

The Evolution of Platform Gig Work, 2012-2021

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NTA Symposium 2024

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All results presented in this work are drawn from the IRS Statistics of Income working paper “The Evolution of Platform Gig Work, 2012–2021” (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

Overview

- ▶ 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

Roadmap

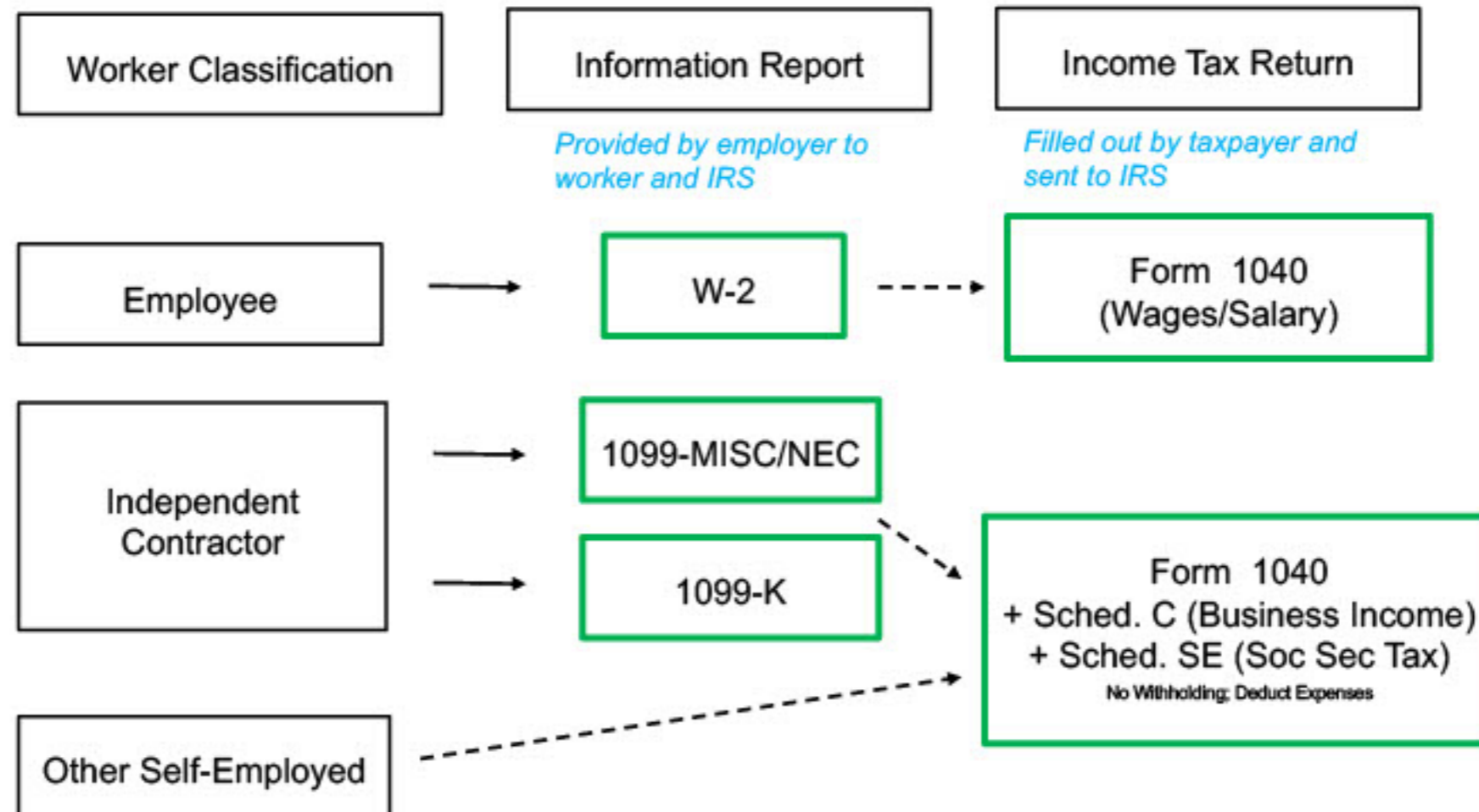
1. Measuring Contract Work in Tax Data
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Using Tax Returns to Measure Contract and Gig Work

Draw on the universe of individual tax filings and information returns from 2000-2021

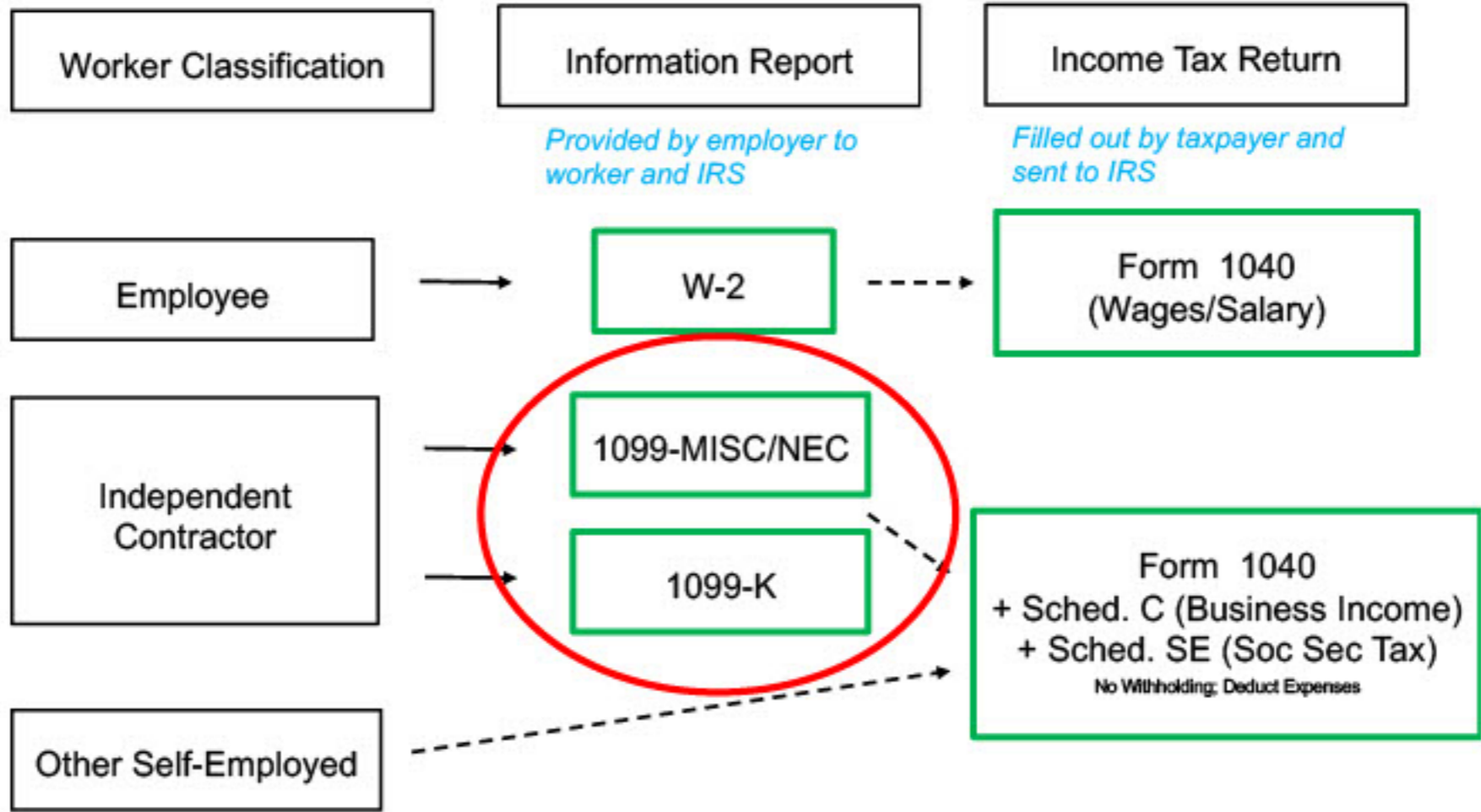
- ▶ Observe **non-employee compensation** payments by firms to self-employed **independent contractors** (1099 MISC Box 7 / new 1099-NEC)
 - ▶ **Unique feature of IRS data**
 - ▶ Following Collins et al (2019), break out labor payments from online platforms including reporting on 1099-K
- ▶ Link to self-reported 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)

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?



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Key Measurement Issues Specific to Tax Data

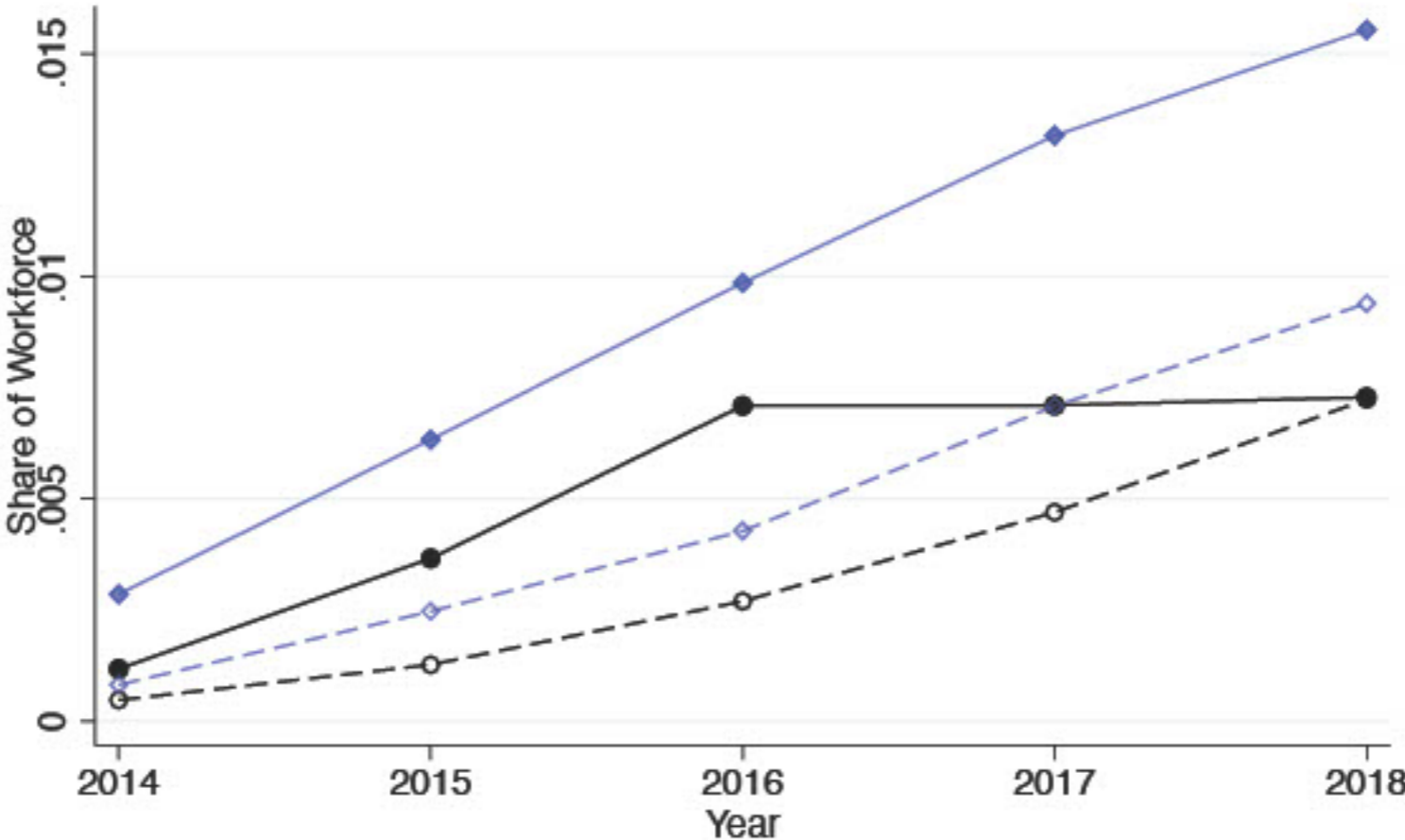
1. Reporting-incentives: SE filing trends may be driven by other incentives in the tax code (e.g. expansion of EITC in 2021) (Garin, Jackson, Koustas 2022)
 - ▶ Firm-reported 1099s not subject to these incentives
2. Changes in firm reporting thresholds over time (the 1099-K “gap”), binding for some online platforms beginning in 2017
 - ▶ Creates structural break in series pre/post 2016
 - ▶ We combine federal and state tax data to provide new estimates of the size of platform gig work, adjusted for federal reporting gaps, prior to 2020
 - ▶ Raw data consistent from 2017-2021 used to study evolution of platform gig work during COVID.
 - ▶ Note: law change closes gap, but delayed implementation
3. Due to pandemic constraints, paper returns not fully processed in 2019. Mainly affects smaller non-platform 1099 firms
 - ▶ Simple solution for today: assume 2019 levels of paper returns followed same trend as previous years

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Estimating 1099-K “Gap” Through 2018

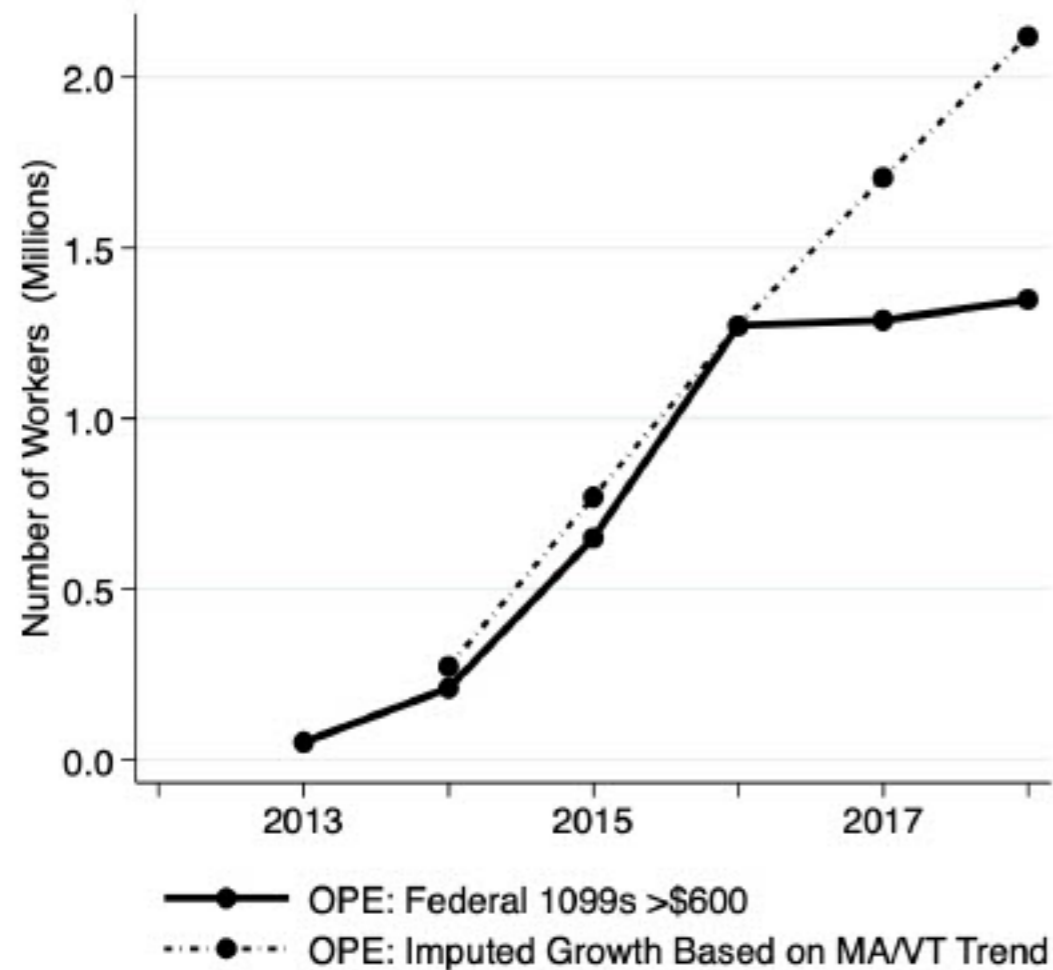
Share of Workforce with Platform 1099, MA and VT Versus Rest of US



US excl. MA/VT Any Platform 1099 (Fed.) Has Fed. 1099 Not Affected by Thresholds
 MA/VT Any Platform 1099 (St. or Fed.) Has Fed. 1099 Not Affected by Thresholds

Restricts to \geq \$600 in gross receipts.

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

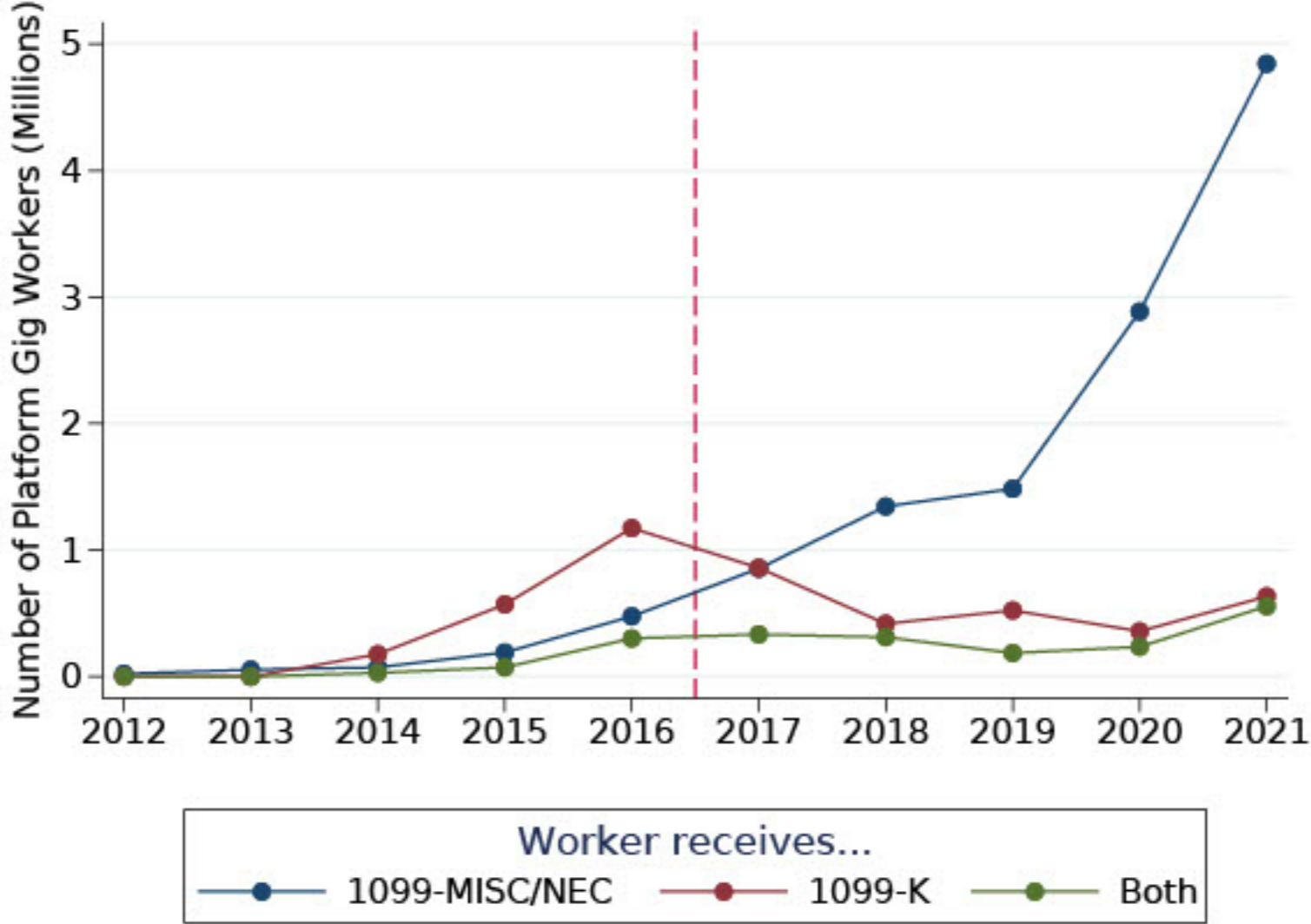


Key Findings:

- ▶ Some gig platforms switch from reporting via 1099-MISC to 1099-K, which has a higher statutory reporting threshold (\$20,000)
- ▶ We supplement federal 1099 filings with state 1099 filings from MA/VT with lower \$600 reporting threshold
- ▶ Assuming parallel trends \implies $\sim 770,000$ 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 \$600 in 2023?

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

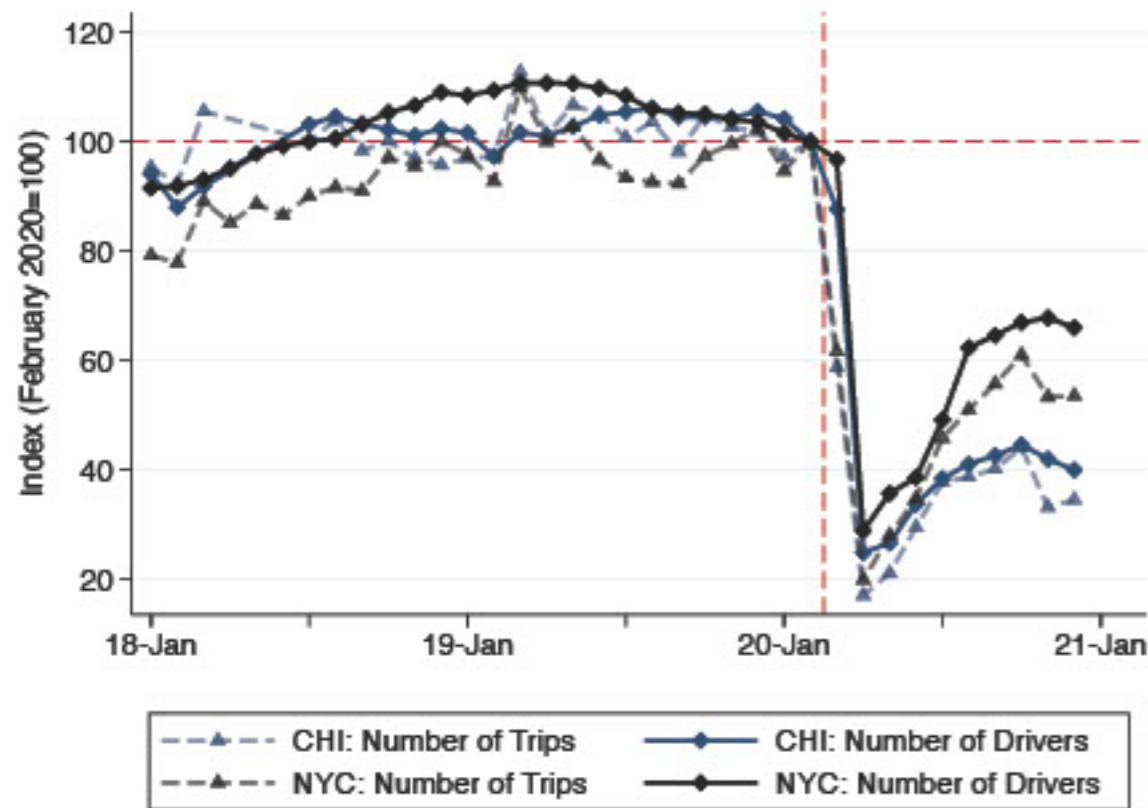
Despite K Gap, Huge Increase in Platform 1099-NECs



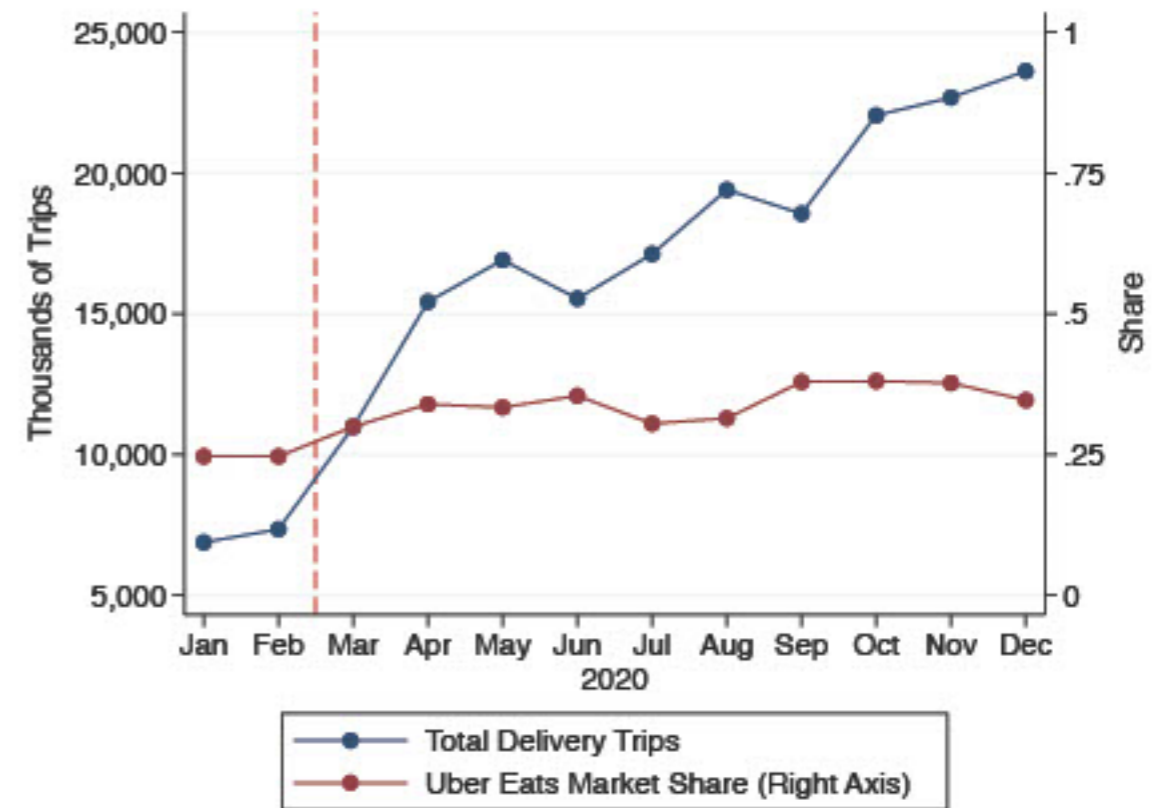
Restricts to \geq \$600 in gross receipts. Series are not mutually exclusive.

A Shift To Delivery (Where K Used Less)?

Rideshare Drivers and Trips Per Month Chicago and NYC



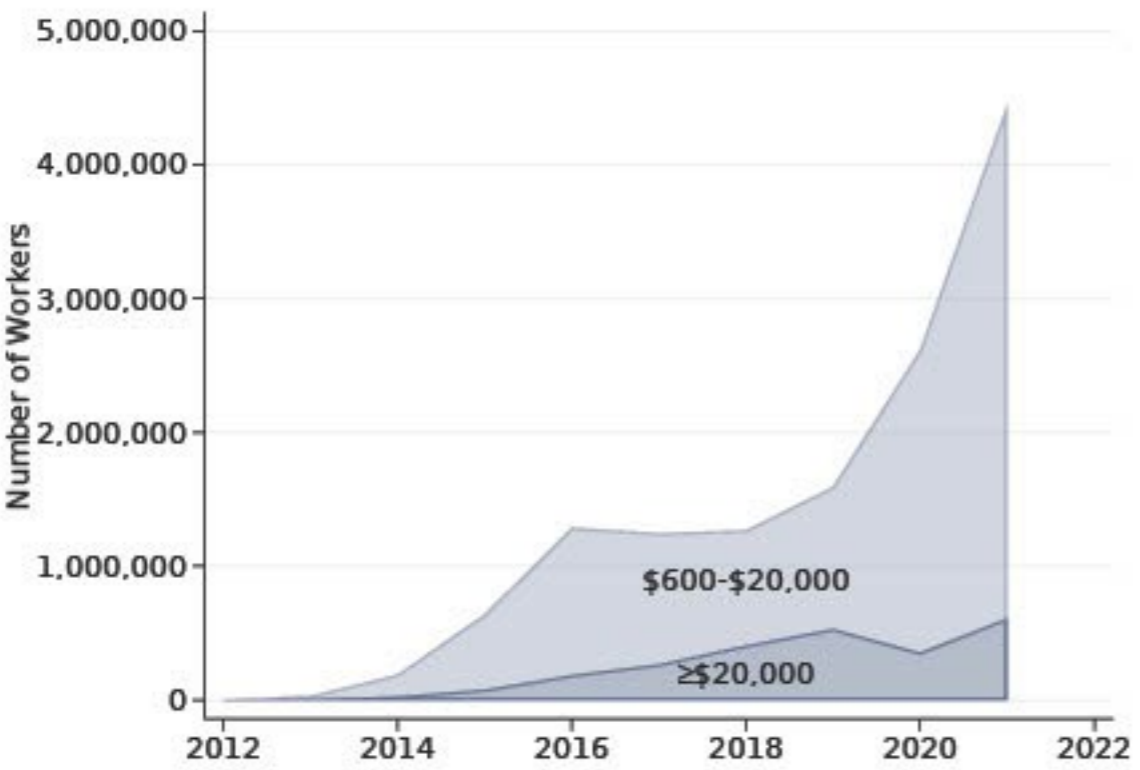
Food Delivery by Major Gig Platforms, Trips Per Month



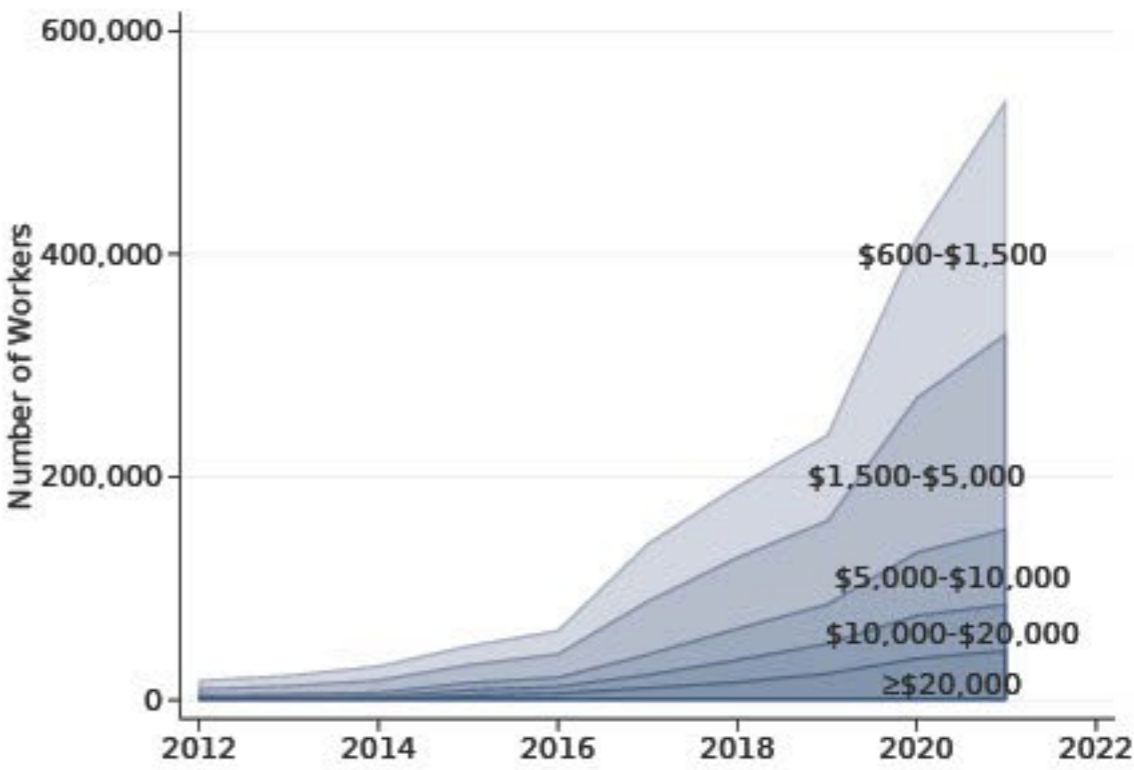
Sources: NYC TLC and Chicago public use data (left). Numerator data (right).

Raw Series, by Activity and Amounts

(a) Transportation & Delivery Platforms

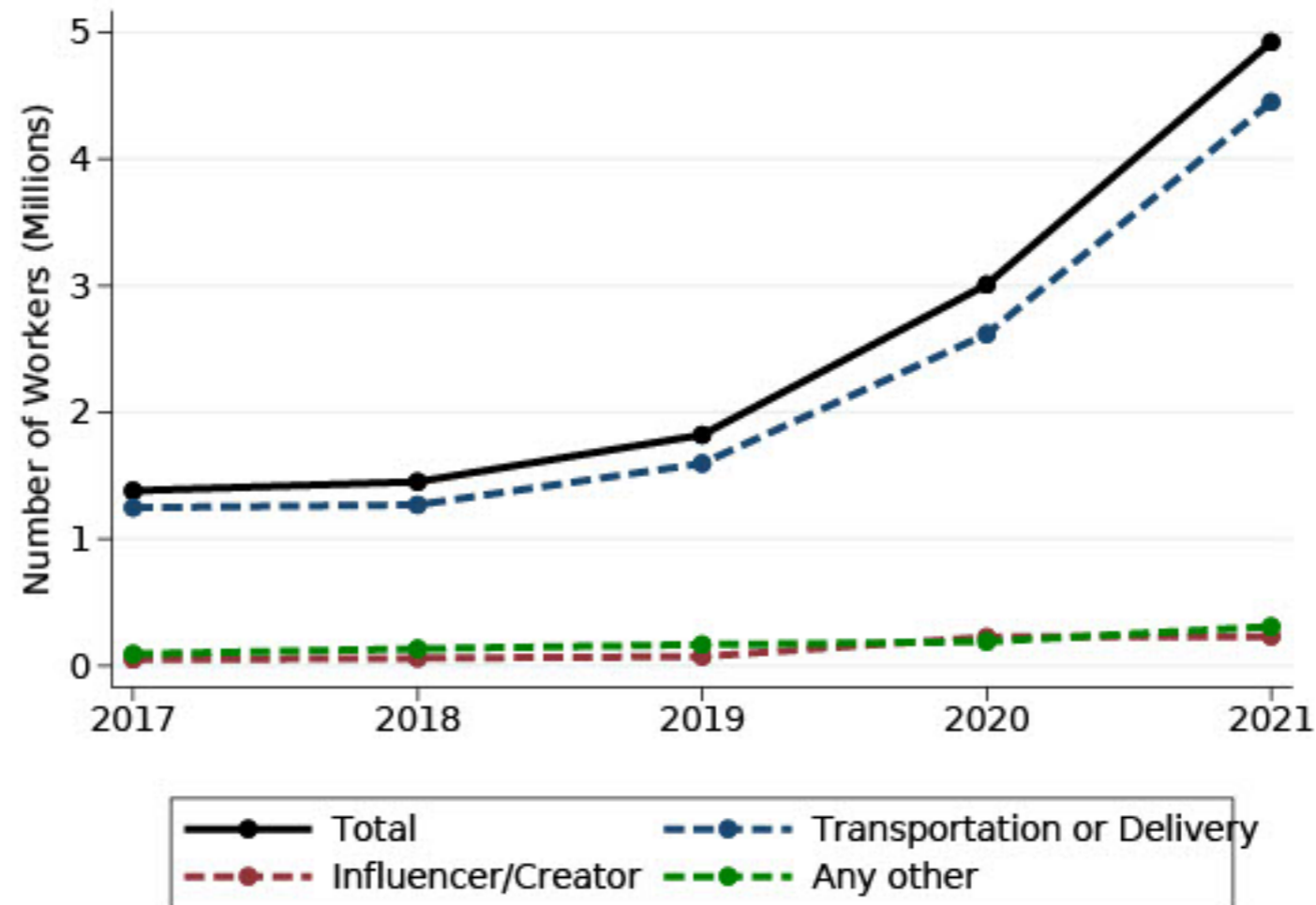


(b) All Other Platforms



Zooming in to COVID

Number with 1099 receipt from platform gig firms grew 150% between 2019-2021



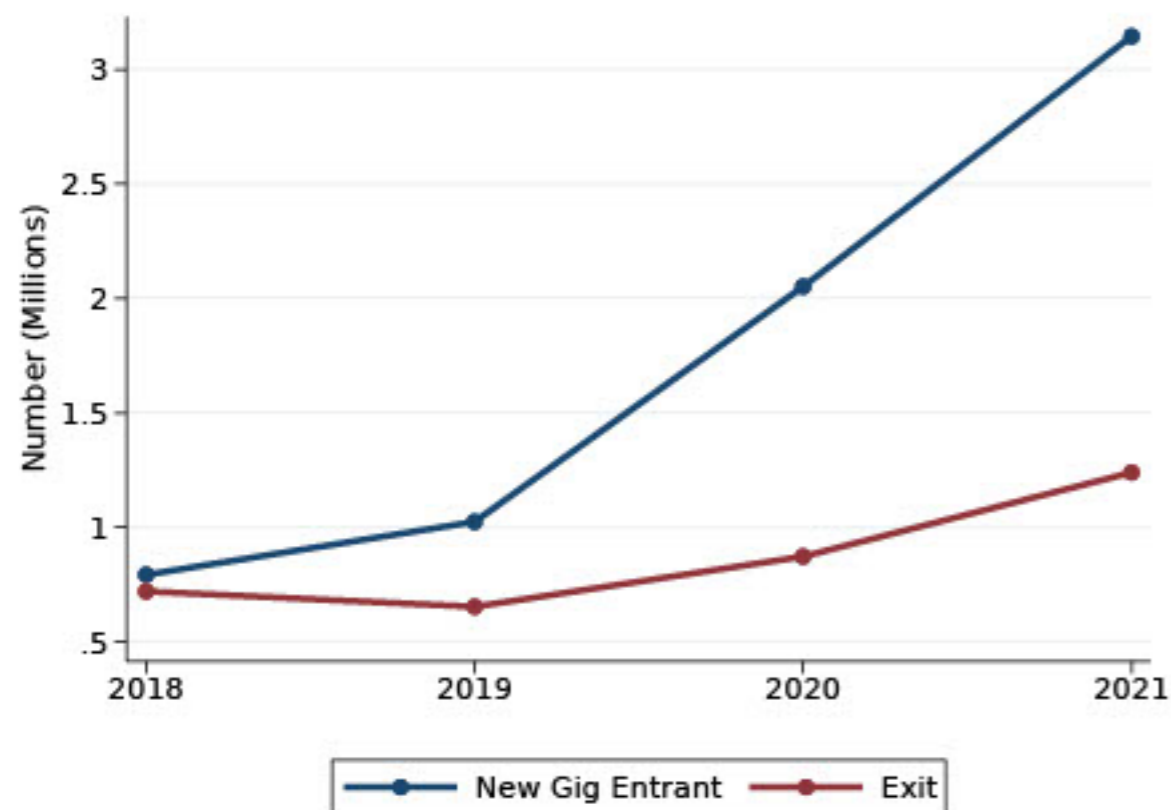
▶ Total Receipts

▶ Gender/Age

▶ Shift towards gig firms not using 1099-K

▶ Map

Substantial Churn Among Gig Workers

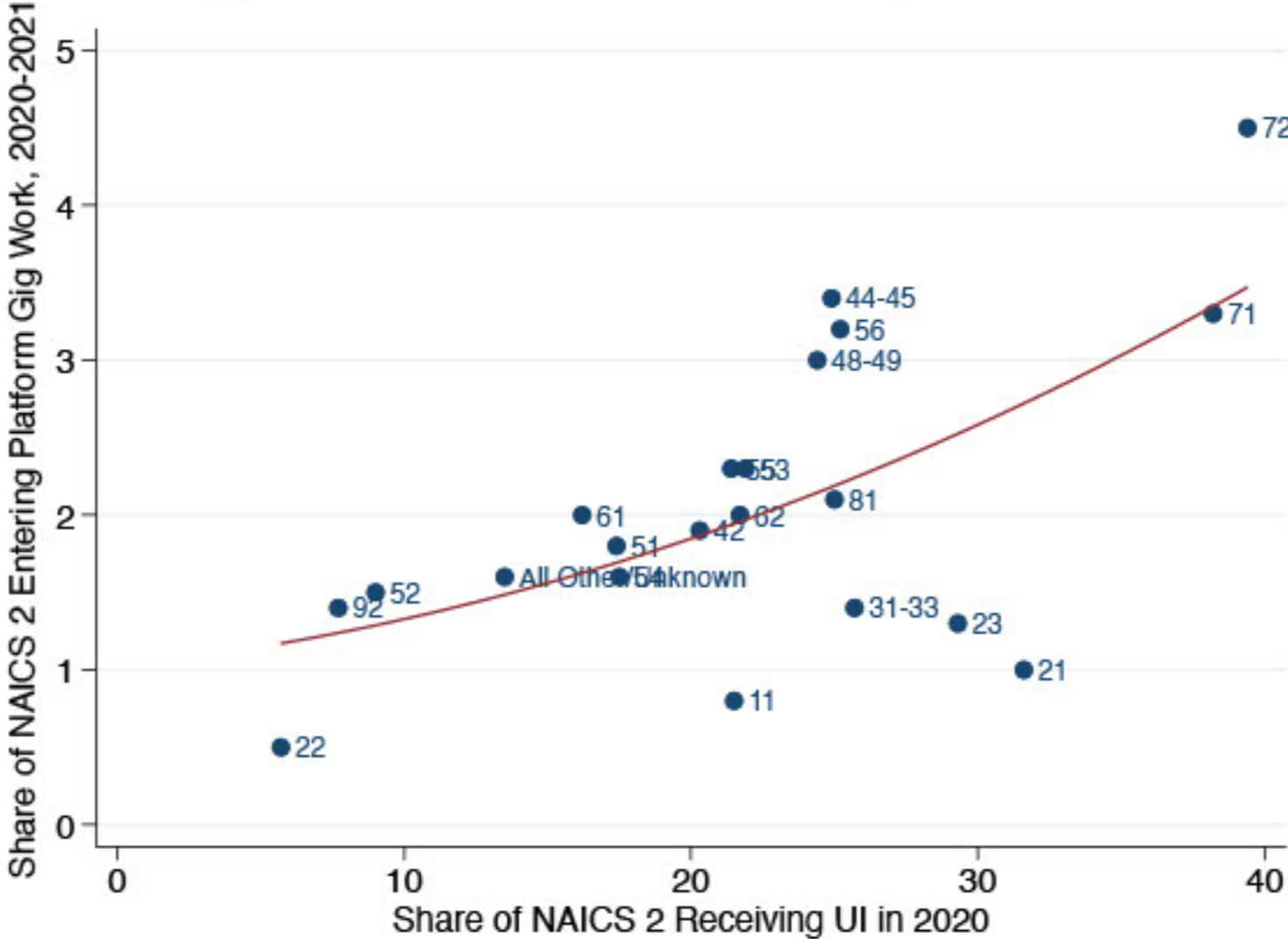


Contrasting Dynamics

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

COVID Downturn Pushes Workers into Gig Work

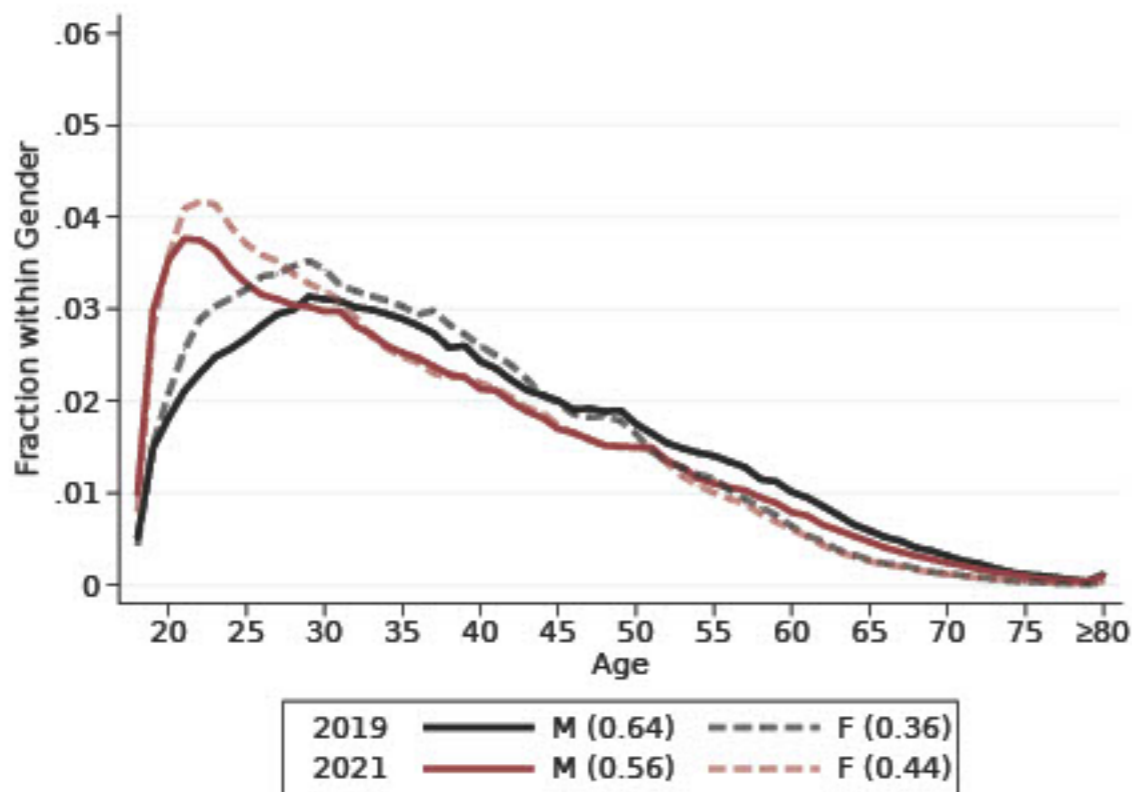
Entry into Gig Work from W2 Work, by NAICS of W2 work



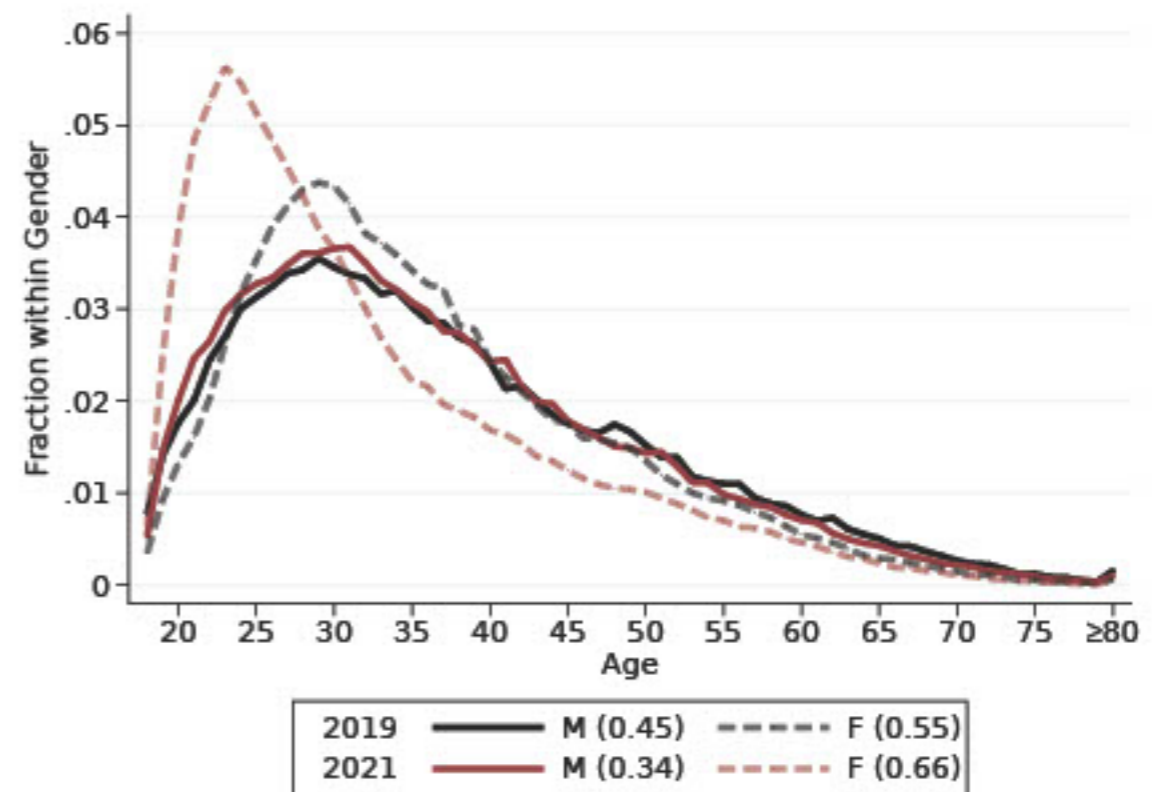
Around COVID, Platform Work Becomes Younger and More Female

Age Distribution of Platform Gig Work, by Year and Gender

(a) Transportation & Delivery Platforms

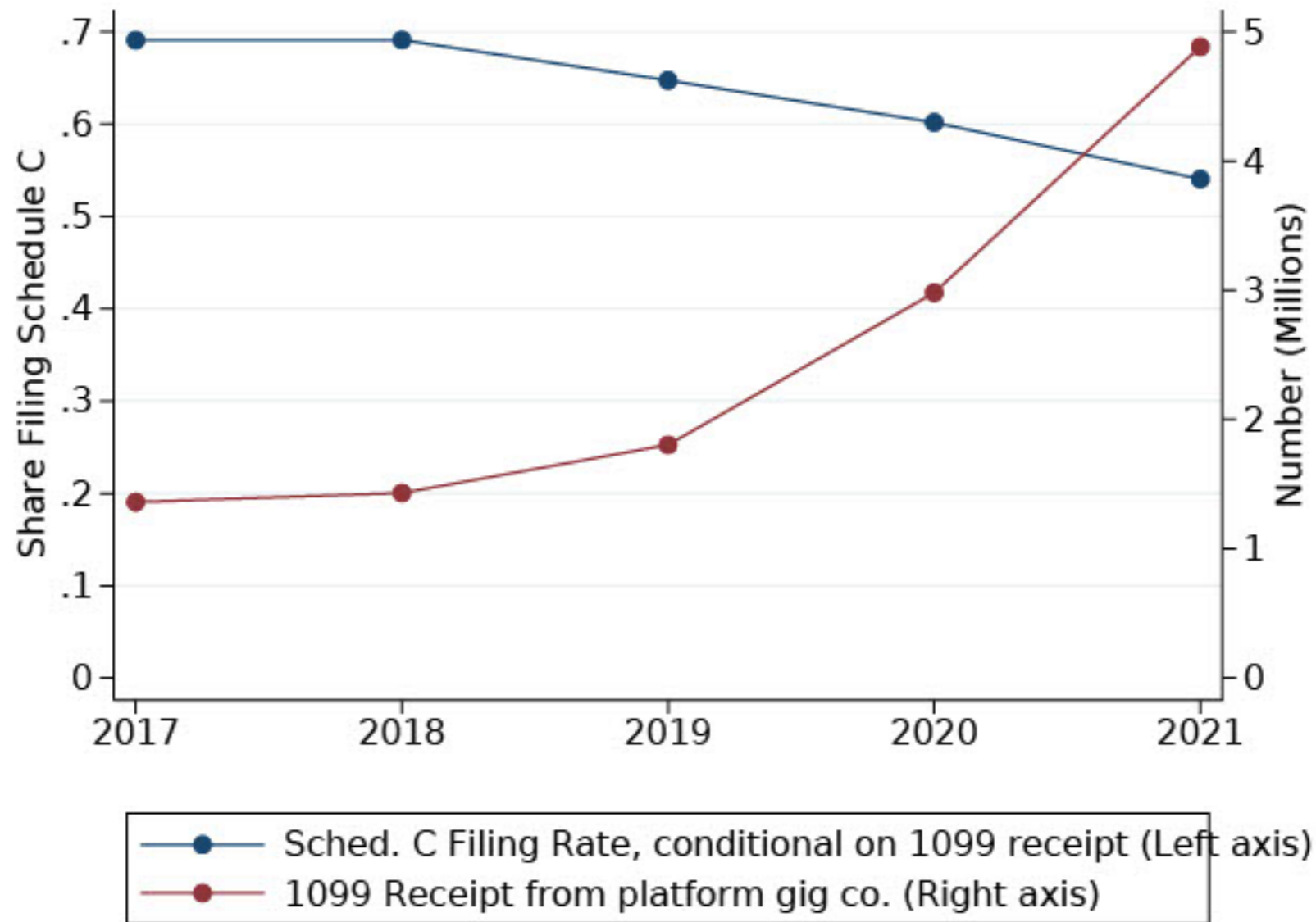


(b) All Other Platforms



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

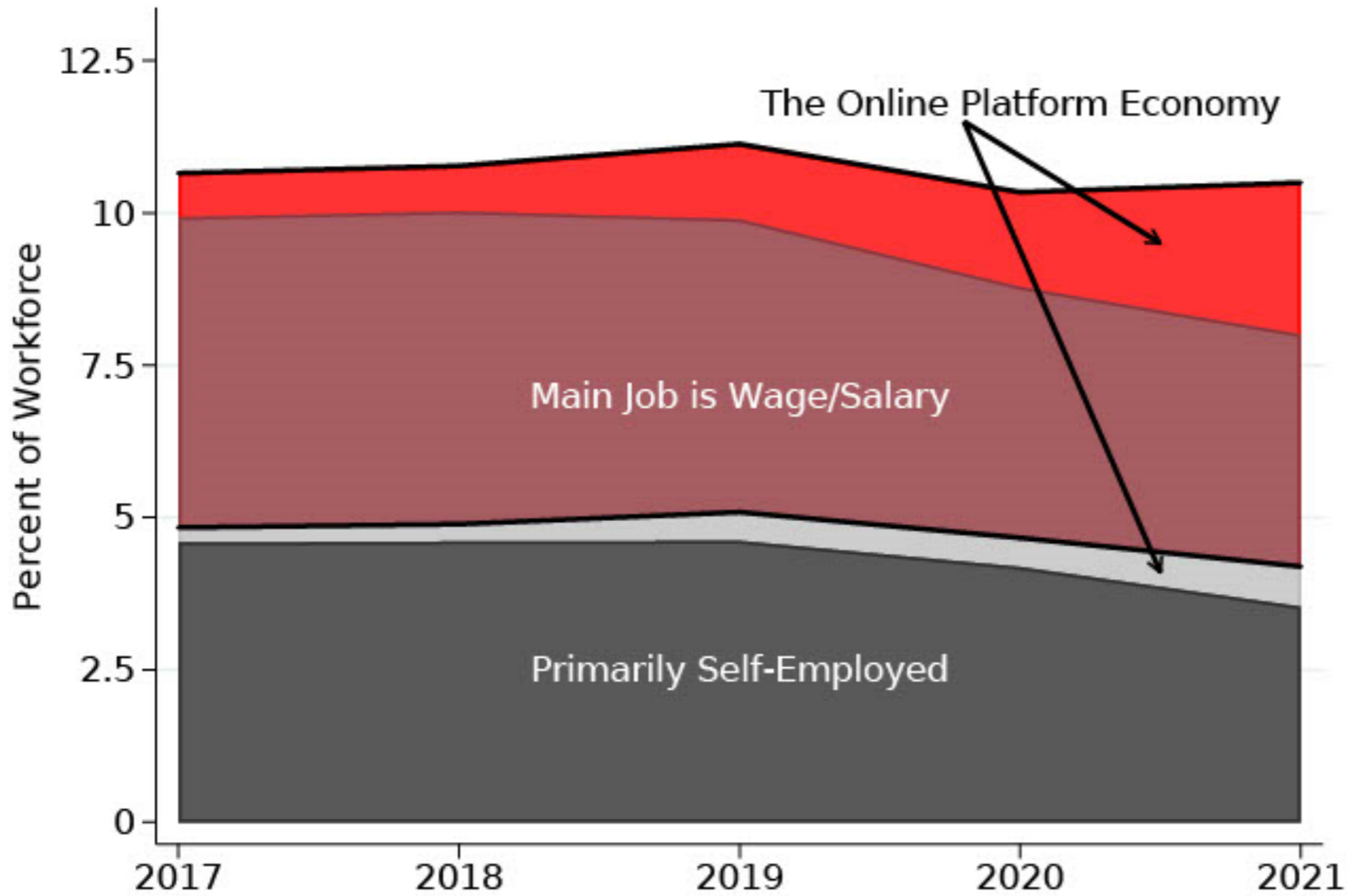
Raw C Filing Rates, 2017-2020



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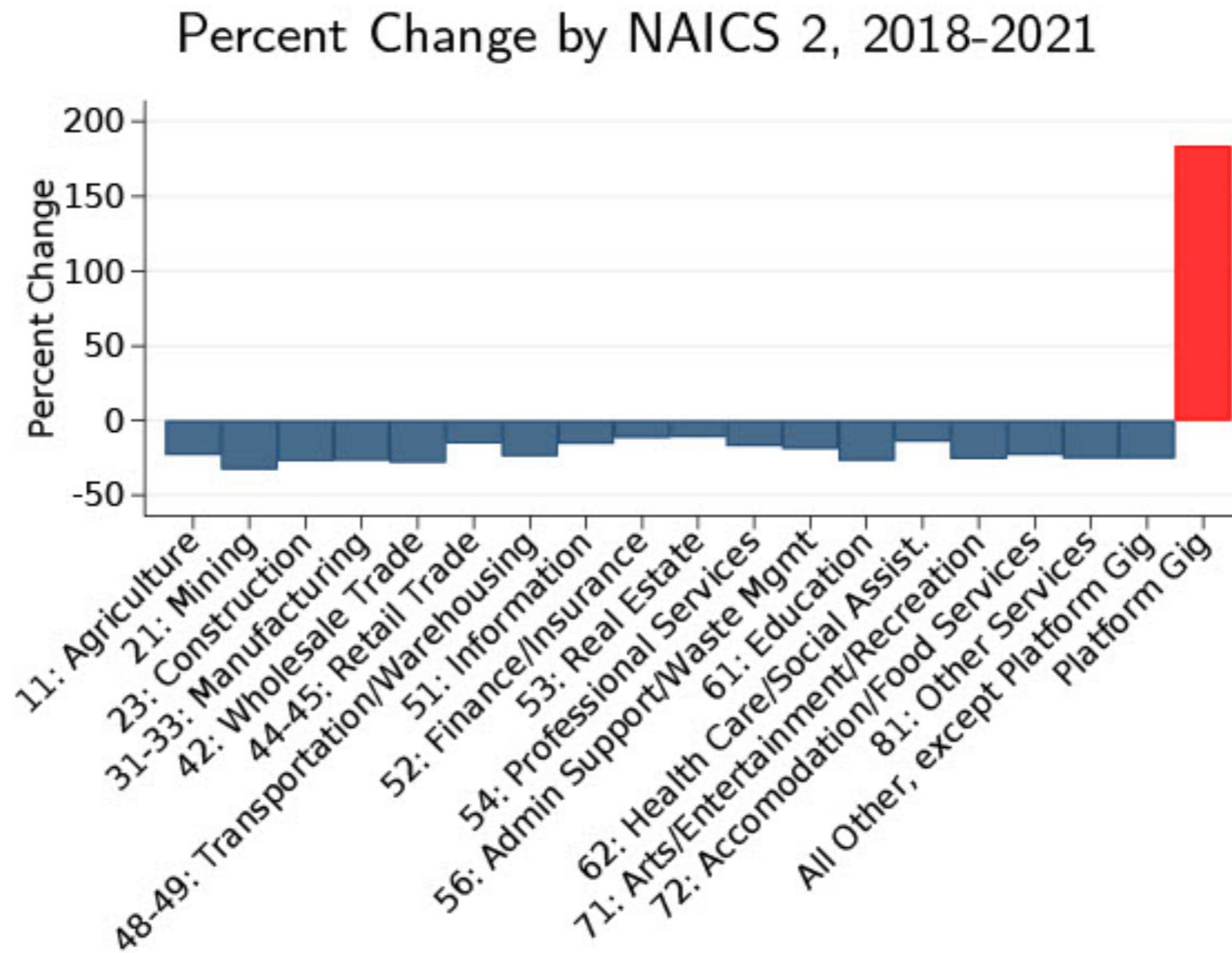
Broader Trends in Contract Work, As a Share of Workforce, 2017-2021



- ▶ Platform gig work grew as a share of workforce **and as a share of all 1099 contract work**
- ▶ ⇒ Other 1099 contract work **declined**
- ▶ Similar trends in Sched C/SE shares
- ▶ 2019 Imputation

* 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



Similar changes in 2020, for High and Low Earners

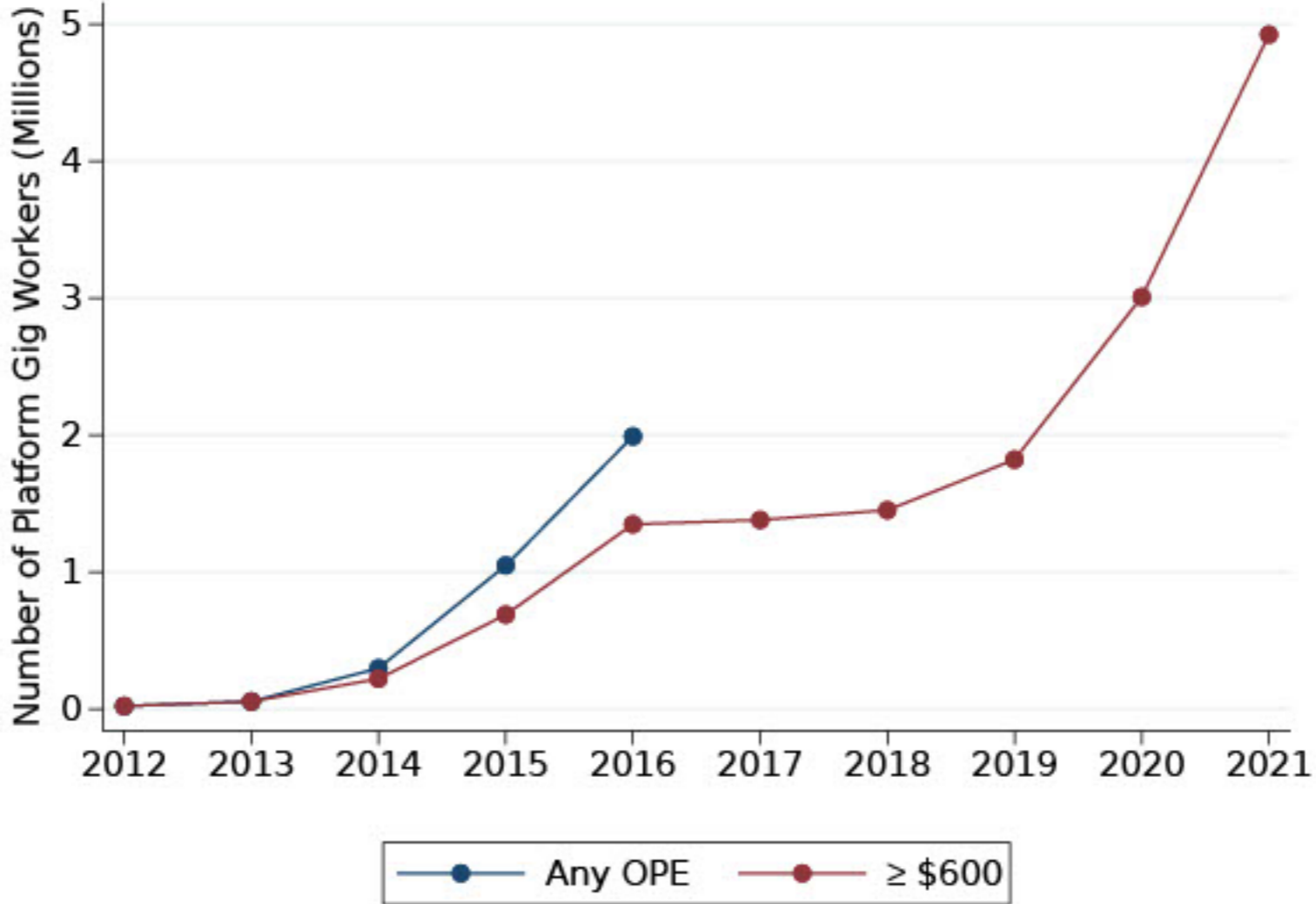
Recap & Conclusions

- ▶ We investigate tax-based measures of gig/contract work through 2021
- ▶ 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 [▶ Rideshare v. Delivery](#)
 - ▶ Otherwise, COVID does not appear to have fundamentally shifted overall prevalence and nature of contract/SE work—and may have decreased it

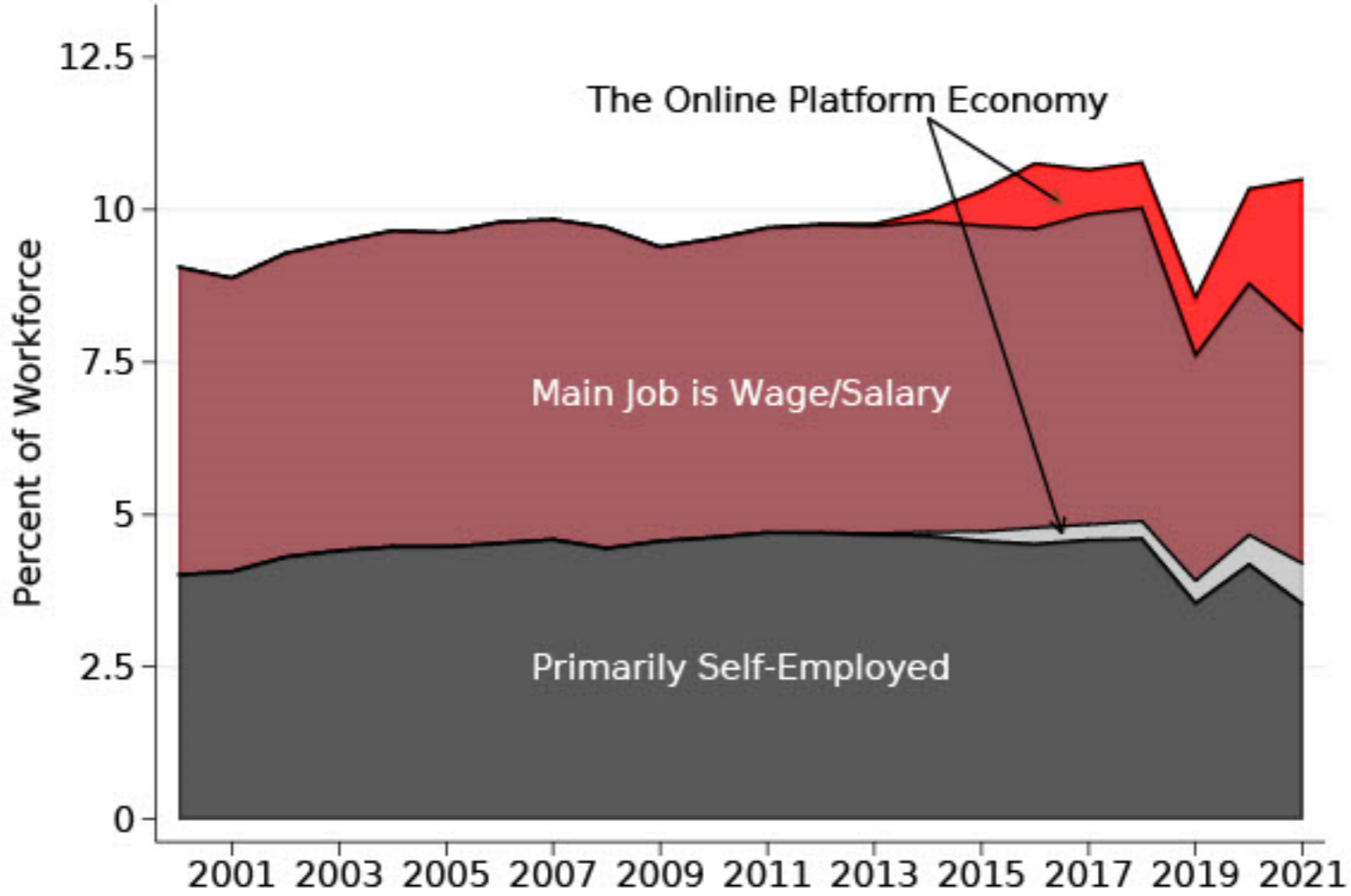
Thank You!

Appendix Slides

Raw Data: Platform Gig



Raw Data: 1099 Non-Employee Compensation



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

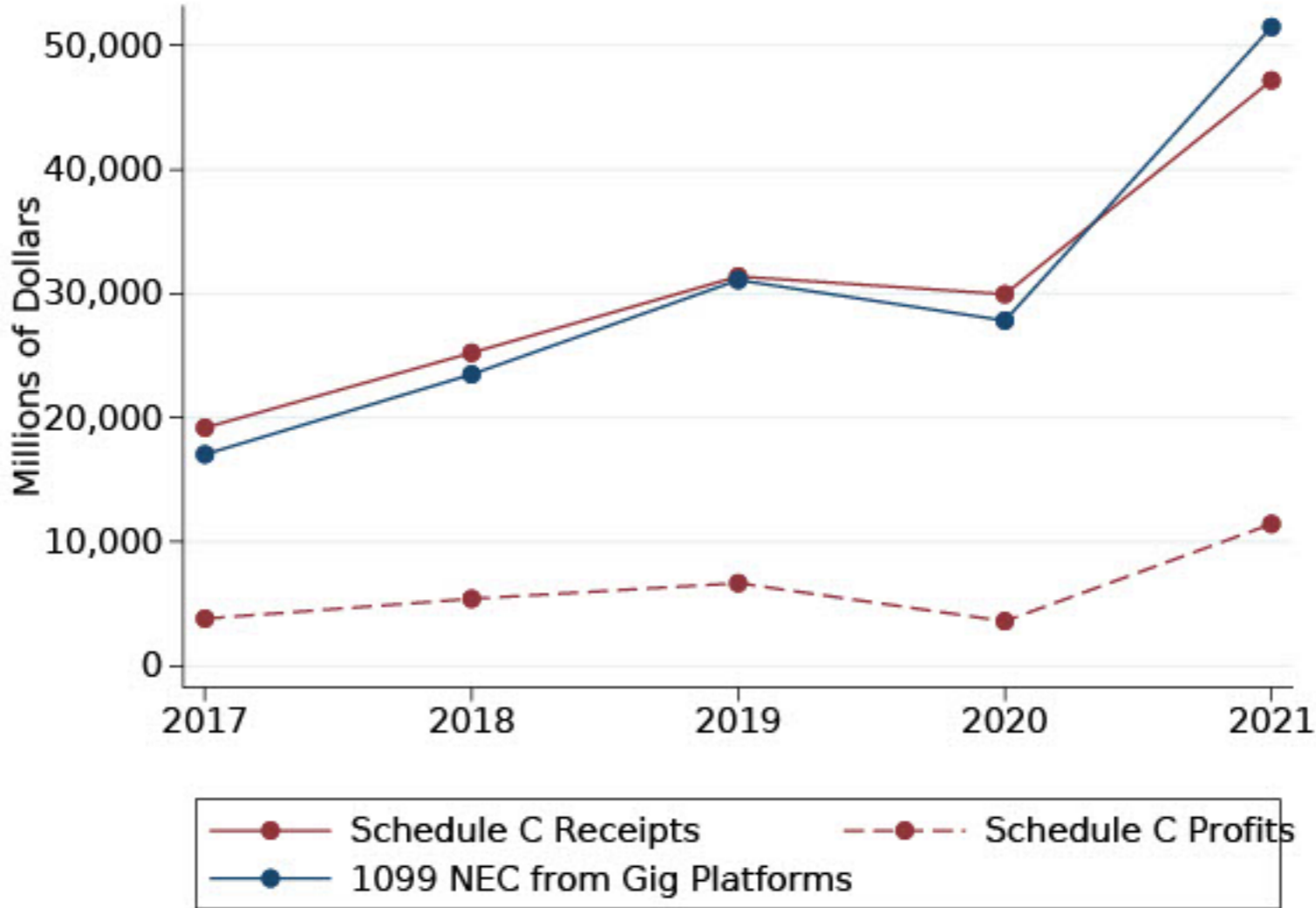


Border Design Regression Results Around Introduction of M-1099-K

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Has OPE Any 1099	Has OPE 1099-K	Has OPE 1099-MISC	K Amount OPE	All OPE Amount	Has Any 1099-K	K Amount Any
Post x MA	0.182*** (0.00980)	0.206*** (0.00955)	0.0305*** (0.00736)	2107.1*** (228.5)	2264.2*** (250.6)	0.226*** (0.00976)	2491.5*** (247.1)
Distinct i	10363	10363	10363	10363	10363	10363	10363
Distinct c	22	22	22	22	22	22	22
Dep. Means							
MA Pre	0.4178	0.4140	0.0713	2,110	2,250	0.4371	2,357
MA Post	0.4353	0.4210	0.2068	5,953	6,590	0.4499	6,466
Oth Pre	0.4234	0.4218	0.0330	2,123	2,190	0.4432	2,397
Oth Post	0.2498	0.2037	0.1489	3,677	4,158	0.2126	3,986
R ²	0.574	0.589	0.311	0.343	0.351	0.565	0.374

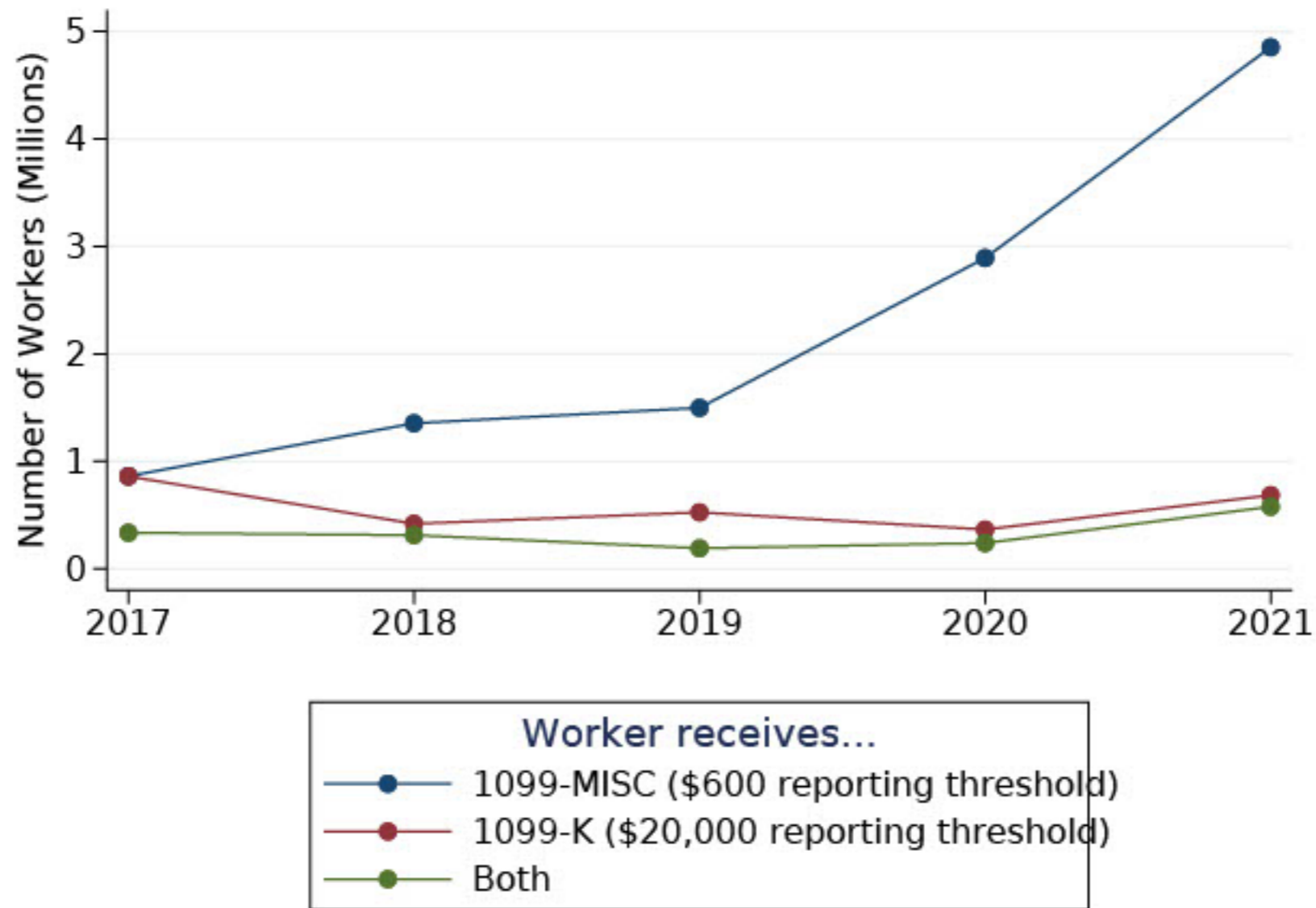
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	W
	Files Sched C	# Sched Cs	Receipts	Expenses	Profits/Loss	Files SE	SE Earnings	
Post x MA	0.0146 (0.00954)	0.0184 (0.0124)	692.8 ^a (381.0)	214.4 (308.8)	420.0** (132.7)	0.0279** (0.00865)	328.3* (128.9)	
Distinct i	10363	10363	10363	10363	10363	10363	10363	
Distinct c	22	22	22	22	22	22	22	
Dep. Means								
MA Pre	0.3652	0.4191	4,942	3,691	1,217	0.2419	1,638	
MA Post	0.4235	0.5077	9,571	7,477	2,095	0.2749	2,694	
Oth Pre	0.3850	0.4450	4,025	3,507	1,100	0.2517	1,602	

Platform Gig Work: 1099 v Schedule C Reported



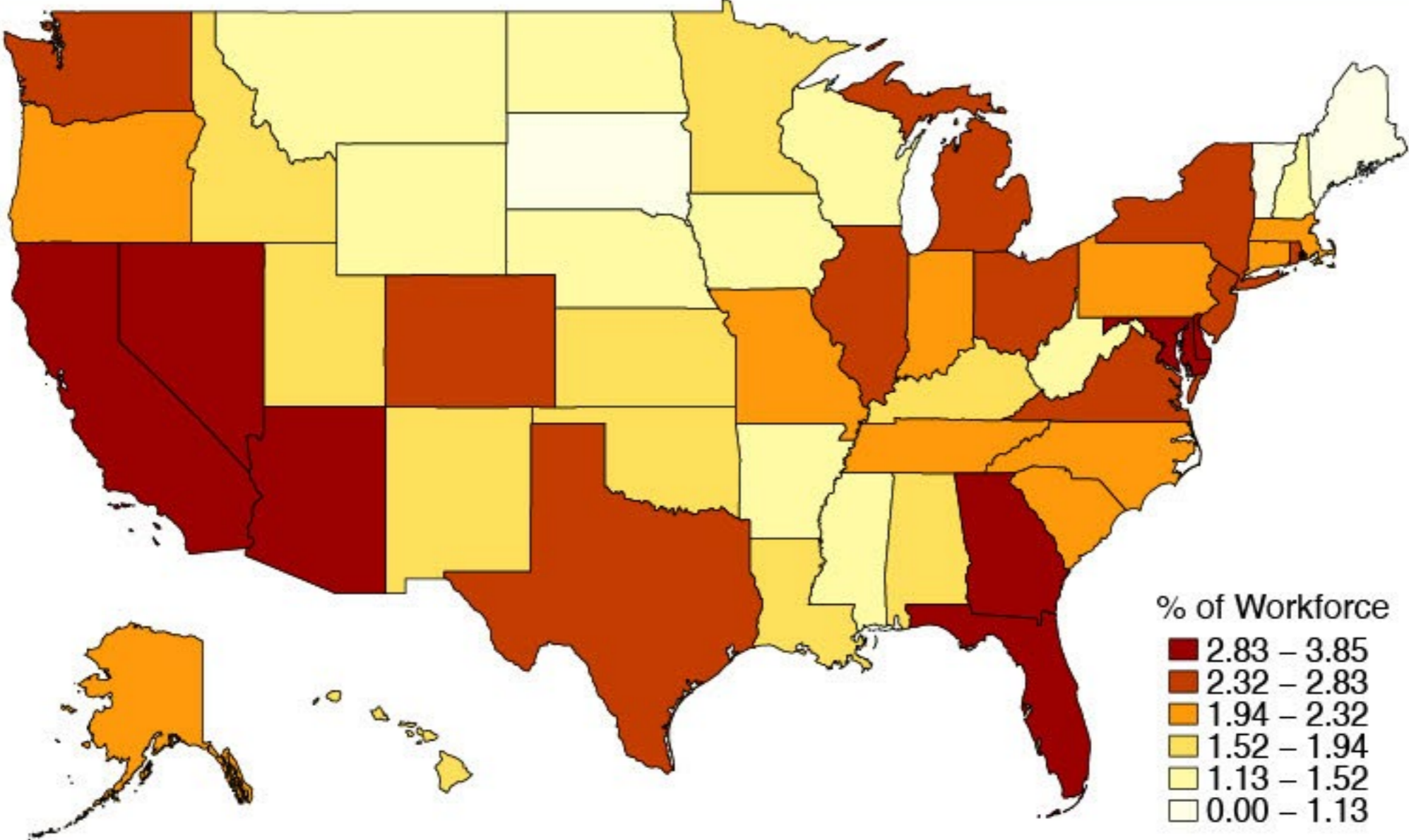
▶▶ Back

Shift towards gig firms not using 1099-K



▶ Back

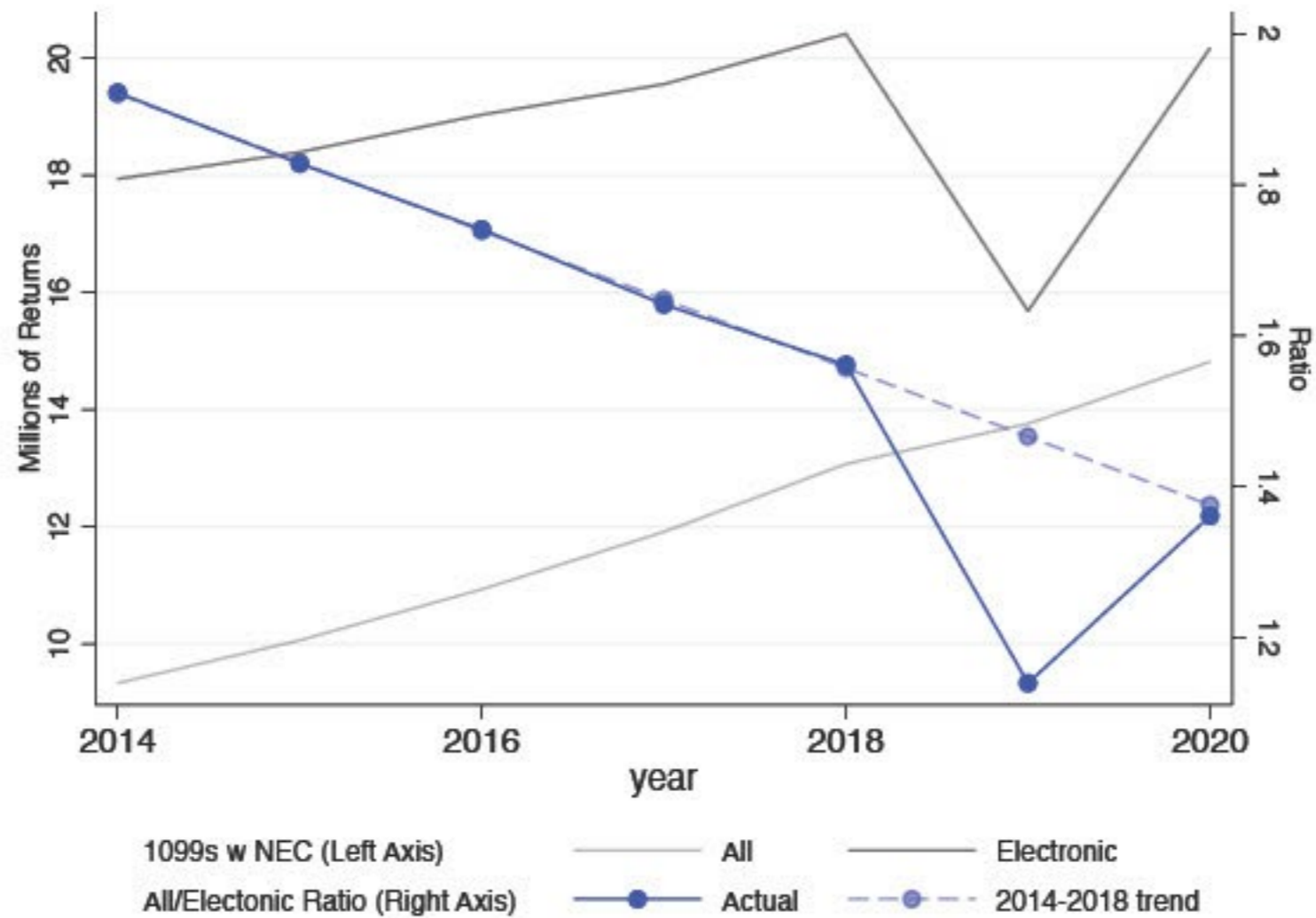
Geographic Distribution of Platform Gig Work, 2021



▶ Back

Imputing 2019 1099-MISCs

1099-MISC with NEC, Electronically Filed Versus All



Predicted ratio in 2019 is 1.3 times the observed ratio [▶ Back](#)