**Stage:**

Technology and platform providers have been challenging the traditional economy and have been generating a new group of workers, known as “Gig Workers” or independent workers.

Some studies indicate that there are between 54 and 68 millions of independent workers in United States which are classified in four segments[[1]](#footnote-0):

1. Free agent: main income is from independent work, by choice.
2. Casual earner: independent work is a complement income, by choice.
3. Reluctant: their primary profit is from independent work, without choice.
4. Financially strapped: independent who works for supplemental income, without choice.

A gig worker is a person who provides temporary services for platform providers as an independent contractor for short-terms, on the idea of task-based labor. The usual example are the Uber drivers.

Some proclaim that the possibility to work with more freedom allows gig workers to have more options, but others indicate that actually this new reality leaves workers with less options and also with more risks than any other independent contractor.

In this line, it is said that “*Gig workers are increasingly taking risks related not only to their labor but also to their own capital. This occurs when continued ownership of the assets used in work are dependent on a set of circumstances outside the control of the worker”[[2]](#footnote-1).*

**Metrics:**

|  |  |
| --- | --- |
| ***Concept*** | ***Approx. Quantities*** |
| Amount of gig workers (2017) | 55 mill. |
| How many gig workers are in any capacity (primary or supplementary work)? | Over 1 in 4[[3]](#footnote-2) |
| How many are gig workers as a main job (independent work is primary)? | Around 1 in 10[[4]](#footnote-3) |
| How many gig workers work in online platforms (Uber, Lyft and others)? | Fewer than 1 percent[[5]](#footnote-4) |
| Workforce engaged in independent work arrangements | 26.9 %[[6]](#footnote-5) |
| Expected (2020) | 43% of workforce |
| Wage growth | Falls annually 0.5 – 1%[[7]](#footnote-6) |
| Profit | FT earn more than $ 100.000 (nearly 20%)[[8]](#footnote-7) |
| Opportunity to choose | 63% would choose to be freelance[[9]](#footnote-8)  74% would quit if they can work remotely more often |
| Millennials | 69% regret their job and preferred balance work/life |
| Compatibility between traditional jobs and remote work | 50% of the jobs are compatible[[10]](#footnote-9) |
| Trust in gig economy for their main job | 10.1. of workers[[11]](#footnote-10) |

**Economics:**

In this instance we will focus in Uber drivers.

Both, profits and the costs that drivers have are complex and variable depending on the time and the distance. Different factors might influence the income, such as: (i) offer and demand, (ii) whether the route is shared between many people who opt for pool services, (iii) bonuses and promotions that companies can provide, (iv) costs of the car, e.g.: rent a car or vehicle depreciation, insurance, maintenance, fuel, etc., (v) taxes, (vi) suppliers (services, e.g. tax advisor), (viii) tips.

There are multiple studies related to the profit for gig workers, based in diverse assumptions. Some show that the revenue for the drivers is represented in small numbers, others take averages for vehicles’ expenses, use estimates and calculate monthly profit. Also, there are studies that consider the price elasticity, the benefit for the consumer for buying a product for a cheaper price that they would be willing to pay for, and inefficiencies (e.g. long rides). Finally, to consider taxes some use the regular mileage deduction ($54 in 2016) [[12]](#footnote-11)

However, none of these studies consider the drop in the demand, the increase of competition in the market and the impact of additional miles.

The Study made by MIT Center for Energy and Environmental Policy Research[[13]](#footnote-12) considered the following operational costs:

* + 1. Fuel: considered fuel price, for each vehicle, also, that there was an increment in hybrid vehicles.
    2. Insurance: A fixed cost which depends on the monthly miles ridded.
    3. Maintenance and repairs costs: for new vehicles was nearly zero and increased considering the time.
    4. Depreciation: was related to the age of the vehicle, nonetheless the newest ones depreciate faster.

Furthermore, seemingly drivers might have other costs, e.g.: parking and taxes; and also is important to note that the 80% of the drivers work less than 40 hours per week.

In conclusion, regarding the study above mentioned, drivers, per mile, approximately, have a median of:

|  |  |
| --- | --- |
| ***Concept*** | ***Median $/per mile*** |
| **Revenue** | **$ 0,592 before expenses[[14]](#footnote-13)** |
| Insurance, Maintenance and Repair costs | $ 0.13 |
| Depreciation costs | $0 .05[[15]](#footnote-14) |
| Fuel | between $ .05 and $ 0.27 |
| **Total Costs** | **$ 0.3[[16]](#footnote-15) *(approx.)*** |
| **Profits before taxes** | **$ 0.29** |
| **Standard mileage deduction** | **$0.54** |

Taxes are significantly larger than the total costs, and 47% of drivers report fewer profits than the standard mileage deduction. Although they are earning as a median per month $ 309.7, with a taxable median income of $ 52.85. The median income per hour is $ 3.37/hour. In daily practice, some in their tax filed negate income, adding losses or using others nets. Approximately 30% of the drivers are failing to earn profit per mile.[[17]](#footnote-16)

1. McKinsey: “Independent work: choice, necessity, and the Gig Economy”. URL: <https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/Independent%20work%20Choice%20necessity%20and%20the%20gig%20economy/Independent-Work-Choice-necessity-and-the-gig-economy-Executive-Summary.ashx> [↑](#footnote-ref-0)
2. VINCENT JELANI, URL: [https://scholar.harvard.edu/vincentjelani/publications/‘’gig”-economy-workers-taking-more-risk#targetText=Gig%20workers%20are%20increasingly%20taking,the%20control%20of%20the%20worker.](https://scholar.harvard.edu/vincentjelani/publications/%E2%80%98%E2%80%99gig%E2%80%9D-economy-workers-taking-more-risk#targetText=Gig%20workers%20are%20increasingly%20taking,the%20control%20of%20the%20worker.) [↑](#footnote-ref-1)
3. Gig Economy, Data Hub. URL: <https://www.gigeconomydata.org/basics/how-many-gig-workers-are-there> [↑](#footnote-ref-2)
4. Ibidem. [↑](#footnote-ref-3)
5. Ibidem [↑](#footnote-ref-4)
6. Ibidem, reference to MBO Partners, “The State of Independence in America”(Herno , VA: 2018), <http://www.mbopartners.com/state-of-independe> [↑](#footnote-ref-5)
7. Anat Bracha and Mary A. Burke, senior economists at the Boston Fed. URL: <https://www.axios.com/gig-economy-employment-economic-data-effect-d8ef97ff-1774-4223-9fd8-d50510fb3c9f.html> [↑](#footnote-ref-6)
8. The Wiley Professionals, URL: <https://www.wiley.com/network/professionals/business-trends/10-facts-about-the-gig-economy> [↑](#footnote-ref-7)
9. Ibidem [↑](#footnote-ref-8)
10. Ibidem [↑](#footnote-ref-9)
11. Gig Economy, URL: <https://www.gigeconomydata.org/basics/how-many-gig-workers-are-there> [↑](#footnote-ref-10)
12. Preston 2017, Singer-Vine and O’Donovan 2016, Earnest 2017, Hall et al 2017, Castillo et al 2017: all referenced in “The Economics of Ride-Hailing: Driver Revenue, Expenses and Taxes” by Zoepf, Stephen and others, from Center for Automotive Research at Stanford, Stanford University Graduate School of Business. URL: <https://orfe.princeton.edu/~alaink/SmartDrivingCars/PDFs/Zoepf_The%20Economics%20of%20RideHialing_OriginalPdfFeb2018.pdf> [↑](#footnote-ref-11)
13. Ibídem [↑](#footnote-ref-12)
14. Vary, but infrequently more than $ 1.00/mile. [↑](#footnote-ref-13)
15. Closely 90% have depreciation costs fewer than $0.10/mile [↑](#footnote-ref-14)
16. A minor exceed % .50/mile. [↑](#footnote-ref-15)
17. Preston 2017, Singer-Vine and O’Donovan 2016, Earnest 2017, Hall et al 2017, Castillo et al 2017: all referenced in “The Economics of Ride-Hailing: Driver Revenue, Expenses and Taxes” by Zoepf, Stephen and others, from Center for Automotive Research at Stanford, Stanford University Graduate School of Business. URL: <https://orfe.princeton.edu/~alaink/SmartDrivingCars/PDFs/Zoepf_The%20Economics%20of%20RideHialing_OriginalPdfFeb2018.pdf> [↑](#footnote-ref-16)