

McKinsey Explainers

What is the gig economy?

The gig economy refers to the workforce of people engaged in freelance and side-hustle work.



Working 9 to 5. Is that any way to make a living? For an increasing percentage of American workers, the answer is no. Independent work is hardly a new phenomenon. But according to McKinsey’s 2022 [American Opportunity Survey](#), a full 36 percent of employed respondents—roughly 58 million Americans—identify as independent workers. That’s a significant increase from 2016, when McKinsey research estimated that 27 percent of the workforce was independent.

And not all workers are happy about it. While independent work offers flexibility and autonomy—which about a quarter of survey respondents report prioritizing in their careers—most people working independently would prefer a more stable form of employment. Sixty-two percent of independent workers surveyed prefer work as a permanent or noncontract employee. As we’ll see, given the challenges related to independent work, that shouldn’t come as much of a surprise.

So who are these independent workers, and what are the economic trends that are causing this workforce shift? Read on to learn more.

Learn more about McKinsey’s insights on [Sustainable, Inclusive Growth](#).

What jobs are independent workers doing?

Independent jobs [run the gamut](#) from highly paid actors and lawyers to lower-earning delivery drivers and people who rent out their homes on a short-term basis. Workers engaged in “side hustles” in addition to their normal source of income also count as independent workers according to our methodology. More independent workers are employed during periods of peak demand, such as holiday seasons for retailers.

While independent work cuts across all ages, education levels, and incomes, it tends to skew toward younger workers and those with lower incomes. And nearly half of all immigrants surveyed report being independent workers.

How much do independent workers earn?

A third of employed respondents to McKinsey’s [American Opportunity Survey](#) on independent work [report](#) earning more than \$150,000 per year, a category that may include lawyers, accountants, actors, social-media influencers, traveling nurses, and other specialists.

But these respondents do not represent the majority. Younger people, those with less training, and people who are new to the United States tend to take on work with lower barriers to entry, such as driving passengers or delivering take-out meals. A majority of independent workers—54 percent—report being concerned with the stability of their employment, compared with 35 percent of permanent workers.

Learn more about the [McKinsey Global Institute](#), as well as McKinsey’s insights on [Sustainable, Inclusive Growth](#).

What are some of the challenges that independent workers face?

Many independent workers lack access to basic human needs, such as affordable healthcare, nutritious food, convenient housing, transportation, and childcare. For example, half of permanent workers receive health insurance from their employers or unions, while only 32 percent of

independent workers can say the same. Twice as many independent workers report using government assistance programs as those who are employed full time.

But some independent workers are [optimistic](#) about their outlooks. These are mainly [first-generation immigrants](#), who see gigs as a path to opportunity—and have, in all three runs of the American Opportunity Survey, been among the most optimistic groups overall. More than a third of independent workers surveyed say that they expect to have more economic opportunities in a year's time, compared with just a fifth of overall workers who say the same. And more than 40 percent of independent workers expect continuous economic growth over the next five years, compared with about a third of all respondents.

What's behind the growth of independent work?

The increase in the number of independent workers in the United States may be the result of [several factors](#). First, technology has made it easier than ever to work remotely. Ridesharing and digital food delivery platforms have grown exponentially in recent years and match increasingly large pools of workers with potential customers. Beyond the platforms that connect people to work, the increased use of remote-collaboration tools such as the improved videoconferencing services that have become ever more popular since the pandemic make it as easy to work with a freelancer as it is to work with a colleague working from home or another company location.

Many people who were laid off during the pandemic—and some who weren't—turned to freelancing, either because they needed new income sources or because they desired greater

independence and flexibility. And more recently, inflation may have driven lower-income workers to take on side gigs through these platforms.

For companies, especially small businesses and start-ups, employing a workforce composed of more independent workers than permanent employees has [clear advantages](#). Companies may need specialized help at times—like a marketing professional to help during a product launch—but may not be able to afford a full-time employee for that help. The ready availability of freelance labor reduces the cost and lowers the barriers to starting and operating a business.

While the American Opportunity Survey does show that a growing number of people are choosing gig work out of necessity, there is a sustained shortage of frontline labor in the current environment—as well as low unemployment. It remains to be seen how these dynamics will play out.

Learn more about McKinsey's insights on [Sustainable, Inclusive Growth](#).

Why would someone choose independent work over permanent employment?

More than a quarter of [respondents](#) report taking on independent work because it's what they have to do to survive and support their families. Back in 2016, only 14 percent of respondents said they did independent work out of necessity and as a primary source of income.

About a quarter of respondents report that they pursue independent work because they enjoy what they do; this is the top reason cited by high earners. Another quarter say they do it for the [flexibility and autonomy](#).

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What does the shift toward independent work mean for employers?

The fact that so many Americans would forgo the perks of a permanent job such as guaranteed income and healthcare in exchange for flexible work should be of great interest to employers. For organizations in competition for top performers and digital innovators, an understanding of how much flexibility their talent pool expects and demands is critical. Employers that invest in technology, adaptive policies, and employee trainings are more likely to foster workplaces inclusive of both on-site and remote workers.

Learn more about McKinsey's insights on [Sustainable, Inclusive Growth](#). And check out [job opportunities](#) related to sustainable, inclusive growth if you're interested in working at McKinsey.

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