Insight

Women in the Gig Economy

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Executive Summary

- The Protecting the Right to Organize (PRO) Act, included in President Biden's American Jobs Plan, includes restrictions on non-traditional or "gig" work, such as independent contracting and freelancing.
- The PRO Act's restrictions on worker choice would disproportionately affect women, who are increasingly turning to the gig economy for opportunities that allow more flexibility, autonomy, and higher wages than traditional employment.
- These restrictions would make gig work much harder to access and force women into the traditional workforce, which often does not meet their needs, potentially leading to a decline in female labor force participation overall.

Introduction

The Protecting the Right to Organize (PRO) Act, which passed the House in April and is included in President Biden's American Jobs Plan, includes restrictions on non-traditional or "gig" work, such as independent contracting and freelancing. Specifically, it would implement a method of worker classification known as the ABC test, which would make it much more difficult for workers to access the benefits of gig work by forcing them to be direct-hire employees unless they meet a very narrow set of conditions. While the PRO Act aims to protect workers, its restrictions on workers' options for employment threaten to force many to choose between jobs that don't meet their needs or unemployment. This restriction would have a disproportionate impact on women.

Women participate in the labor force at lower rates than men, with about 57 percent of women working compared to 69 percent of men. A key reason for the discrepancy is that childcare responsibilities fall mostly on women. Due in part to this discrepancy, labor force

participation among mothers is just over 70 percent while among fathers it stands at 93 percent. As a result, women may not be able to follow a traditional full-time work schedule, so flexibility and autonomy are characteristics of work that women often value.

These characteristics are present in non-traditional employment structures often called the gig economy, and many women have turned to independent work as contractors or freelancers to supplement their income, partially reenter the workforce, or have greater control over their earnings. The PRO Act would severely restrict the option for independent work, making it much more difficult for women to take advantage of the opportunities that independent work provides.

Women and Independent Workers

In 2017, independent contractors made up 7 percent of total employment. These contractors work this way largely by choice, as 79 percent of those workers preferred their arrangement over a full-time employee position. The number of independent contractors and independent workers generally has increased, as recent data show 59 million workers (or 36 percent of the workforce) reporting that they participated in independent work in 2020, an increase of 8 percentage points since 2019.

Independent contracting work, a main element of the independent work ecosystem, is more common among men. But since 2000, participation in the gig economy has increased significantly more within the female population than the male. Between 2001 and 2016, women were responsible for 55 percent of overall growth in the gig economy. In fact, 46 percent of the independent contracting workforce is now female, up from approximately 33 percent in May 2017. About half of the drivers for Uber Eats, Amazon, and DoorDash are women, as there has been a doubling of female delivery drivers between April 2020 and January 2021. According to the study "Freelancing in America: 2019," the top reason that full-time freelancers choose to freelance is flexible scheduling. The same study finds that 46 percent of freelancers report that independent work gives them the flexibility they need to participate in the workforce at all given that their circumstances do not allow them to be part of the traditional work model.

The flexibility of non-traditional work allows women to maintain roles as mothers and caregivers while remaining active in the labor force.

Caregiving responsibilities often interfere with a traditional career path for women. A national study on working women reported that 33 percent of women decrease their working hours to take on caregiving duties, 29 percent pass up promotions and job training, and 16 percent quit their jobs completely. The gig economy limits these impacts on careers

by giving women the power to coordinate their work with caretaking responsibilities. A recent Mercatus Center study found that women are becoming increasingly likely to opt for non-traditional work and "self-select into jobs that provide greater temporal flexibility." Occupations that require shorter or more customizable work weeks, are less structured for the worker, and give greater independence for worker decision-making are more compatible with what women value in the workplace.

In a global workforce study by IBM, a sample of over 33,000 workers rated the importance of being one's own boss as a 4.1 out of 5, suggesting that autonomy within the workplace is a highly valued component to non-traditional work. The content of non-traditional work allows for broad work guidelines and an individualized work pace, leaving much room for self-responsibility.

Many who have switched to the gig economy from traditional work have found that they can earn more. According to the 2020 Freelance Forward study, only 25 percent of freelancers report earning less than they did as an employee and 57 percent started earning more in under 6 months. The flexibility of the gig economy allows more than half the number of skilled freelancers to set their own prices, and 44 percent say that they raised their rates within the past year.

The California Experience

California's Assembly Bill 5 (AB5), which set up the ABC test for worker classification, provides a useful way to understand how the PRO Act might work on a national scale.

The ABC test is much less nuanced than the method it replaces. Under the test, an individual performing any service shall be considered an employee and not an independent contractor, unless—

(A) "the individual is free from control and direction in connection with the performance of the service, both under the contract for the performance of service and in fact;

(B) the service is performed outside the usual course of the business of the employer; and

(C) the individual is customarily engaged in an independently established trade, occupation, profession, or business of the same nature as that involved in the service performed."

The passage of AB5 led to thousands of workers losing their jobs and increased costs to state businesses, resulting in billions of dollars in greater payroll expenses. Meanwhile, struggling businesses and workers scrambled to get exemptions from the new law. The PRO Act would essentially nationalize the ABC test, resulting in greater expenses for businesses

and fewer choices for workers. Previous American Action Forum research found that nationalizing AB5 could cause a loss of 8.5 percent of gross domestic product and affect over 13 million workers.

Conclusion

Workers have increasingly turned to the gig economy for more flexible work hours, greater autonomy, and higher incomes. Passage of the PRO Act would disproportionately impact women—who because of a heavier caregiving burden than men often have less scheduling flexibility—forcing them into the traditional employment arrangements that do not meet their needs and potentially reducing their workforce participation.