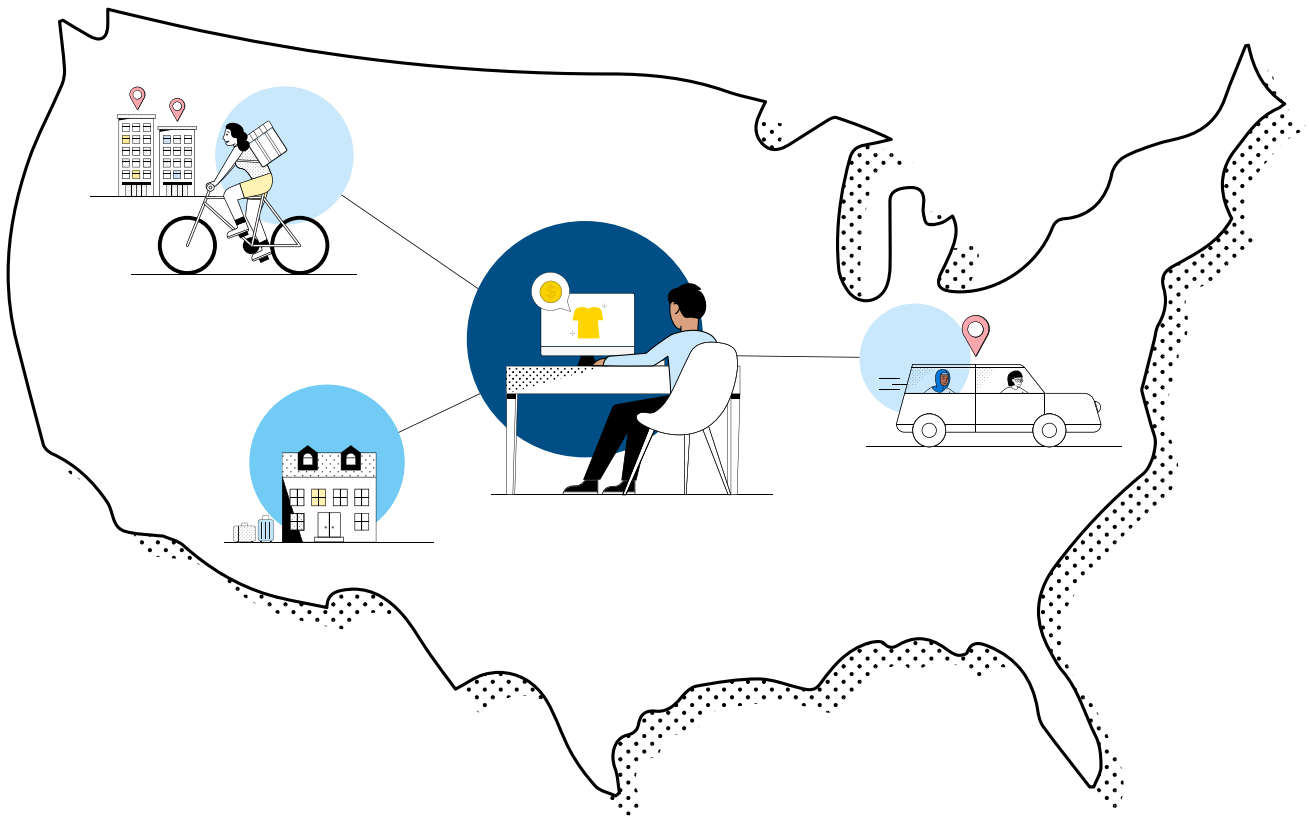


Legal & General U.S. Gig Economy study: Part 8

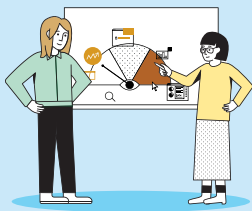
Full circle: what employers need to know about independent workers in America



The Gig Economy is here to stay, and growing

New labor models encompassing the gig worker pool will help companies fill their talent needs

Integrating gig workers will require emphasizing workplace collaboration, interaction, and P2P support as key benefits of onsite work



Positive change includes equal pay for men, women and minorities



Companies will become more competitive by supporting freelancers in getting access to benefits such as health insurance and retirement provisions.



IT workers laid off en masse in 2022-23 could reemerge as gig economy workers, spelling opportunities for companies to address their labor shortages in what continues to be a very strong labor market in the U.S.

In this final report on the U.S. Gig Economy, we'd originally set out to explore the question, *What will it take for employers to get some of this [73+ million-person labor force](#) back to the office?* On re-reviewing our research about what freelancers were saying, to our surprise, we discovered that this might have been the wrong question to ask. A better question might be, *What does the inexorable explosion of gig economy work mean for U.S. businesses and employers?* And just as important, *What does it mean for American gig workers themselves?*

We've been studying the U.S. Gig Economy for almost a year now, after fielding preliminary discussion panels in June 2022 and carrying out a major research survey in August and September 2022 and crunching the numbers. What's clear is that employers need to take in the fact that the Gig Economy isn't a temporary phenomenon—in fact, it has been growing steadily year upon year.

Employers who see this as an opportunity can make good use of this resilient, independent talent pool. They may need to adjust their business models to allow for more ways to engage with the gig economy workforce, including better understanding the skills they offer, noting which skill gaps they can fill, and integrating them into existing teams. There's also an opportunity to attract independent workers back to the workplace by emphasizing the inclusive, social and supportive aspects of office culture, such as mentoring and teamwork, and understanding gig workers' concerns and financial security needs, such as retirement contributions and health insurance. Companies willing to step up to meet freelancers' requirements for more flexibility, pay equity, and benefits contributions will better positioned to attract the talent they need.

Our 2022 research represents a moment in a shifting dynamic, so we've looked into the most updated statistics available on the gig economy

and found that, indeed, it has steadily continued to expand since we began our study. Recent U.S. Bureau of Labor Statistics [data](#) pointed to continuing growth of the self-employed labor force, with a healthy year-over-year increase between June 2022 and June 2023 (see p. 26 of the BLS report). This [2023 TeamStage study](#) says that the gig economy is expanding three times faster than the total U.S. workforce, and that over 50 percent of the U.S. workforce is likely to be participating in the gig economy by 2027. Another Gitnux [study](#) projects that the gig economy will reach a volume of \$455.2 billion in 2023, noting that this “highlights the potential for businesses to benefit from the gig economy by connecting with freelancers to complete tasks or projects.” Since we began reporting on our research in 2022, the estimated number of U.S. gig workers has risen from [59 million](#) to [73 million](#) currently.

‘No Going Back’ for Gig Workers

What we heard from the gig workers we talked to is that, with a few caveats, freelancing is working very well; they have no desire to give up the independence and flexibility it affords them. Only 9 percent expressed a desire or plan to leave the Gig Economy in favor of more traditional salaried employment, and we received comments like this one:



All my life I have wanted to work for my own company. There is no going back!”

What this suggests to employers is that, as they try to fill company staffing needs, they may need to adjust their expectation that things will ever again fully return to pre-pandemic “normalcy” in the workforce. The growing Gig Economy provides ample proof that a sizeable chunk of the American labor force has taken things into their own hands, working when they want and where they want. For employers, this shift in mindset may mean needing to engage freelancers more broadly, and/or on different terms. If employers want to get the work done, they will need a new mindset allowing for flexibility.

In her book [The Light We Carry](#), Michelle Obama writes about the difference between the “armored” workplace persona and the whole life of a person, “the opportunity to be seen as our best and truest selves,” as she puts it. She says carrying around “workplace armor” can be defeating and exhausting, that it “interferes with how you move, interferes with your fluidity, your ability to make progress on the job.” Many gig workers we spoke with expressed new feelings in this regard about working independently. One said:



I finally have a life. I make less money but don’t feel a difference at all. I am living a much fuller, happier life.”

That said, what many freelancers are missing by not being in an office—something the pandemic has thrown into high relief—is the social interaction and collaboration a good workplace provides. Employers looking to bring in this independent-minded cohort would do well to nurture the interactive, supportive, equitable, and collaborative aspects of their office culture—possibly attracting gig workers back with an emphasis on mentoring, teamwork, inclusion, and appropriate support through difficult life circumstances. While not all gig workers want these things, a large proportion of them—particularly the younger ones—would find them attractive. The personal and career growth an interactive work environment offers could serve as a counterweight to the independence freelance workers value so much. Also, simply having support and a level of redundancy has its merits—as one of our gig worker respondents said, vis à vis going it alone:



There is no one to cover for me if I were to get sick.”

3 Main Concerns for Gig Workers

Analyzing the responses we received, several clear actions emerge for U.S. employers as they gain a deeper acceptance of the growing, resilient, independent gig economy. Here are the three major needs or concerns we consistently heard about from freelance workers:

1. **Flexibility (workplace, hours)**
2. **Pay Equity (gender, minorities)**
3. **Benefits (health insurance, retirement/savings)**

1. Flexibility

A first step would be to get comfortable with hybrid and other alternative work arrangements and flexible hours/work weeks.



I would [return to a traditional job] if I could find one that I have the skills for and I can either work remotely or have the company be flexible with my hours because of health issues and transportation issues.”

Increasingly, gig work is a choice for many people—82 percent of our survey respondents told us they choose to be self-employed. While eschewing corporate settings and culture is part of what calls some people to freelance work, flexibility is the main attraction. Sixty-three percent of those we spoke with named flexibility as the key reason they've chosen to work this way; among gig workers who have children this rises to 69 percent. Under that same heading, 61 percent of our respondents told us that being able to work when they want is the best thing about gig work; and 46 percent said they value the fact that gig work gives them the ability to take on more work and thus make more money.

Our research found that the vast majority of gig workers have long since made their peace with earning most of their living working independently. Just 2 percent say they want to leave the gig economy as soon as possible. The focus group responses we received ahead of the main survey paint a picture of fierce, sometimes

humorous independence, and in some cases a libertarian point of view. One in five respondents say they could not work in a corporate setting.

For employers, getting used to hybrid work arrangements for the long haul will help them tap into the freelance talent pool. U.S. gig workers retain a fiercely independent mindset that opposes corporate team-think—hiring them could mean having to become more flexible with work hours and working from home. Their attitude is about getting the job done their way, versus punching the clock. This could work to employers' advantage if they can identify the needed skill sets and figure out how to smoothly integrate freelancers in among their regular staff. Companies will need to find the balance between harnessing freelancers' independence and resilience while finding ways to provision better financial security and more equitable pay in place for them.

2. Pay Equity: Closing the Gender Pay Gap

Next, recognize your power to pay women and minorities the same as men. This may mean re-valuing some traditionally undervalued services.

It will come as no surprise to employers that women earn less, take on multiple roles, and worry more than their male counterparts. However, the pay gap for female freelancers is even worse than it is in the U.S. workforce generally: Across all categories of our survey respondents, whether paid per project, per hour, per week or per month, the pay gap between men and women was 32 percent on average, and as much as 45 percent in median average pay per month.

	Men	Women	Pay gap
Avg amount per project	500	300	-40%
Avg amount per hour	50	40	-22%
Avg amount per day	200	150	-22%
Avg amount per week	900	600	-30%
Avg amount per month	4500	2500	-45%

Women freelancers earn their living mainly in lower-paid sectors such as Health & Beauty and Media/Writing—while the highest paid sector, IT, is populated mostly by males. Women also worry more, our research showed, as they juggle child and elder care and often prioritize the expenses those activities incur over planning for their own financial futures. One woman said:

“

The worst thing about gig work? No vacation or sick pay, no holiday pay, no retirement, no medical.”

And another:

“

I can give 24/7 care to my 94-year-old dementia-stricken mother while also tending to our family business.”

Employers are starting to recognize the need to address pay equity for gig workers they hire across *all* minority lines. We ask the question, *In our society, do software updates really have twice the value of services such as nursing or writing, and can we level-up those workers providing the latter?*

3. Benefits Wanted: Health insurance, Retirement/Savings

What was implied loudest and clearest from gig workers is that you'll be a more competitive hiring company by finding a way to contribute to this contingent's health insurance, retirement savings, and other financial safety nets, along with agreeing to flexible work arrangements.

Another major area of concern for gig workers is their lack of financial safety nets such as health and life insurance and matching retirement contributions. In our analysis, to attract the best independent talent, it may behoove corporations to find ways to contribute to these.

Health insurance and other financial umbrellas

that traditionally come as part of corporate benefits packages are probably the Achilles heel of the U.S. Gig Economy. In a wealthy nation that already suffers from unequal access to medical care, it's little wonder that our research showed 23 percent of independent U.S. workers having no health insurance, as they have to pay for it themselves. Even more gig working parents—one in three—have no health insurance. Only 40 percent of independent workers have life insurance, including those with partners and children. One respondent told us:

“

No benefits for the first 7 years—I couldn't even get health insurance.”

And another said:

“

I miss insurance and matching 401(k) contributions. Wish I had more travel benefits.”

We've discovered, through our [research partnership](#) with health inequality expert Michael Marmot, that financial well-being can have a significant effect on individuals' health. This became increasingly apparent in the cost-of-living crisis we've recently experienced, which caused many people to experience financial stress like never before. [Inclusive capitalism](#) can provide a path to raising the living standard and mental health of as many people as possible regardless of age, life stage or current financial position.

Health is choice in its own right. Providing some sort of access to health coverage will go a long way toward the attracting gig worker talent. And companies are in a position to help, with group plans already in place. It would be a win for both sides, improving the health prospects of many and reducing stress.

Retirement planning and saving is nearly as fraught for freelancers. Almost three-quarters (71 percent) of female gig workers told us that their biggest worry is over their financial future, and just 8 percent have a pension plan. More than half (53 percent) of all gig workers said that working independently has had a negative impact on their access to retirement and savings plans, and 29 percent say the same about their ability to save in case of an emergency.

It's likely that in some ways, all of life feels like a series of emergencies for independent workers. And they are struggling to figure out how to get off the hamster wheel: 45 percent don't expect to retire before age 65, while 30 percent never expect to retire at all. Finding the time and extra resources to plan for retirement seems too great a burden for many of these people. Again, employers can create value and reduce workplace stress by contributing to a financial framework that's analogous to traditional benefits.

Employers looking to hire freelancers might be interested to know that 42 percent of our survey respondents ranked access to healthcare, life insurance, and a pension plan as top lures back to traditional employment. One gig worker summarized the conundrum:



I would love to have a 401(k) and medical, but they don't go with being a contractor.”

Not yet.

Side note: An avalanche of tech gig workers. Companies now have a windfall opportunity to hire, as freelancers, some of the thousands of tech workers who were recently laid off by tech and financial services companies.

From December 2022 through June 2023, 240,000 workers were laid off in the tech sector. Our research showed that tech gig workers earned by far the most of any sector.

Additionally, as of the time of our research, many of these workers were freelancing in addition to other jobs and forms of income—only 44 percent of gig workers in tech make 100 percent of their income freelancing, compared with 62 percent of gig workers overall. Even with their lower ratio of income, 29 percent of tech freelancers still make over \$100,000 a year from contract jobs, compared with 23 percent of gig workers overall.

Viewed from another angle, tech freelancers are more likely to want to retire early than other gig workers; however, 31 percent never plan to retire. We extrapolate from our research that the tech sector, indeed all industries, will be heavily reliant on the gig economy in the near future to get much of the necessary high-tech work accomplished. Understanding these parameters, employers can see that this freelance contingent is available, at a price.

On the whole, employers should know that the U.S. Gig Economy is alive and well, and growing, and that they may find that's where their own growth lies. There are some areas begging for improvement, as various persistent nodes of insecurity—unequal healthcare, lack of retirement funding and other savings, and the gender/minority pay gap being chief among them—add to the high levels of stress that already exist across much of American culture. Rather than a top-down approach, such as legally mandating insurances and savings, we predict a grass-roots movement coming from these independent workers and their advocates that will meaningfully change how their compensation is structured. Companies have a unique opportunity to play a role in raising all boats while allowing the economy to continue growing. The U.S. Gig Economy provides ample proof that innovation, agility, and self-reliance can help create this change.

For a deeper dive into any of these areas of research, [full reports can be accessed](https://group.legalandgeneral.com/en/u-s-gig-economy-workers-research) through our U.S. Gig Economy Study hub: <https://group.legalandgeneral.com/en/u-s-gig-economy-workers-research>.

End note:

The authors would like to emphasize that some of the suggestions raised in this report about ways companies might consider adding benefits to independent contractor compensation are in the realm of uncharted waters. While in the U.K. and Europe there are stringent “co-employment” rules governing how companies hire freelancers and independent contractors, the distinction in the U.S., while it exists, is less rigid, which leaves more flexibility to develop creative alternatives.

There are fewer roadblocks around whether U.S. companies are legally allowed to provide benefits such as retirement planning or healthcare to gig workers (classified in the U.S. as “non-employees”), but there also appear to be few clear-cut answers. They can be summarized as follows:

In the United States, while the term “co-employment” is not used in the same context as in the U.K., there is a distinction between employees and independent contractors. At root, it’s a tax reporting difference between those who file a W2 (employees) versus those with a 1099 (independent contractors, freelancers, or gig workers).

In America, various factors determine how to classify a worker as an employee or an independent contractor, including the degree of control the company has over how and where the worker’s work is performed and the nature of the work itself. The Internal Revenue Service (IRS) and the Department of Labor (DOL) have specific guidelines and tests to determine the proper classification, and companies need to avoid misclassifying workers, as this can lead to legal consequences and financial penalties.

To the question of whether or not U.S. companies can offer certain benefits to independent contractors, there appears to be no explicit ruling against it. Nevertheless, employers need to [navigate these issues carefully](#) to avoid misclassification and subsequent tax issues. Directly offering benefits like retirement planning or healthcare to independent contractors can create tax risk, as it could blur the line between employee and independent contractor status.

Research on whether U.S. employers can offer specific financial vehicles to freelancers indicates:

- Retirement Planning: It appears that companies may offer [Individual Retirement Accounts](#) (IRAs) or Simplified Employee Pension (SEP) IRAs to independent contractors, as well as contributing to their Individual 401(k)s or [Solo\(k\)s](#). Any benefits offered, however, must not be contingent upon the worker’s status as an independent.
- Healthcare Benefits: Offering healthcare benefits to U.S. 1099 workers can be more complicated. [Companies can choose to implement](#) some health-related benefits such as offering a health reimbursement arrangement ([HRA](#)) or a [health stipend](#); other sources indicate that employers have the option of actually [offering health insurance](#) to 1099 workers, provided the insurance company will allow the business to extend their group plan to them. However, the Affordable Care Act ([ACA](#)) [has specific guidelines](#) about offering health insurance to employees, and the rules can differ for independent contractors.

The best approach for U.S. companies wishing to extend benefits or contributions to 1099 workers is to consult legal and tax experts, who will help them navigate the complex tax landscape and ensure compliance with federal and state regulations.

Laws and regulations change frequently—this information is based on research from September 2021 through January 2023. For the most current and accurate information, it’s best to consult legal and HR professionals, who can access the latest official government sources.

Methodology

The data was collected via online survey fielded to individuals sample sourced from YouGov's US panel. The survey scripted and hosted on Gryphon, YouGov's proprietary survey scripting platform and the field work took place between August 19 and 31, 2022. 1,044 surveys of freelancers and self-employed workers between 18 and 60 years old, non-student/non retired drawing 60 percent or more of their income from gig work were completed. Key demographics such as age, gender and region were allowed to fall out naturally. 20 questions were designed to understand facts about earnings, drivers of and barriers to gig working, financial product ownership & financial capacity when coming across adverse situations, and future expectations of being involved in the gig economy. Verbatim comments were captured by Legal & General in research carried out in June 2022 among 100 U.S. respondents.

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Sir Nigel Wilson was knighted in the Queen's New Year's Honours list 2022 and has served on the UK government's Levelling Up Council. He has been a member of the Prime Minister's Business Advisory Group for two Prime Ministers and has chaired and served on a variety of UK government commissions. He was appointed Group Chief Executive of Legal & General in 2012 and holds a PhD in Economics from Massachusetts Institute of Technology (MIT).



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