

Freelance, side hustles, and gigs: Many more Americans have become independent workers

Independent work is booming, the American Opportunity Survey shows. For these workers and society, the upsides and drawbacks are all part of the gig.

This article is a collaborative effort by André Dua, Kweilin Ellingrud, Bryan Hancock, Ryan Luby, Anu Madgavkar, and Sarah Pemberton as part of ongoing McKinsey research to understand the perceptions of and barriers to economic opportunity in America.



In the working world, a full-time job with one employer has been considered the norm for decades, but this model fails to describe how a significant share of the US workforce makes a living. In the latest iteration of McKinsey’s American Opportunity Survey (AOS), a remarkable 36 percent of employed respondents—equivalent to 58 million Americans when extrapolated from the representative sample—identify as independent workers. This figure represents a notable increase since we estimated the US independent workforce in 2016 at 27 percent of the employed population.

Independent workers perform many types of jobs, including working a short-term placement through a temporary agency, tutoring, driving passengers, delivering food or other products, short-term renting a personal property, creative jobs such as acting or writing, and substitute teaching. In our survey, we counted anyone who identified as a contract, freelance, temporary, or gig worker as an independent worker.¹ In some cases, respondents hold full-time jobs but also engage in a “side hustle.”

In our spring survey of 25,062 Americans, the 5,280 respondents (see sidebar, “Our

methodology”) who identify themselves as independent workers reveal a distinctive characteristic: they are far more optimistic, both about their own futures and the outlook for the economy, than the average American worker. More than a third of them say that in 12 months they expect to have more economic opportunities, compared with a fifth of workers overall who say the same. More than 40 percent of independent workers say that they think it’s more likely in five years that there will be continuous economic growth, compared with about a third of all respondents.

Independent workers’ optimism is even more remarkable considering the hardships they encounter. Many lack access to basics including affordable healthcare and nutritious food, respondents tell us. A majority (54 percent) report being concerned about the stability of their employment, compared with 35 percent of permanent workers.

Because independent work does not fit neatly into official labor statistics, it tends to be an underreported and understudied segment of the economy. Our latest AOS survey data provide an

Our methodology

This article is based on a 25-minute, online-only Ipsos poll conducted on behalf of McKinsey between March 15 and April 18, 2022. A sample of 25,062 adults aged 18 and older from the continental United States, Alaska, and Hawaii was interviewed online in English and Spanish. To better reflect

the population of the United States as a whole, post hoc weights were made to the population characteristics on gender, age, race/ethnicity, education, region, and metropolitan status. Given the limitations of online surveys, it is possible that biases were introduced because of undercoverage or nonresponse.

People with lower incomes, people with less education, people living in rural areas, or people aged 65 and older are underrepresented among internet users and those with high-speed internet access.

¹ We defined an independent worker as any respondent who answered “yes” to either of the following questions: “Is your current job as a contract, freelance, or temporary worker?” or “Would you consider yourself a gig worker or part of the gig economy?” For the purposes of this survey, a gig worker is someone who pursues independent work that is provided via a tech platform (such as Airbnb, TaskRabbit, or Uber). Of the 5,280 independent-worker respondents, 76 percent identified as contract, freelance, or temporary workers, and 68 percent identified as gig workers, with an overlap of 44 percent identifying as both. For the purposes of this article, permanent work refers to jobs within the traditional employer–employee framework, whether part-time or full-time, in which the employer determines the work patterns of a salaried employee.

opportunity to answer some questions about this labor pool, including how large it is and who is in it, why people pursue independent work, and what challenges they face.

How big of an impact does independent work have on society?

This year's AOS data suggest a seismic shift in how Americans work and support themselves: 36 percent of employed respondents tell us they labor as independent workers (Exhibit 1), up from our estimate of 27 percent in 2016. Though the total percentage includes people who engage in some independent work on top of permanent employment,

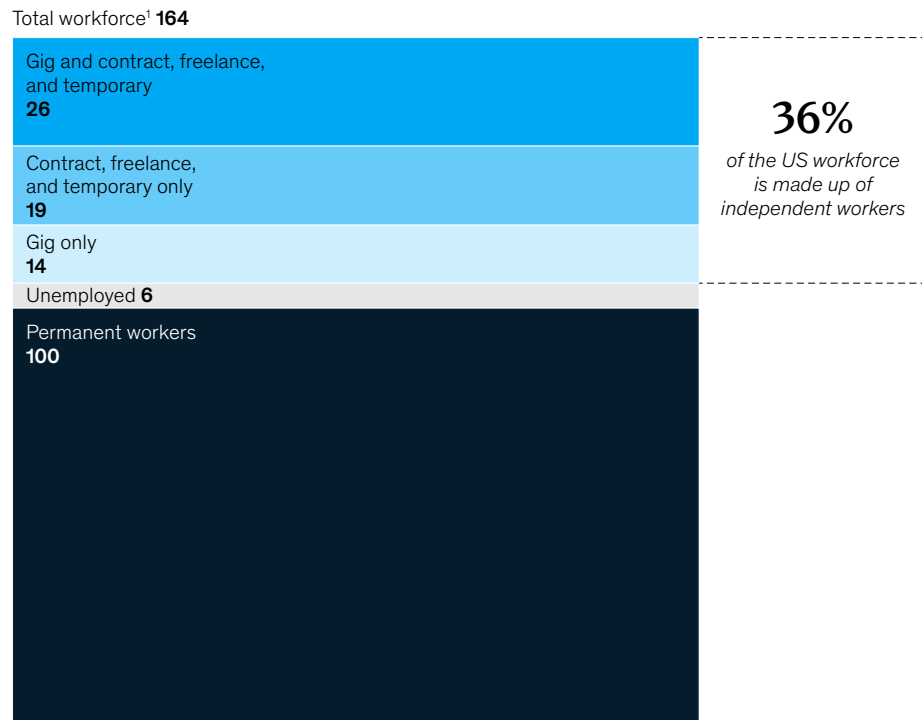
72 percent of independent workers say they have only one job.

The independent workforce enables companies, government agencies, and not-for-profit organizations of all sizes to expand their workforces during periods of peak demand—such as holiday seasons for retailers—and then revert to a leaner core team when workloads return to normal. The ability to call in specialized help on an as-needed basis has great value, particularly for small businesses and start-ups. Smaller enterprises may need specialized help at times—say, a marketing specialist to help during a product launch—but may be unable to afford having those people on staff full-time. The availability

Exhibit 1

Gig, contract, freelance, and temporary workers make up 36 percent of the US workforce.

US civilian workforce, by employment type, million



¹US Bureau of Labor Statistics estimated the size of the civilian labor force as 164,046,000 (Apr 2022). Source: McKinsey American Opportunity Survey Spring 2022

There is a seismic shift in how Americans work and support themselves: 36 percent of employed survey respondents say they labor as independent workers, up from our estimate of 27 percent in 2016.

of freelance labor vastly reduces the cost and lowers the barriers to starting a business.²

The increase in the percentage of the working population identifying themselves as independents may be due to several factors. Digital platforms such as Airbnb, Uber, and Upwork have allowed a larger pool of workers to be matched with consumers. To weather volatility during the COVID-19 pandemic, many companies have shifted to a more agile workforce made up of more independent workers. Finally, layoffs during the pandemic and cost-of-living issues may have pushed a larger number of workers to become independent workers, either because they have been unable to find permanent employment or because the pay they received in their primary employment has been insufficient.

The desire for flexibility is a two-way street: a quarter of independent workers report that they choose this kind of work for the autonomy and flexibility it offers. This motivation may presage a headwind for organizations that rely on a steady supply of flexibility-seeking freelancers: our latest research on the pandemic-influenced workforce trends indicates that 58 percent of employees

today—the equivalent of 92 million people—have the opportunity to work from home at least one day a week.³ As their flexibility needs are increasingly satisfied, some segments of the workforce may opt to remain in permanent work rather than seek independent work.

Who does independent work?

Independent work cuts across all ages, education levels, and incomes, though it tends to skew toward younger workers and those with lower incomes (Exhibit 2). Because there are low barriers to entry for some types of gig work, such as delivering passengers, take-out food, or packages, it is perhaps not surprising that less economically established people typically take on this work. Nearly half of all immigrants report being independent workers, underscoring that gigs and freelance jobs are a gateway to the labor market in the United States.

However, a third of employed respondents who earn more than \$150,000 a year also say they work independently. This category may include lawyers, accountants, successful actors, writers and other creatives, influencers, traveling nurses, and a variety of advisers and specialists.

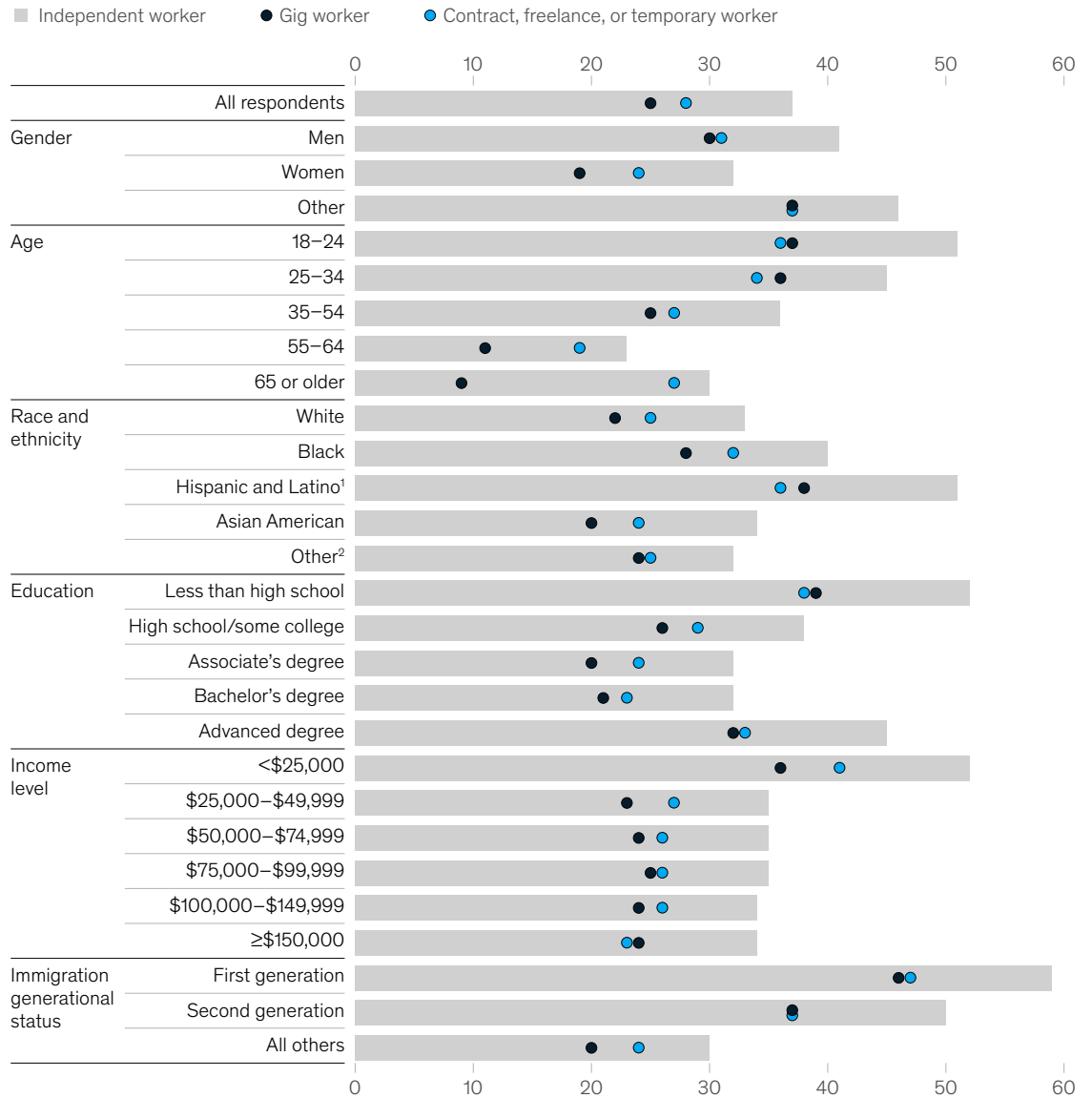
² Andrew Burke, "The entrepreneurship enabling role of freelancers: Theory with evidence from the construction industry," *International Review of Entrepreneurship*, 2011, Volume 9, Number 3.

³ "Americans are embracing flexible work—and they want more of it," McKinsey, June 23, 2022.

Exhibit 2

Immigrants, younger workers, and workers with lower incomes are more likely to engage in independent work.

Demographic breakdown of independent workers, by employment type, % of respondents (n = 12,896)



¹Includes those who self-identify as Hispanic, Latino, or of Spanish origin. All other groups are solely non-Hispanic/Latino.

²Includes non-Hispanic/Latino multiracial, Native Alaskans, and Native Americans.

Source: McKinsey American Opportunity Survey Spring 2022

Why do people chose independent work?

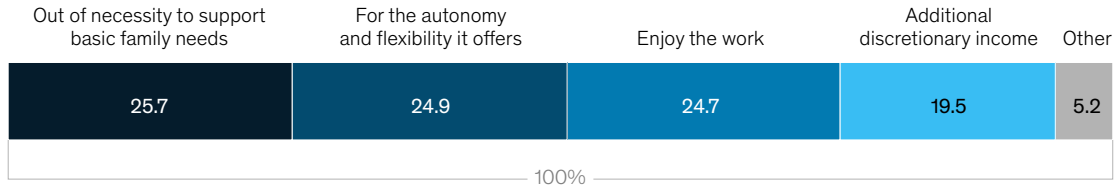
The reasons for working independently run the gamut (Exhibit 3). Just over a quarter of respondents

say they do independent work because they must, citing “out of necessity to support basic family needs” as their motivation. That’s a large increase

Exhibit 3

People engage in independent work for a diverse set of reasons.

Main reason for participating in contract, freelance, or temporary work (including gig economy involvement), % of independent workers (n = 5,280)



Source: McKinsey American Opportunity Survey Spring 2022

over the 14 percent of respondents in our 2016 research who said that they did independent work out of necessity and as a primary source of income.

Meanwhile, the percentage of people pursuing independent work to add discretionary income to their household budgets has been cut in half since 2016: in our most recent research, 20 percent of respondents say they took on gig or freelance work for this reason, while 40 percent said the same in our prior study. The change indicates that independent work has become a more serious pursuit for more people.

A quarter of independent workers report that they do independent work because they enjoy it. This is the top reason cited by high earners, including 32 percent of independent workers earning more than \$150,000 per year.

Another quarter of independent workers say that they do independent work for the autonomy and flexibility it offers. Historically, to secure flexible work arrangements, people would have to turn to gig, contract, freelance, or temporary roles—forgoing perks associated with permanent employment, including sick leave and health insurance. As noted, however, during the pandemic many permanent jobs became more flexible, reducing independent work’s monopoly on flexibility.

How do independent workers feel about economic opportunity?

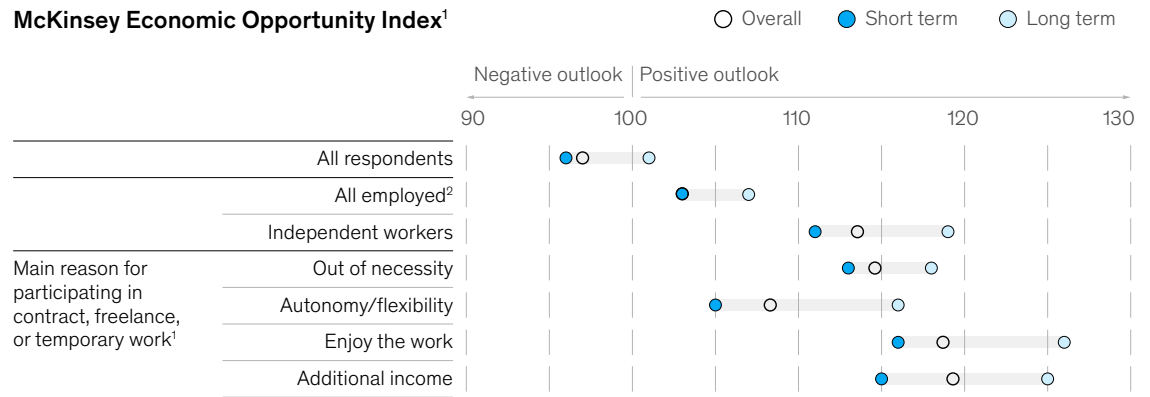
Given the broad range of reasons why people work independently, it’s surprising how united this group is in one distinct characteristic: they are among the most optimistic workers in the country (Exhibit 4). As a group, independent workers score 114 on the McKinsey Economic Opportunity Index, a scale that gauges Americans’ perceptions of past, present, and future economic opportunity. That figure is significantly higher than employed respondents as a group (103) and higher than the national average (97), on a scale of 0 to 200. The most optimistic independent workers are those who do the work because they enjoy it or because of the autonomy and flexibility it offers. The least optimistic are those who do independent work for additional discretionary income.

The optimism of independent workers is in part buoyed by the positivity of first-generation immigrants, who have, in all three runs of the American Opportunity Survey, been among the most optimistic groups.

Intriguingly, nonimmigrant independent workers also tend to be much more optimistic than their peers. For example, 27 percent of independent workers earning less than \$25,000 per year expect in 12 months that they and their families would have more economic opportunities,

Exhibit 4

Independent workers are dramatically more optimistic about economic opportunity than workers overall.



¹For each survey respondent, we calculated an Economic Opportunity Index score, based on a set of 5 questions. If respondents gave pessimistic responses to all 5 questions, their outlook score would be 0; if respondents gave neutral responses to all 5, their outlook would be 100; and if respondents gave optimistic responses to all 5, their outlook would be 200.

²Independent workers and permanent workers.

Source: McKinsey American Opportunity Survey Spring 2022

compared with 19 percent of other workers earning less than \$25,000 per year. Similarly, 45 percent of independent workers with a bachelor's degree say they are expecting continuous economic growth over the next five years, compared with 34 percent of other employees with a bachelor's degree.

What challenges do independent workers face?

Despite their positive outlook, independent workers report many barriers to their well-being, including more problems accessing health insurance and healthcare. While half of permanent workers get health insurance from their employers or unions, only 32 percent of independent workers do. Independent workers also say they have more trouble securing nutritious food, convenient housing, transportation, and childcare than permanent workers do (Exhibit 5). Likely for these reasons, twice as many people who are engaged in freelance, contract, gig, and side-hustle work report using government programs as those who are employed full time.

Adding to their financial pressures, many independent workers must account for unreimbursed costs that reduce net earnings, including vehicles, office space, and other business expenses. Independent workers must cover both the employer and the employee portions of Social Security contributions, and any time off comes out of their own pockets.

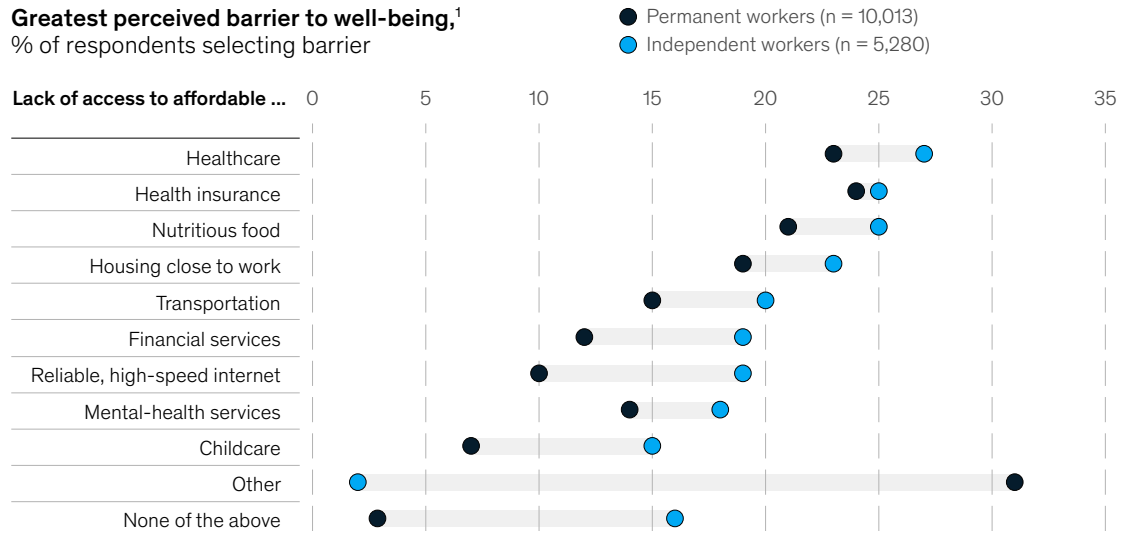
Independent workers do have access to a variety of retirement vehicles that allow for tax-deferred retirement savings, but they must navigate setting up those plans, and the plans lack an employer match. While in theory independent workers could purchase private insurance for disability, workers' compensation, and unemployment, today such products are limited and tend to be cost-prohibitive. Access to credit, including to mortgages and car loans, can also be limited for those without an employer-provided salary.

Finally, independent workers may find it harder to ensure that their skills and knowledge do not stagnate. Independent workers are 1.4 times as likely

Exhibit 5

Independent workers report barriers to their well-being, including access to affordable healthcare and health insurance, nutritious food, and transportation.

Greatest perceived barrier to well-being,¹
 % of respondents selecting barrier



¹Respondents could select up to three options.
 Source: McKinsey American Opportunity Survey Spring 2022

as permanent workers to report planning to pursue training, education, or credentialing opportunities, and are 1.5 times as likely to report having pursued such opportunities to advance their career.

Possibly due to these challenges, combined with a desire for more stability, 62 percent of independent workers surveyed report preferring to work as a permanent or noncontract employee.

Freelance and contract work, gigs, and side hustles are growing features of the modern workforce. Companies and organizations that rely on independent workers are wise to consider the

reasons why people are attracted to this type of work and to recognize the growing availability of flexible work in permanent employment. As more employees are able to work from home or on flexible schedules, fewer of them may be drawn to freelance or contract jobs that were once the sole provider of such arrangements.

Employers and other leaders can review the data on the challenges that independent workers face and consider ways to alleviate barriers to well-being. The existence of a flexible workforce provides many economic benefits, particularly to start-ups and growing companies. Organizations may wish to consider how to best support those who provide this labor and help them flourish.

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