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POLICY BRIEF

How Many Independent Contractors Are There and Who Works in These Jobs?

Katharine G. Abraham, Brad Hershbein, Susan N. Houseman, and Beth C. Truesdale

BRIEF HIGHLIGHTS

- *The independent contractor workforce is hard to measure, and different sources of data disagree about its size.*
- *To understand these discrepancies and potential problems with standard household surveys, we conducted focus groups to learn about the terms contractors use to describe their work and used these findings to design and implement a large-scale survey.*
- *By probing about workers' job arrangements in this survey, we found that about 1 in 10 people initially reporting that they worked for an employer in fact were independent contractors.*
- *Adjusting for these "miscoded employees" nearly doubles the share of workers who are independent contractors on their main job, from 8 percent to 15 percent.*
- *This adjustment also alters the demographic picture of the independent contractor workforce; Black and Hispanic workers are more likely than White workers to be independent contractors, as are less-educated workers compared to college graduates.*

For additional details, see the full working paper at <https://doi.org/10.17848/wp23-380>.

Independent contractors include workers in a wide range of jobs, from freelance consultants providing technical services to businesses, to drivers providing rideshare services through platforms like Uber and Lyft, to informal workers providing home maintenance, child care, and elder care services. As self-employed workers, independent contractors are not covered by wage and hours laws, do not have the right to unionize, and are not eligible for workers' compensation, unemployment insurance, or most employer-provided benefits. Independent contractors are legally distinct from employees in the degree of autonomy they have over how their work is performed, but there is growing concern among policymakers about employers misclassifying workers as independent contractors to save on labor costs. With the rise of online platforms, the importance of understanding the prevalence of independent contractor arrangements will continue to grow.

Unfortunately, good data on the size of the independent contractor workforce are scarce. Existing government data sources, whether household surveys or tax records, provide an incomplete—and sometimes inconsistent—picture. In [recent research](#), we investigate how government surveys can be improved to better measure the independent contractor workforce. We first conducted focus groups with independent contractors to learn more about the language they used to describe their work. We then used these findings to develop a survey module asking follow-up questions to identify such work. Working with the Gallup organization, we fielded the survey module to more than 61,000 respondents during 2018–2019. Data from the survey allow us to examine independent contract work among different demographic groups.

A key finding is that many independent contractors think of themselves as employed by their clients and may not answer standard questions about their employment arrangement in the way intended. Indeed, our survey module reveals that, based on further probing, about 1 in 10 workers who initially report being “employed by an employer” are actually independent contractors. Accounting for these “miscoded employees” nearly doubles the share of workers who are independent contractors on their main job, from 8 percent to 15 percent. This implies that existing government surveys, which generally do not carefully probe for independent contract work, likely miss many such workers, classifying them as employees rather than as self-employed. Moreover, accounting for “miscoded employees” changes the composition of the independent contractor workforce, raising the share who are young, less-educated, Black, and Hispanic. Miscoded employees also are more likely to hold multiple jobs or work low-hours part-time jobs. The Gallup module detects more secondary work activity than traditional government surveys, which we attribute to questions that ask more explicitly about low-hours work. Much of this secondary activity is independent contract work.

Our results suggest important and straightforward changes to household surveys that would improve the collection of data on the independent contractor workforce.

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Independent contractors typically described themselves as *working for their clients*—a likely reason that surveys may miscode them as employees.

Discrepancies over the Estimated Size of the Independent Contractor Workforce

Researchers have used several data sources to study the prevalence of self-employment in the United States, including the subset who are independent contractors. Household surveys administered by federal agencies or private organizations are a major source of information. These surveys vary considerably in the types of questions that are asked, the periods of time for which work activities are queried, and how respondents are selected and contacted (online or by telephone). Perhaps the best known and most widely used in the United States are the Current Population Survey (CPS), which provides monthly estimates on the number of workers who are self-employed in primary and secondary jobs, and the Contingent Worker Supplement (CWS) to the CPS, which directly measures the number of workers who are independent contractors on their main job. The CWS has been fielded six times since 1995, most recently in 2017, and has consistently estimated that some 6–7 percent of workers are independent contractors, with these being disproportionately White and higher paid (Abraham and Houseman 2020). Many other household surveys, however, find higher levels of self-employment or independent contractor work, likely because of differences in how the questions about self-employment and informal work are asked.

Tax data provide another source of information on self-employment or independent contracting. Individuals earning self-employment income generally are required to file a Schedule SE and Schedule C with their federal tax returns, while businesses that pay independent contractors for services rendered generally must file a Form 1099 with the IRS. Researchers have relied on federal tax data or comparable forms filed with states to estimate the number of self-employed or independent contractors. By merging responses to the Annual Social and Economic Supplement to the CPS with tax data for the respondents of this survey, researchers have been able to directly compare estimates of self-employment from this CPS supplement with those from tax data. Notably, studies have found self-reported levels of self-employment are consistently lower in the CPS data than in the tax data, despite the fact that IRS data are known to miss a sizable share of self-employment income (Abraham et al. 2021; Abramowitz 2023).

Focus Groups

To better understand why independent contractor work may not be fully captured in many existing household surveys, including leading government surveys, we began our research by convening a series of focus groups. We sought to understand how individuals who are independent contractors think and speak about their work, and what their answers suggest about how they would respond to typical survey questions regarding work arrangements.

We conducted six in-person focus groups in and around a Midwestern U.S. city, with participants who ranged in age from their early 20s through their mid-60s and had worked as independent contractors. The groups included people of varying education levels, races and ethnicities, and urban and rural residences. In our focus groups, participants typically described themselves as *working for* their clients even when, upon prompting, they readily acknowledged they were in fact independent contractors. This was particularly the case when participants worked only for one or a few organizations and did not think of themselves as finding their own customers, a distinction sometimes made in surveys asking about independent contractor work. Other participants associated the term “contractor” with skilled trades and construction, and the phrase “gig work” with musicians; rather than using those terms, several participants used terms like “side hustle” or “odd job” to describe their non-employee work. For these reasons, as well as the variety of work arrangements that participants had, often mixing employee and non-employee work, most household surveys likely miss much independent contracting activity, either because respondents answer as if they are employees or don’t think of the work as a job at all.

Across the four waves, we collected information on about 61,000 individuals, more than any household survey other than the CWS that has investigated related topics.

Gallup Module

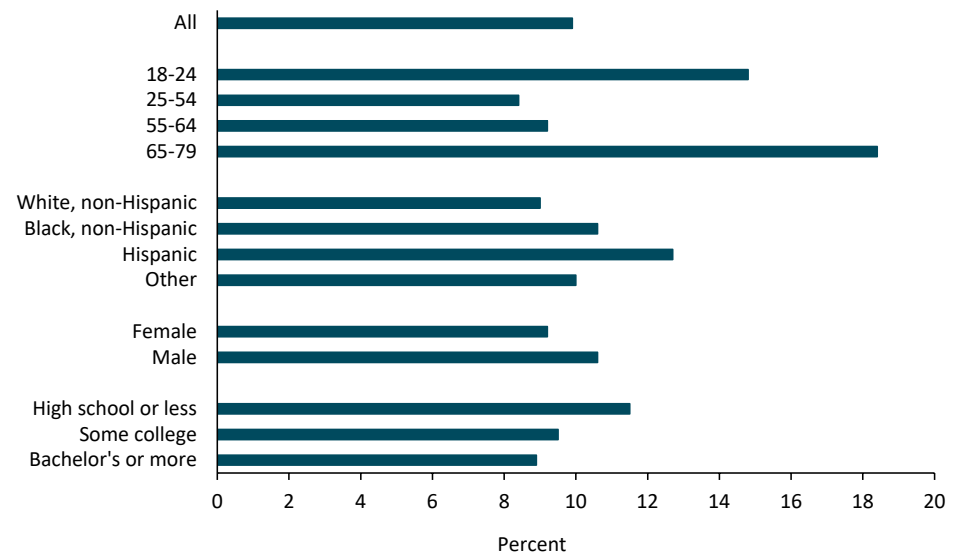
We used insights from previous studies and our focus groups to design a new questionnaire module to improve the information available on contract employment by asking questions that address the miscoding and underreporting problems with standard household survey questions. In particular, we asked questions specifically meant to identify individuals who might think of themselves as working for an employer but who actually are independent contractors. We also probed for contract work on secondary jobs.

Partnering with Gallup, we included a module on their Education Consumer Pulse Survey. Similar to the CWS, this is a large, nationally representative telephone survey that asks about work activity over a reference week. Gallup fielded our module to individuals aged 18–80 in four waves between the late spring of 2018 and winter of 2019. Across the four waves, we collected information on about 61,000 individuals, more than any household survey other than the CWS that has investigated related topics.

Findings

A prime focus of our study is identifying workers who are independent contractors but may be coded as employees in household surveys because they respond that they are “employed by an employer.” By asking these workers follow-up questions about contractor work, we find that, among workers working for an employer on one or more jobs, approximately 1 in 10 is in fact an independent contractor on at least one of those jobs (Figure 1).¹ The youngest and oldest workers are more likely to be miscoded, as are Black and Hispanic workers, men, and workers with less education. Although not shown in the figure, the problem is especially pervasive among workers holding multiple jobs or working few hours.

Figure 1 Share of Workers “Employed by an Employer” Who Are Independent Contractors



NOTE: Estimates are share of those who report being “employed by an employer” on any job who indicate when asked a probing question that they are an independent contractor on at least one job with an employer. See the working paper for details.

SOURCE: Authors’ tabulations of Gallup Contract Work module data.

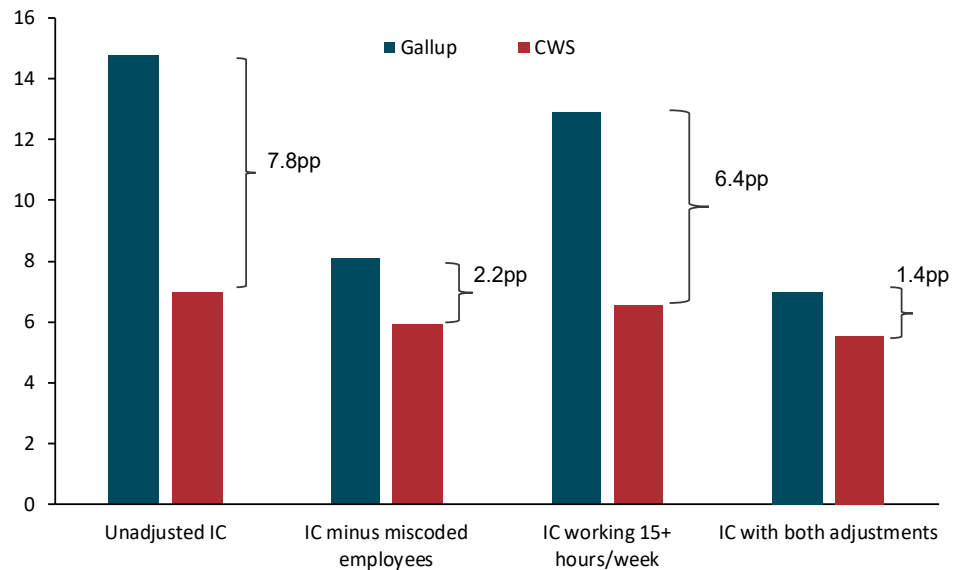
¹ As described in the [full paper](#), we randomize participants to receive different versions of these questions to see how much wording matters for response. For simplicity we present the pooled response in this brief, but responses for each question version are available in the paper.

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Accounting for these “miscoded employees” nearly doubles the share of workers who are independent contractors on their main job.

As shown in Figure 2, accounting for these miscoded employees substantially changes the share of workers who are independent contractors on their main job. Overall, we estimate this share to be 15 percent in the Gallup module, compared to 7 percent in the 2017 CWS (first pair of bars). Most of the gap between the Gallup and CWS estimates is due to adjusting for miscoded employees (second pair of bars). This is true even when we restrict the sample to individuals working at least 15 hours per week.

Figure 2 Independent Contract Work on Main Job, Gallup vs. CWS



NOTE: “Gallup” refers to the Gallup Contract Work module described in the text. “CWS” refers to the May 2017 Contingent Worker Supplement to the Current Population Survey. “IC” is independent contractor. The vertical axis shows the percentage of workers classified as ICs in each data source under different sets of restrictions. See the working paper for details.

SOURCE: Authors’ analysis of Gallup Contract Work module data and May 2017 CWS data.

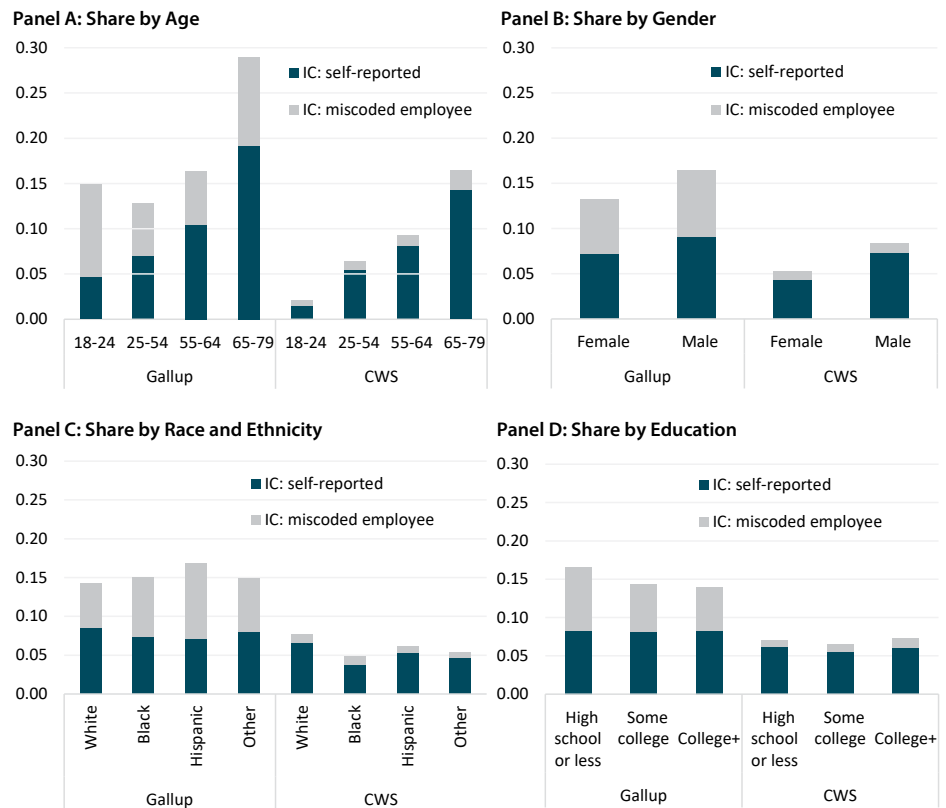
As indicated in Figure 3, adjusting for miscoding matters more for certain demographic groups. When we do not account for miscoding (blue bars), both the Gallup module and the CWS indicate that contract work is more prevalent among White and male workers and that its prevalence increases with age. Once we account for miscoded workers (gray bars), however, these patterns change substantially, with Black and Hispanic workers more likely than White workers to be contractors, and the less-educated more likely than college graduates to be contractors. Additionally, the high incidence of miscoding among workers younger than 25 means that independent contracting no longer rises uniformly with age.

Conclusion

Our research addresses why standard household surveys may miss much of the independent contractor workforce and tests these ideas through a Gallup survey module administered in 2018 and 2019. We learned from focus groups that independent contractors often think of themselves as working for an organization, particularly if they have only a few clients, and thus may not think of themselves as being self-employed. Standard household surveys generally distinguish whether a worker is an employee or self-employed by asking whether the worker is employed by an organization or is self-employed. In our survey, nearly half of independent contractors are miscoded

Black and Hispanic workers are more likely than White workers to be independent contractors, as are less-educated workers compared to college graduates.

Figure 3 Share of Workers Who Are Independent Contractors, by Demographics, Gallup vs. CWS



NOTE: "Gallup" refers to the Gallup Contract Work module described in the text. "CWS" refers to the May 2017 Contingent Worker Supplement to the Current Population Survey. "IC" is independent contractor. White is White non-Hispanic, and Black is Black non-Hispanic. The vertical axis shows the share of workers who are independent contractors, either self-reported or employees who are miscoded.
 SOURCE: Authors' analysis of Gallup Contract Work module data and May 2017 CWS data.

as employees based on asking this sort of question. Adding questions that probe for clarification on a worker's employment arrangement, as well as the presence of low-hours work, is critical for accurately measuring independent contractor work.

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