

The Evolution of Platform Gig Work, 2012-2023

Andrew Garin¹, Emilie Jackson², Dmitri Koustas³, and Alicia Miller⁴

CRIW Conference on the Changing Nature of Work

¹Carnegie Mellon, ²MSU, ³ UChicago, ⁴ Internal Revenue Service.

All results presented in this work are drawn from the IRS Statistics of Income working paper “The Evolution of Platform Gig Work, 2012–2023” (Garin et al. 2023), which is publicly available on the IRS SOI website at <https://www.irs.gov/pub/irs-soi/23rpevolutionofplatformgigwork.pdf>.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors and do not necessarily reflect the views or the official positions of the U.S. Department of the Treasury or the Internal Revenue Service. All results have been reviewed to ensure that no confidential information is disclosed.

New Questions About the Evolution of Gig Work Since COVID

The New York Times

Pandemic Erodes Gig Economy Work

Gig companies promoted their flexible hours as an economic lifeline for workers. In the coronavirus outbreak, it has been anything but.

The New York Times

If the Job Market Is So Good, Why Is Gig Work Thriving?

Conventional employment opportunities abound, but online platforms still have appeal — for flexibility or additional income.

THE WALL STREET JOURNAL.

In the Covid Economy, Laid-Off Employees Become New Entrepreneurs

After pandemic cutbacks, some survive by turning their skills into businesses of their own



- ▶ Measuring the prevalence of contract and “gig” work is important for understanding labor market change and conducting effective tax administration
- ▶ Earlier work examined trends in payments to gig workers and other freelancers on 1099 forms from 2000-2016 (Collins et al. 2019)
 - ▶ Large rise in number with small/supplemental earnings from new gig transportation platforms after 2012, no other changes in prevalence of contract work 2005-2016
- ▶ **New measurement challenges since 2016:**
 - ▶ Beginning in 2017, platform firms issuing 1099-K begin adhering to higher reporting threshold
 - ▶ COVID crisis led to large, simultaneous changes in composition of work, policy institutions, and reporting behavior
- ▶ **Key Question:** How has the gig economy changed since 2016? What can we learn from tax filings?

Roadmap

1. Measuring Contract Work in Tax Data
2. Key Findings 1: The Platform Gig Economy
3. Key Findings 2: Other Contract Work & SE Filing

1. Measuring Contract Work in Tax Data
2. Key Findings 1: The Platform Gig Economy
3. Key Findings 2: Other Contract Work & SE Filing

Using Tax Returns to Measure Contract and Gig Work

Draw on the universe of individual tax filings and information returns from 2000-2023

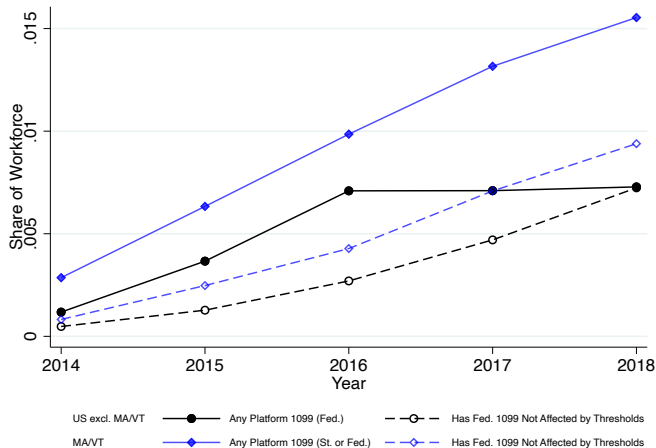
- ▶ Observe **non-employee compensation** payments by firms to self-employed **independent contractors** (1099 MISC Box 7 / new 1099-NEC)
 - ▶ **Unique feature of IRS data**
 - ▶ Following Collins et al (2019), break out labor payments from online platforms including reporting on 1099-K
- ▶ Link to self-reported self-employment receipts, expenses, and industry classifications on Schedule C and Schedule SE
- ▶ Link to wages (W2) and household structure and other income sources from other filings (Form 1040)

Roadmap

1. Measuring Contract Work in Tax Data
2. Key Findings 1: The Platform Gig Economy
3. Key Findings 2: Other Contract Work & SE Filing

Measurement Challenge: Estimating 1099-K “Gap” Through 2018

Share of Workforce with Platform 1099
MA and VT Versus Rest of US

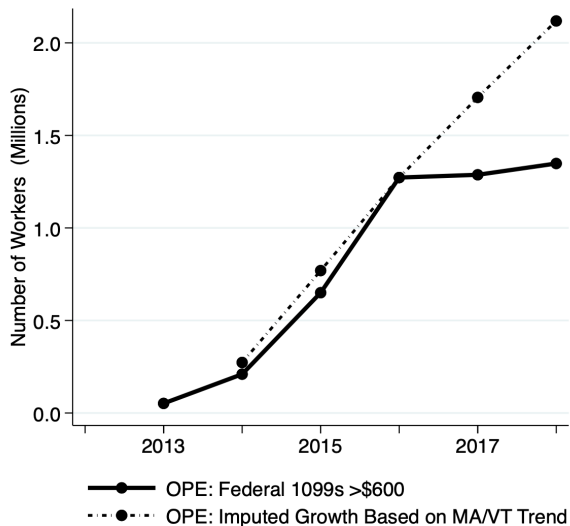


1099-K “Gap”:

- ▶ Some gig platforms switch from reporting via 1099-MISC to 1099-K, which has a higher statutory reporting threshold (\$20,000)
- ▶ Threshold binding for some online platforms beginning in 2017
- ▶ We utilize state 1099 filings from MA/VT with lower \$600 reporting threshold

Restricts to \geq \$600 in gross receipts.

Platform Gig Work Through 2018 and the 1099-K “Gap”



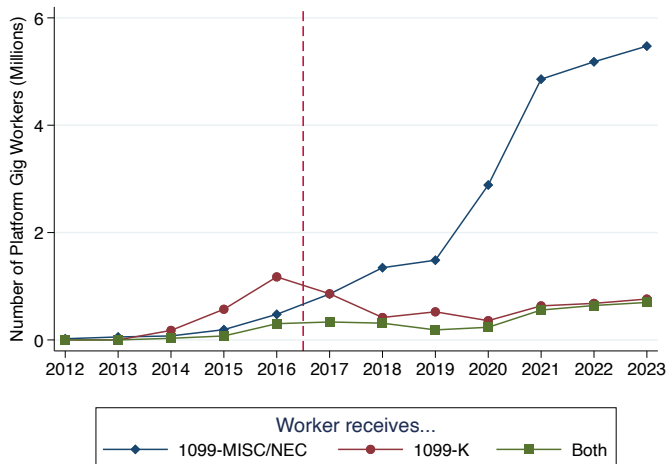
The 1099-K gap

Key Findings:

- ▶ Assuming parallel trends \Rightarrow ~770,000 gig workers subject to the “1099-K gap” in 2018
- ▶ We find on average \$1,858 more in Sched C profits per 1099-K sent due to lower threshold
▶ MA Border Design
- ▶ $770k \times \$1,858 = \1.4 billion underreported
- ▶ Other states have since passed laws (2020: IL, MD, NJ, VA; 2021: CA*)
- ▶ Federal 1099-K threshold \$20k \rightarrow \$5,000 for tax year 2024

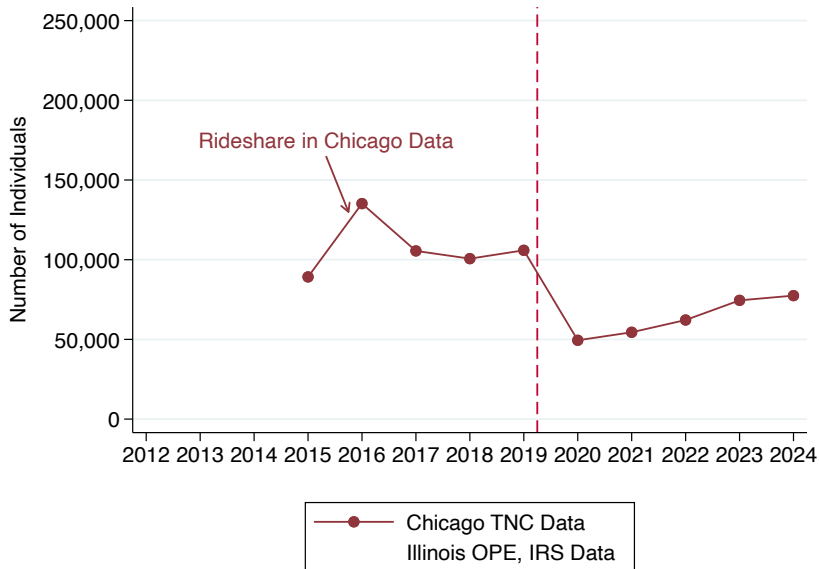
Raw Series: Platforms Shift to 1099-NEC Reporting Post-COVID

Despite K Gap, Huge Increase in *Platform* 1099-NECs

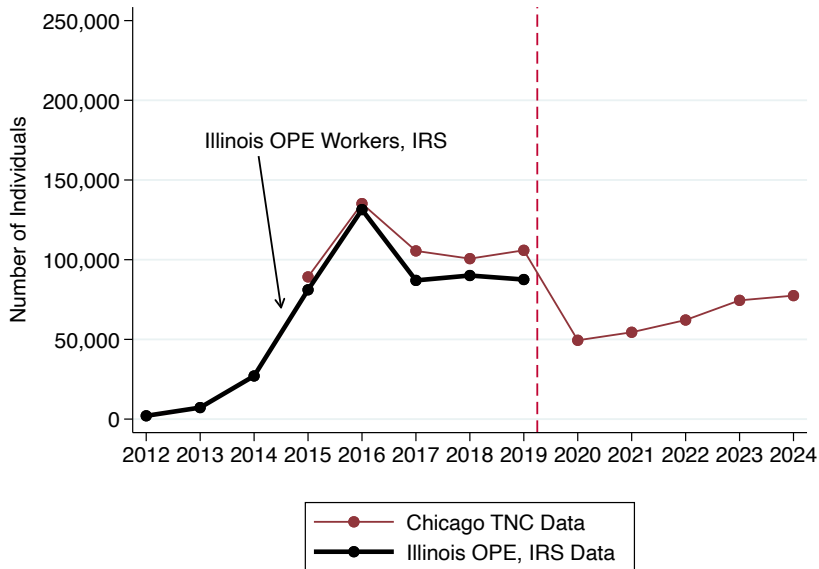


Restricts to $\geq \$600$ in gross receipts. Series are not mutually exclusive.

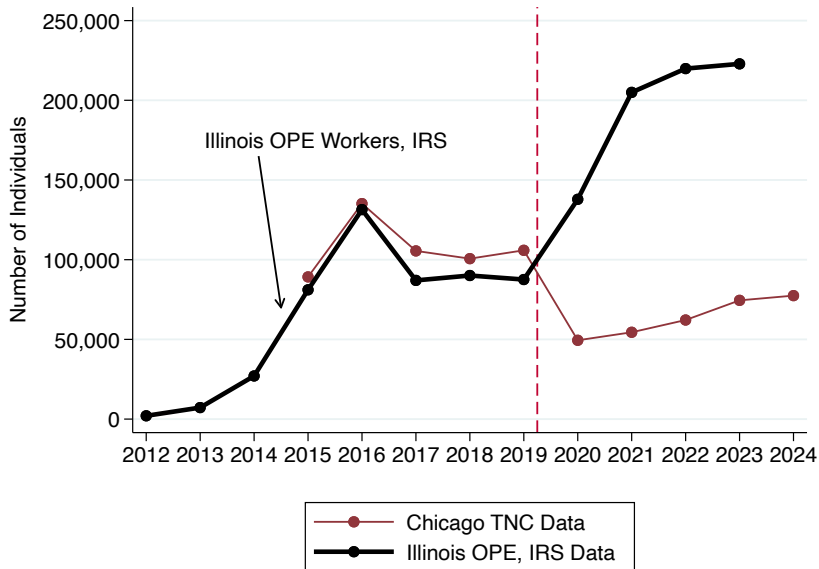
A Shift To Delivery (Where K Used Less)?



A Shift To Delivery (Where K Used Less)?

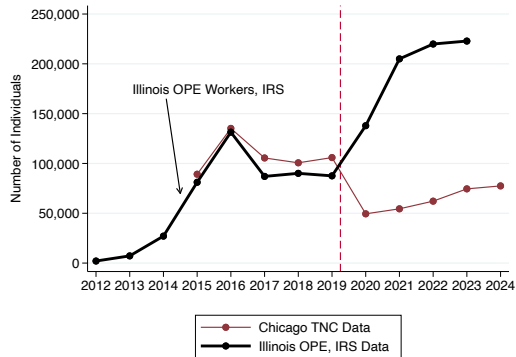


A Shift To Delivery (Where K Used Less)?

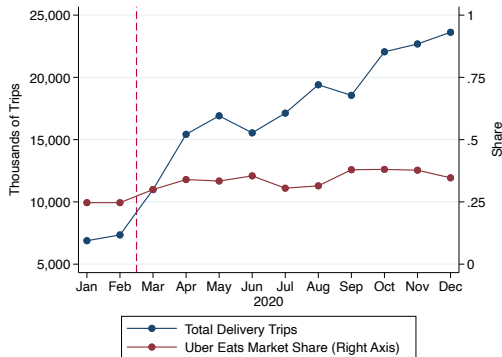


A Shift To Delivery (Where K Used Less)?

Chicago Rideshare Drivers vs Illinois OPE

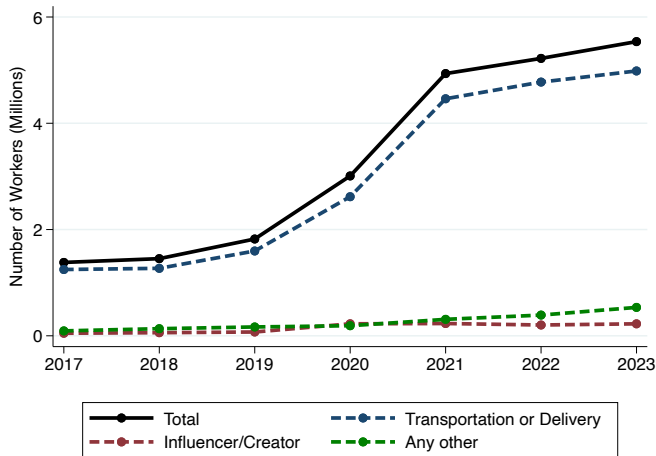


Food Delivery by Major Gig Platforms, Trips Per Month



Sources: Chicago public use data (left). Numerator data (right).

Zooming in to COVID



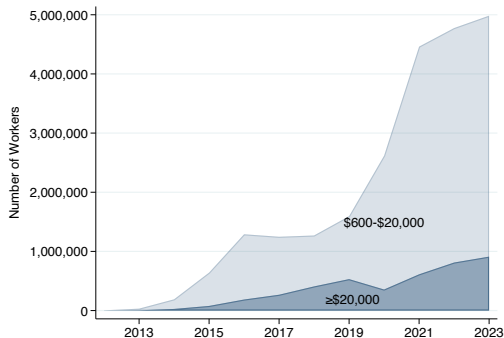
- ▶ Over 90 labor platforms
- ▶ Work for platform gig firms **grew by 3 million, or 150%** between 2019-2021
- ▶ Growth largely from transportation/delivery platforms
- ▶ Small in number, but large % growth in influencer/creator platforms

▶ Filing Rates

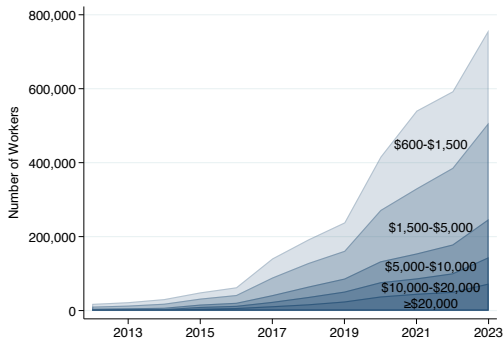
Raw Series, by Activity and Amounts

- Most of this activity is for earnings under \$20,000

(a) Transportation & Delivery Platforms

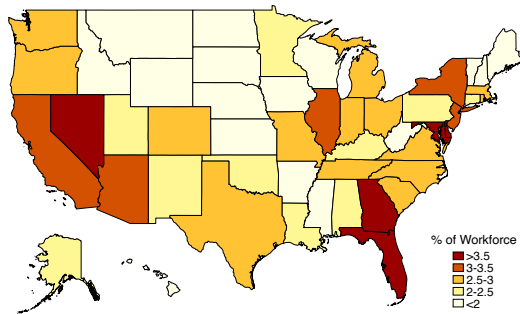


(b) All Other Platforms

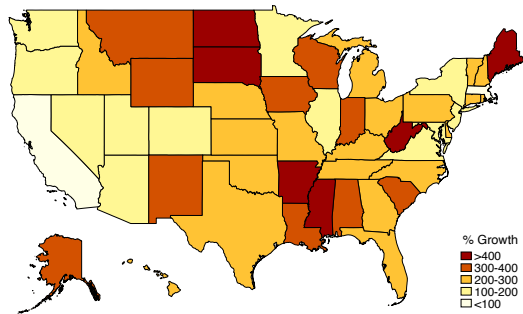


Geographic Distribution of Platform Gig Work, Levels and Growth

(a) Levels 2022

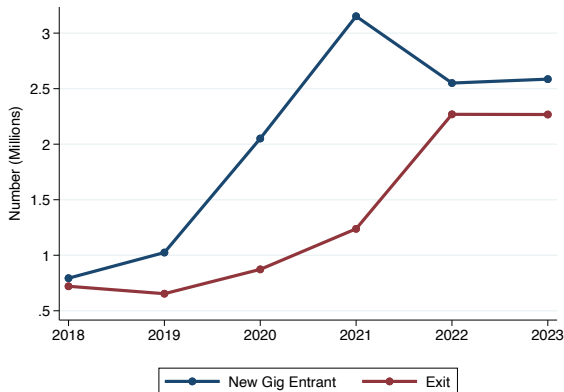


(b) Growth 2019-2022



Substantial Churn Among Gig Workers

- ▶ COVID saw record entry *and* record exit



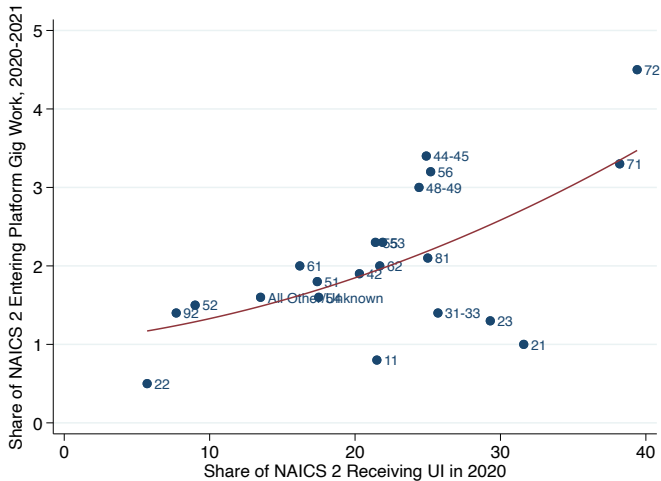
Entry = Has platform gig 1099 in year but no platform gig 1099 in year - 1. Exit = Has platform gig 1099 in year-1, no platform gig 1099 in year.

Contrasting Dynamics:

- ▶ Eligibility for PUA benefits led many incumbent gig workers to stop during COVID
- ▶ In related work, we use border design to show more access to PUA \Rightarrow stop gig work
- ▶ At same time, huge influx of new entrants

COVID Downturn Pushes Workers into Gig Work

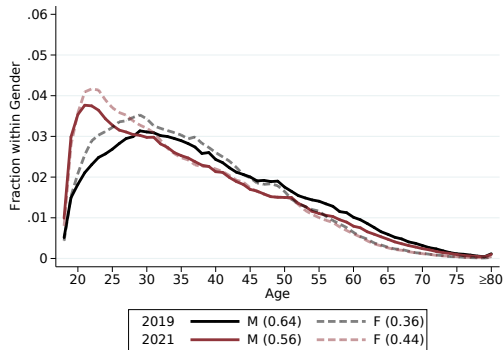
Entry into Gig Work from W2 Work, by NAICS of W2 work



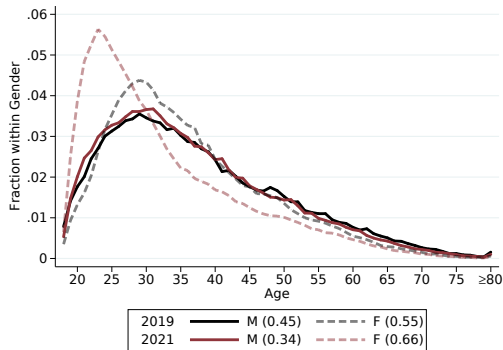
Around COVID, Platform Work Becomes Younger and More Female

Age Distribution of Platform Gig Work, by Year and Gender

(a) Transportation & Delivery Platforms



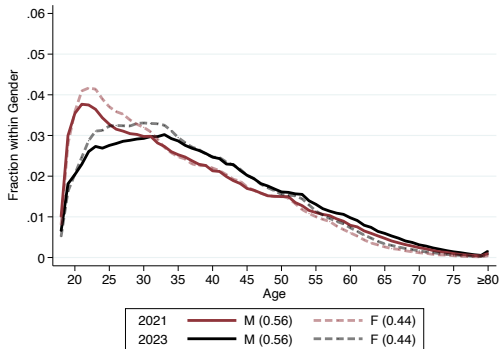
(b) All Other Platforms



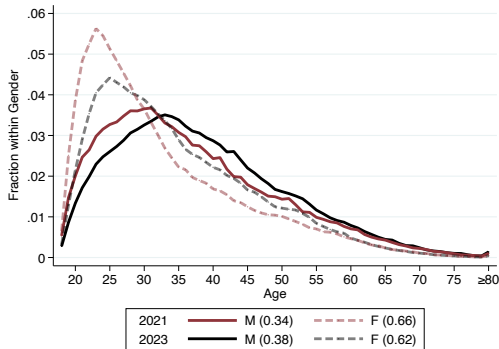
Ages Shift Back Toward Pre-Covid Distribution

Age Distribution of Platform Gig Work, by Year and Gender

(a) Transportation & Delivery Platforms



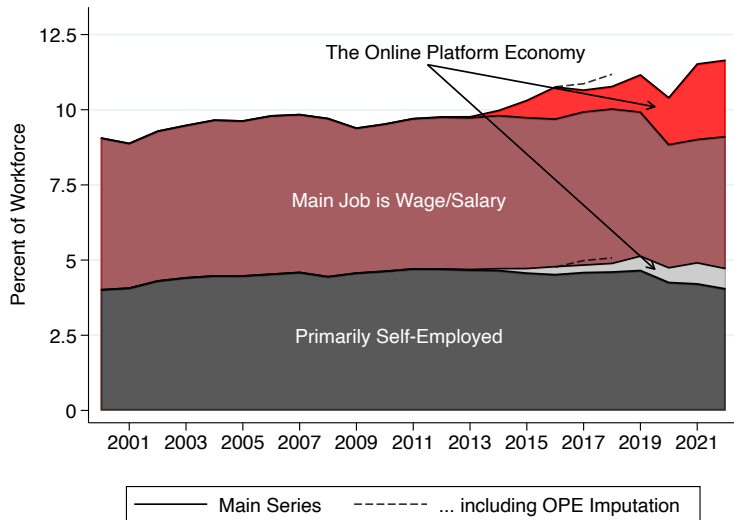
(b) All Other Platforms



Roadmap

1. Measuring Contract Work in Tax Data
2. Key Findings 1: The Platform Gig Economy
3. Key Findings 2: Other Contract Work & SE Filing

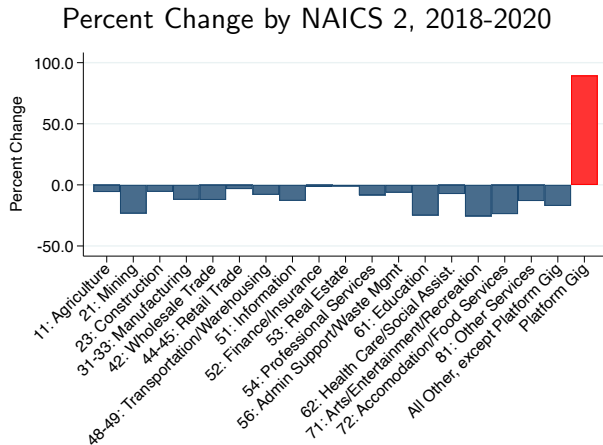
Broader Trends in Contract Work, As a Share of Workforce, 2017-2022



- ▶ Platform gig work grew as a share of workforce **and as a share of all 1099 contract work**
- ▶ \Rightarrow Other 1099 contract work **declined**
- ▶ Similar trends in Sched C/SE shares
- ▶ [▶ 2019 Imputation](#) [▶ Raw trends](#)

* Workforce = Individuals with W-2, Schedule SE or Contract \$ Reported on 1099-MISC/NEC/K + 1040

Across-the-Board Decline in Contract Work, Except Platform Work



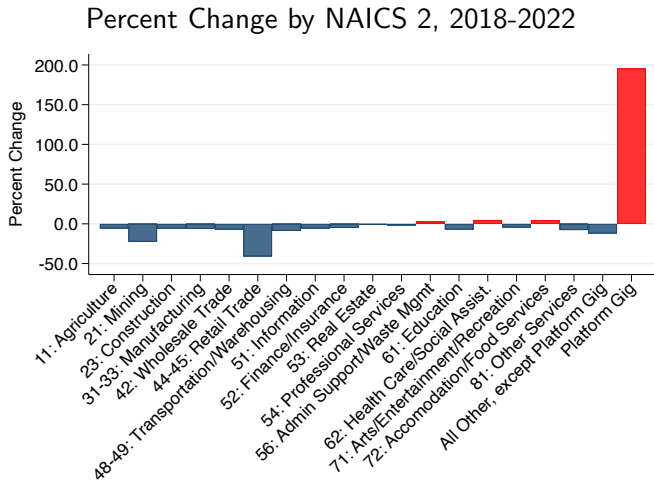
11% decline overall, similar changes for High vs Low Earners

▶▶ 2021 vs 2018

▶▶ Less than 15k

▶▶ Greater than 15k

Small Recovery in 2022 Relative to 2020 Decline

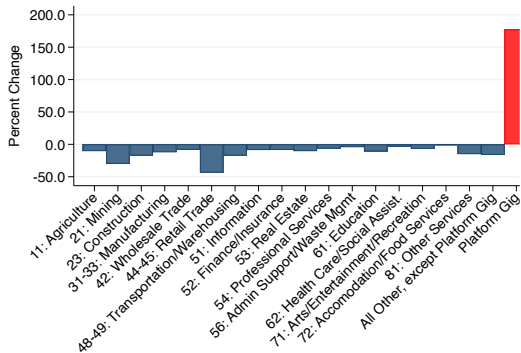


8% decline overall but varies by industry

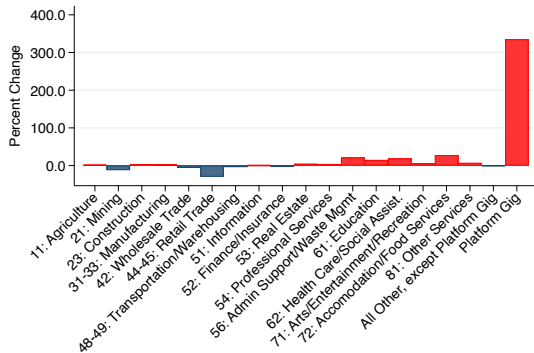
Bounce Back Concentrated Among High Earners

Percent Change by NAICS 2, 2018-2022

(a) Schedule C Profits < 15k



(b) Schedule C Profits $\geq 15K$



In 2022 differences emerge for High vs Low Earners

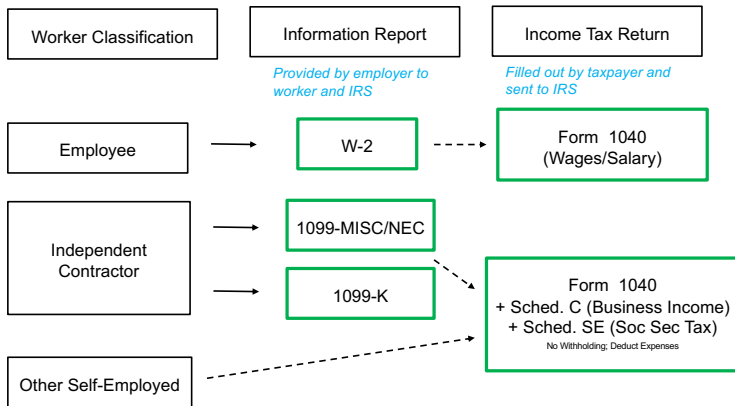
Recap & Conclusions

- ▶ We investigate tax-based measures of gig/contract work through 2023
- ▶ 2000s and 2010s— not much growth outside of transportation platforms
- ▶ Picture is mixed on whether COVID was a watershed moment for the gig economy, broadly defined
 - ▶ Other data sources show ride-sharing declined, while work on delivery platforms exploded
 - ▶ Delivery demand appears to be surprisingly persistent
 - ▶ Otherwise, COVID does not appear to have fundamentally shifted overall prevalence and nature of contract/SE work—and may have decreased it
- ▶ As of tax year 2024, 1099-K gap is closing with lower threshold and shift towards delivery. Threshold to continue to drop to \$2,500 (in 2025) and \$600 (in 2026).

Thank You!

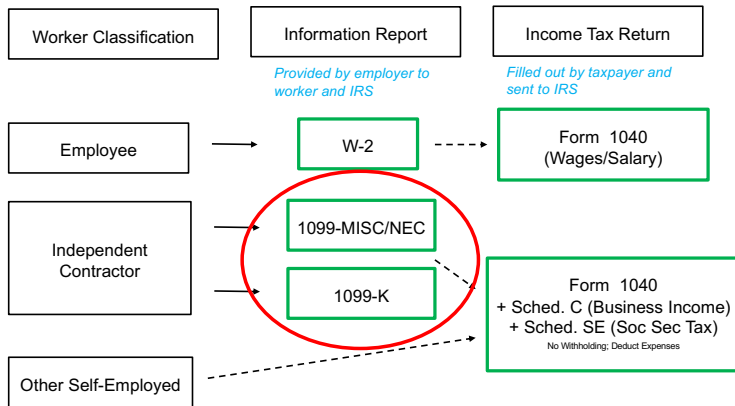
Appendix Slides

IRS Tax Data: What are the relevant tax forms?



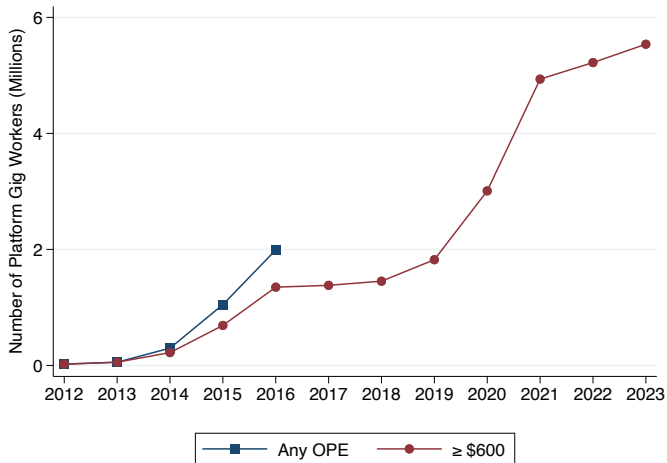
1099-MISC, Box 7, Non-Employee Compensation, is filed for each person to whom there was cash paid from a notional contract, etc. The threshold is set at \$600. This income switched to being reported on **1099-NEC** beginning in 2020. **1099-K**, Payment Card and Third Party Network Transactions, is used to report payments from merchants or credit card companies as well as third party networks. The threshold is set at \$20,000 with 200 transactions, but often did not bind for gig platforms prior to 2017.

IRS Tax Data: What are the relevant tax forms?

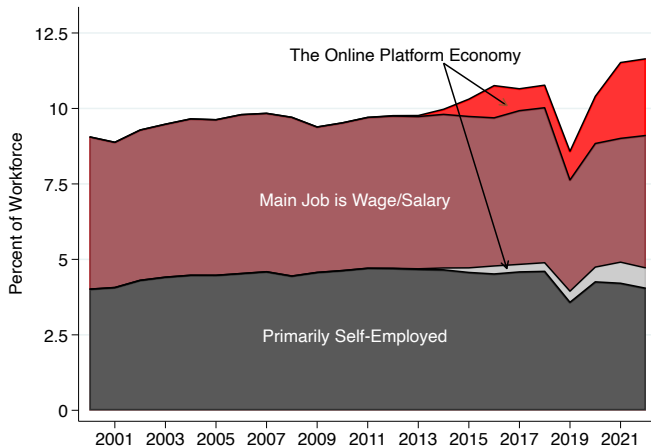


1099-MISC, Box 7, Non-Employee Compensation, is filed for each person to whom there was cash paid from a notional contract, etc. The threshold is set at \$600. This income switched to being reported on **1099-NEC** beginning in 2020. **1099-K**, Payment Card and Third Party Network Transactions, is used to report payments from merchants or credit card companies as well as third party networks. The threshold is set at \$20,000 with 200 transactions, but often did not bind for gig platforms prior to 2017.

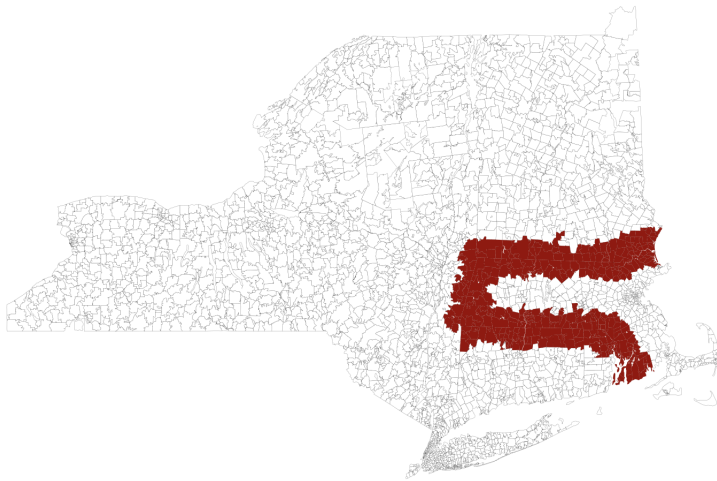
Raw Data: Platform Gig



Raw Data: 1099 Non-Employee Compensation (2000-2022)



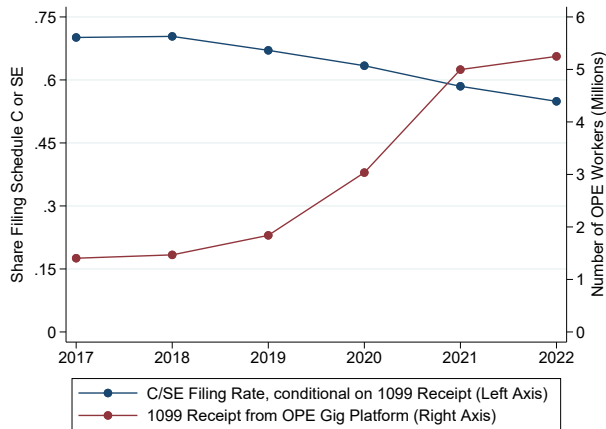
Border Design Regression Results Around Introduction of M-1099-K



▶▶ Back

As Platform Work Rises, a Smaller Share Report on Schedule C

Raw C Filing Rates, 2017-2022

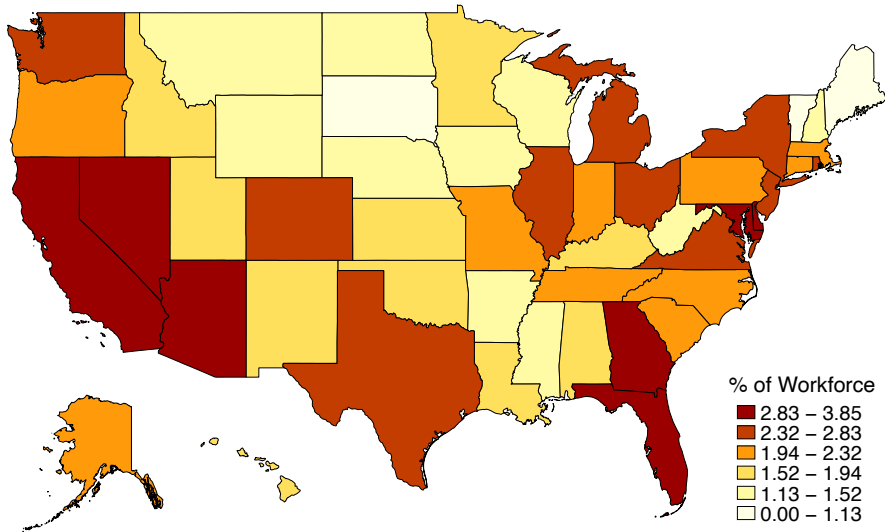


► With new entry and many first-time self-employed, Schedule C or SE filing rate* has fallen from 70% to 55%

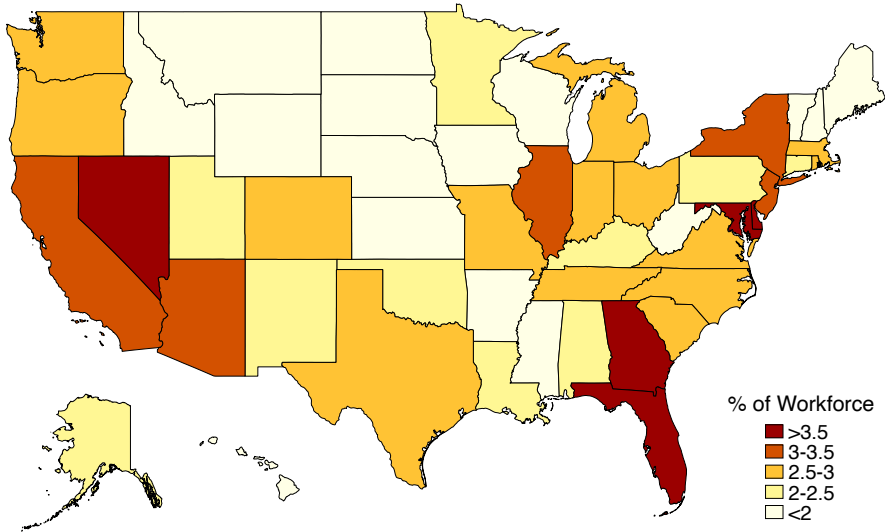
* Filing rates as of September 2024

► Back

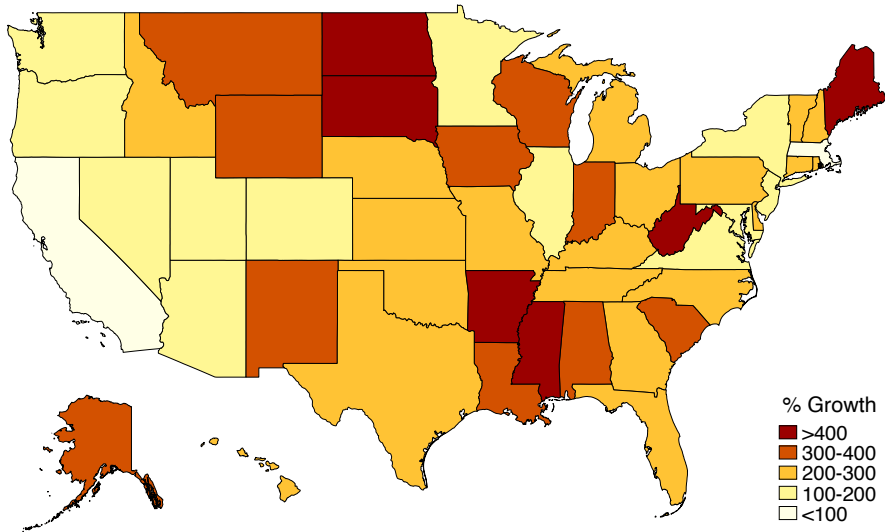
Geographic Distribution of Platform Gig Work, 2021



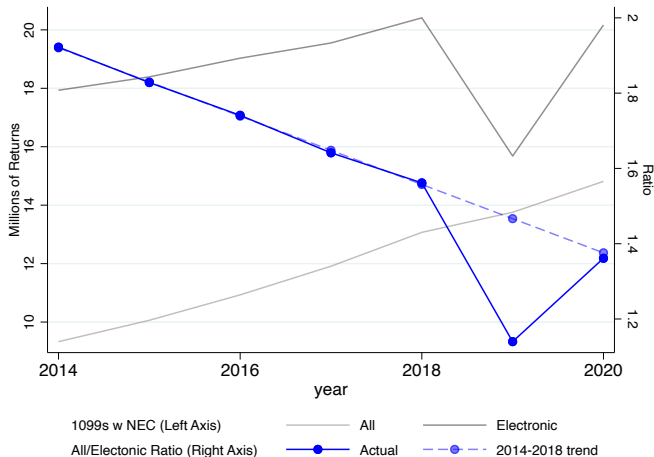
Geographic Distribution of Platform Gig Work, 2022



Geographic Distribution of Platform Gig Work, Growth 2019-2022



1099-MISC with NEC, Electronically Filed Versus All

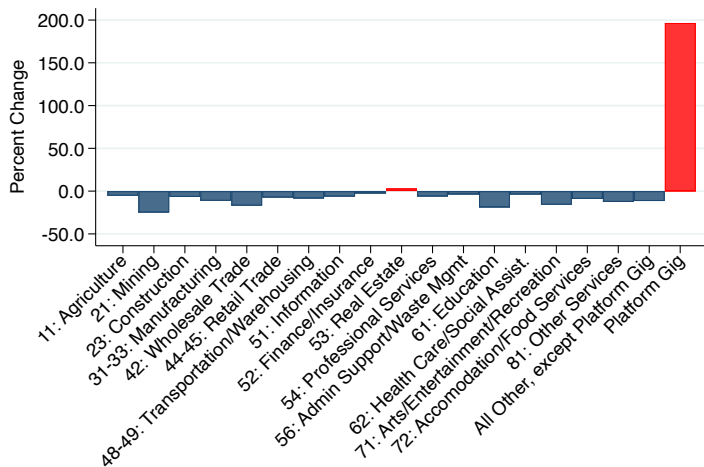


Predicted ratio in 2019 is 1.3 times the observed ratio

» Back

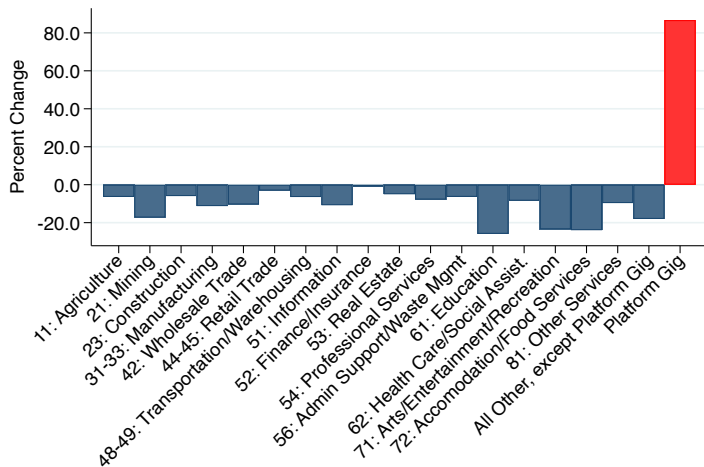
Change by NAICS 2, 2018-2021

Percent Change, Number of Workers, 2021 v 2018



Change by NAICS 2: Less than 15k in Total Receipts

Percent Change, Number of Workers 2020 v 2018



Change by NAICS 2: More than 15k in Total Receipts

