

Independent Contractors

The following is a range of statistics about independent contractors/freelancers and the impact they have on the economy, which could be put at risk if regulations change.

Minnesota-Specific Data

MN Department of Employment and Economic Development (DEED)

- "...the U.S. Census Bureau reports that Minnesota is also home to over 397,000 non-employer businesses or those residents who are self-employed. Together, there are over 500,000 businesses in Minnesota with 0-499 employees, the vast majority. To say they are vital to Minnesota's economy is a major understatement."

US Census Bureau 2020

- "The data are available for approximately 450 NAICS industries at the national, state, county, metropolitan statistical area, and combined statistical area geography levels. The majority of NAICS industries are included."
 - *Note: There are 689 NAICS codes, so data is missing for 239 NAICS industries*
- 409,431 estimated nonemployer businesses in MN
 - Individual Proprietorships: 355,208
 - Nonemployer sales, value of shipments, or revenue (\$1,000): \$13,285,027
 - C-corps and other: 2,950
 - S-corps: 15,883
 - Partnership: 35,390
- Total nonemployer value of sales, shipments, or revenue in MN: \$20,253,778

Women

Numerous studies show self-employment is beneficial to women's physical and mental health as well as overall work-life balance and women would be disproportionately impacted if regulations change.

Boston Medical Center Women's Health

- "Among working women, self-employment was associated with a 34% decrease in the odds of reporting obesity, a 43% decrease in the odds of reporting hypertension, a 30% decrease in the odds of reporting diabetes, and a 68% increase in the odds of reporting participation in at least twice-weekly physical activity ($p < 0.05$). BMI for self-employed women was on average 1.79 units lower than it was for women working for wages ($p < 0.01$)."
- [UCLA Health commentary](#) on the Boston Medical Center Women's Health study:
 - "Self-employed women were also more likely to report exercise and a lower body mass index. Interestingly, these results were not explained by differences in access to health care, implying that factors outside of health care are responsible for the relationship between self-employment and cardiovascular risk."

Indeed

- "48% of women who switched to contract work reported improved mental health, and of the women who changed to gig work, one-third (38%) reported improved mental health."

- “88% of women who transitioned to gig work said that it allowed them to care for their loved ones without being judged or penalized. 79% of women doing gig work said they took on gig work with more than one company to more easily build a schedule that worked for them, get more hours and make work more varied and interesting.”

[GrowTal/Opinium](#) (with summary found on [Yahoo! Finance](#))

- “More women freelancers have witnessed improved mental wellbeing (72%) than men (64%), with over two in five women (44%) strongly agreeing that their mental wellbeing has improved since freelancing...”

[FreshBooks](#)

- “A large majority of self-employed women (73 percent) have realized a better work-life balance vs. when they were traditionally employed and most earn as much if not more income working for themselves (68 percent).”
- “57% of women say they’re healthier {compared to when they were traditionally employed}”

[Center for Economic and Policy Research](#)

- “First, the increase in self-employment is disproportionately a story of women, especially non-white women, opting to become self-employed.”

[Mercatus Center at George Mason University](#)

- “Our research has several implications regarding policies that attempt to reclassify independent contractors as employees. First and foremost, if independent work extends opportunities for women who would otherwise be unable to take on employment, then such legal challenges could disproportionately affect women’s labor force participation.”

[People of Color](#)

Studies show business ownership among people of color is growing and makes up a significant portion of overall business ownership. People of color would also be disproportionately impacted by potential regulation changes.

[American Express 2019 State of Women-Owned Businesses Report](#)

- “Women of color represent 39% of the total female population in the U.S. but account for 89% of the net new women-owned businesses per day (1,625) over the past year.”
- “While the number of women-owned businesses grew 21% from 2014 to 2019, firms owned by women of color grew an astounding 43% and African American women-owned firms grew even faster at 50%.”
- “As of 2019, women of color account for 50% of all women-owned businesses. An estimated 6.4 million women of color-owned businesses employ nearly 2.4 million people and generate \$422.5 billion in revenue.”
- “The report estimates that if revenues generated by minority women-owned firms matched those currently generated by all women-owned businesses, they would add four million new jobs and \$981 billion in revenues to the U.S. economy.”

[Center for Economic and Policy Research](#)

- “... there were very large increases in the share of Black and Hispanic workers who report being incorporated self-employed. The shares for both increased by roughly 45 percent.”

Gusto

- “Over one-third of entrepreneurs (36%) started their business after voluntarily quitting their job.”
- “...34% of Black or African American business owners started a business in order to improve their financial stability.”

Caregivers and People with Disabilities

Studies show independent contractors with disabilities or who are caregivers choose to be independent contractors because it allows them to earn income while accommodating their own needs and/or managing caregiving responsibilities. This is another group that would be disproportionately impacted by potential regulation changes.

Sonecon

- “In 2020, California introduced new policies that force businesses to reclassify some of their independent contractors as traditional employees based on a three-part “ABC” test, whatever the preferences of the company or the contractors...This study has examined and analyzed how such a nationwide program would impact independent contractors and the businesses that hire them.”
- “Applying the ABC test across the economy would force businesses to reclassify 4.4 million people as regular employees...Nearly 2.7 million of these reclassified contractors would suffer substantial, direct income losses.”
 - “Nearly 1.52 million people—46 percent of those reclassified—chose independent contracting because disabilities, chronic illness, or family responsibilities precluded working in traditional jobs. Involuntary reclassification would cost those vulnerable people an average of \$20,759 across full-time and part-time contractors for direct income losses totaling an estimated \$31.4 billion.”

MBO Partners

- “About 40% of independents are caregivers, and 62% said being a caregiver influenced their decision to work independently. That sentiment is especially strong among females (68%), especially female millennials (79%).”

General Data on Freelancing/Independent Contractors

The majority of independent contractors choose to be independent contractors/business owners for a variety of reasons, including increased income and greater stability and security. Independent contractors are an important part of the economy and reclassifying them as employees under something like the ABC Test would come with a significant cost and impact on the economy.

U.S. Federal Reserve 2022 Survey of Consumer Finances (released in 2023)

- “Among families that owned businesses in 2022...52 percent owned nonemployer firms, which are primarily either sole proprietorships or self-employed contractors.”
- “Business-owning families in 2022 were wealthier than families without a business. The mean net worth of families without a business was about \$570,000 in 2022, while the mean net

worth—excluding the value of businesses—of families that owned a nonemployer business was nearly \$1.1 million.”

- “Mean income among families without a business was \$105,500, compared with \$173,200 for families that owned nonemployer businesses...”

GrowTal/Opinium (with summary found on [Yahoo! Finance](#))

- “And the choice to pursue freelance is often deliberate and self-directed, with half (50%) of freelancers voluntarily quitting their traditional job to pursue freelance.”
- “Over three in five (62%) agree that freelance was a personal decision, and the government shouldn’t be able to classify them as an employee.”

Fiverr

- “More than eight-in-ten (84%) agree strongly or somewhat that having multiple sources of income provides a greater level of security than relying on a single employer, and nine-in-ten (89%) agree having control over their work life allows them to adjust to changing economic conditions rather than being tied to the decisions of an employer.”

MBO Partners

- “In 2023, some 77% of Full-Time Independents said they are optimistic about the future of their career, up from 74% in 2022.”
- “In 2023, 63% said working independently was their choice entirely, and only 9% said it was due to factors outside their control, such as losing a job or not being able to find a job.”
- “The number of Full-Time Independents has also significantly grown, increasing by 20% in 2023, reaching 26 million. The growth since prior to the pandemic is even greater, up 73% since 2019. This is a substantial increase in the growth rate for Full-Time Independent workers, which averaged just 2% between 2011 and 2019.”
- “In 2023, fully 78% of independents said they plan to keep working independently, as opposed to seeking a permanent full-time (12%) or part-time job, retiring, or doing something else.”
- “One of the fastest growing segments of independents over the 13-year course of this study has been independents who report earning \$100,000 or more in the prior year.”

Pew Research Center

- “Most self-employed workers (62%) say they are extremely or very satisfied with their job, compared with 51% of those who are not self-employed.”