An Investigation of the Relationship between Gig Work and Structural Inequality

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Introduction:

In the United States, the number of individuals relying on gig work for their main source of income is dramatically increasing(Katz and Krueger 2017). The term gig economy refers to income-earning activities outside of traditional, long-term employer-employee relationships. Gig work is typically low-skill service and care work, and includes, but is not limited to income earned through platform applications such as Uber, Lyft, and Care.com. Yet, there is a current gap in the literature on gig work in that it does not explain how structural inequality such as racial residential segregation and income inequality impacts or is affected by gig work. In the first stage of this study, I will investigate the relationship between residential segregation, income inequality and the growth of gig work at the county level in the United States from 2010 - 2018. I will use panel data analysis with fixed effects in order to estimate the effect that unemployment rates, racial segregation, and income inequality have on levels of labor participation in the gig economy.

Previous work on the gig economy has demonstrated that gig work is much different than that of work in the formal economy. First, gig work is characterized by the precarious nature of the work as compared to jobs in the formal economy, is typically low wage, and lastly gig workers are not protected by federal employment law while workers in the formal economy are covered (Graham 2018, Devault 2019). Given that most gig work is low wage labor and entry into the gig economy has been connected to stalled re-entry into the formal economy, growth in gig work may lead to an increase in income inequality within the United States. Hence, there is a current gap in the literature on gig work due to a lack of research that investigates the relationship between gig work and income inequality. Additionally, previous research has demonstrated that racial residential segregation “creates easily identifiable markets for institutions to avoid, target, and exploit” and leads to persistent racial occupational segregation in the formal economy (Faber 2019 and Tesfai 2019). However, these studies have yet to investigate whether racial residential segregation affects the gig economy as well. As a result, the second gap in the literature on gig work concerns the relationship between racial residential segregation and gig work. By using a racial capitalism analytic framework, I address these gaps in the literature on gig work, I put forth the following research question: do economically marginalized and racial segregated areas produce more labor participation in the gig economy. I hypothesize that as unemployment rates, racial segregation, and income inequality increases, levels of labor participation within the gig economy will also increase across all counties.

Research from Penn Schoen Berland found that “of survey respondents who earn more than 40% of their income from on demand work, a whooping 67% identify as racial minorities” (Prassl 2018). This is alarming given the fact that when the survey was administrated, racial minorities only made up 36% of the US population. In other words, in 2018 racial minorities were overrepresented in the platform economy by nearly double their actual size in the US population. Despite this finding, current literature has yet to apply a critical race theory lens to the platform economy. This has resulted in the decoupling of research on platform work and the study of race and ethnicity. This is a mistake because the platform economy is embedded within an economic system historically shaped by racial and class stratification. Thus, to understand the platform economy a racial capitalism framework is imperative.

Racial Capitalism and Platform Capitalism:

As McMillan writes, "racial capitalism is a robust and flexible framework [pivotal] for understanding the social relations of internet technologies" (2020). Racial capitalism is an analytical framework first coined by Cedric Robinson, which stipulates that "racism and [class] are historically co-constitutive in making a modern world system of capitalism." A world system that platform work operates within. Racial capitalism pushes us to examine the extent to which historical structures of racial and class inequality has shaped the platform economy as well as how platform applications latch on to pre-existing racial and class stratification systems in the U.S. labor market. As McMillan aptly stated, "Global patterns of racialized labor that determine what is "skill" and what is "labor" mediate the value of labor and the rents the platform can extract for mediating the laborer-customer relationship" (2020). While racial capitalism theorists explore a myriad of mechanism s that reproduce racial and class stratification in the US labor market, I only focus on two said mechanisms: racial residential segregation and income inequality.

Service and care work has not been radically transformed by the emergence of platform applications, rather it has simply concealed and made invisible the history of racial and class occupational segregation that has pushed racial minoritized and females' workers into low-income service and care work (2015). Given the fact that the gig economy inherits – and informalizes – historically racialized occupations it is important to critically consider racial capitalists theories when investigating the gig economy. A similar argument is made by Van Doorn (2017) who propositions that future research on the gig economy should try to bring to light the process by which platform applications try to conceal "a long, distinctly gendered, and racialized history: domestic service work, has in the US traditionally been performed by Black, Latina and Asian American women in white upper/middle-class homes" (Van Doorn 2017). In his article, Van Doorn argues that applications like Alfred and Care.com are built upon a gendered and racialized history "in the United States, women of color--and especially Black women--have been receiving wages for housework for untold decades" (2017). The racial capitalism framework is not only useful for analyzing applications like Alfred and Care.com , as Atanasoski and Vora argue, "certainly, task and service workers necessary to sites and platforms of the sharing economy continue to perform historically undervalued racialized and gendered work" (2015). Racial capitalism works to explain how racism and classism motivated policies and socio-cultural practices that have pushed women, racial minorities and immigrant workers into service work through racial occupational discrimination (Davis 2011 and Browne 2000), wage discrimination (Bergmann 1974), and immigration policies that leave foreign born workers at risk of exploitation (Mattingly 2003). While racial capitalism theorists explore a myriad of mechanism s that reproduce racial and class stratification in the US labor market, I only focus on two said mechanisms: racial residential segregation and income inequality.

Data:

In this study, I use data from the American Community Survey to capture county-level measures of structural inequality (income inequality, racial residential segregation, and unemployment rates) to estimate the effect of structural inequality on variation in the level of work participation in the gig economy from 2009 to 2018. Residential segregation is calculated for the county level using the dissimilarity index (0-1) wherein county level racial disparity is added to create an aggregate state index. Thus, a county with a higher residential segregation has more neighborhood tracts with dissimilarity indices . The GINI coefficient is used to capture income inequality at the state level, and the unemployment rate captures the percentage of the workforce 16 year and over that are unemployed.

Lastly, I use Non-Employer Statistics from the US Census. Why use Non-Employer Statistics? Gig workers are denied employee classification by the federal government, thus as independent contractors their status is akin to what the US census calls "non employer statistics" in that these individuals do not have their own employees, but nor are they classified by the federal government as employees. Hence, the non-employer statistics are the best measure for capturing these workers. The most comprehensive quantitative studies on the gig economy have used Non-Employer Statistics to measure the size of this sector of the economy. This includes studies from the National Association of Counties and the Brookings Institute whereby both institutions used the US Census Bureau dataset on Non-Employer statistics to trace gig economy growth over time. According to the Census Bureau, "Non-employer Statistics (NES) is an annual series that provides subnational economic data for businesses that have no paid employees and are subject to federal income tax." (Census Bureau). To generate a measure of the proportion of gig workers in the county, I use the non-employer statistics as well as the number of people in the labor force to generate a new variable called "NESPROP" which is the proportion of gig workers to laborers in the county

Methods:

To put concisely, qualitative work on the gig economy demonstrates that "the reality of life as a Tasker, Driver-Transporter or Turker is more reminiscent of Victorian laborer's daily grind than the glamour of Silicon Valley." By comparing the platform economy to Victorian labor, Prassl argues that the underlying model of platform work is characterized by "long hours for low wages, constant insecurity, and little legal protection – with no chance of a future upside" which in turn leads to widening inequality (2018). Thus, it is imperative that quantitative research investigate whether there is an empirical relationship between structural inequality and platform work. To accomplish this, I use panel data on county Non-Employer statistics (measure of work participation in the gig economy) and county data from the American Community Survey on residential segregation, income inequality and unemployment from the years 2010 to 2018.

In a fixed effect model, we are looking at variation within subjects over time, hence the error term in the fixed effects model is different than that of a random effects model. Beyond the fact that the random effects model looks at variation across units, the main difference in the two models is that the error terms for random effects model is association with units and occasions. By contrast, the error term in a fixed effects model allows the error term to be associated with person level differences. The covariates of interest in this paper are residential segregation, income inequality, unemployment and State right to work laws. In contrast to a random effects model, this model looks at variation in residential segregation, income inequality, unemployment, and State right to work laws, within counties over time. The county level is particularly useful for the racial residential segregation covariate which is a neighborhood measure that captures how racially isolated neighborhoods are.

Hypotheses:

Hypothesis #1: Overtime pre-dominantly white neighborhoods will produce less gig work. There will be a statistically significant relationship between county level racial residential segregation and the percentage of the labor force engaged in platform work.

Hypothesis #2: There will be a statistically significant relationship between income inequality and platform work. As income inequality increases within counties, so will the level of platform work participation.

Hypothesis #3: The interaction effect of both racial residential segregation and income inequality will be statistically significant. Overtime, counties with increasing racial residential segregation and income inequality will experience higher work participation in the platform economy.

Hypothesis #4: Overtime, as the unemployment rate increases within counties, levels of platform work will increase as well.

Hypothesis#5: Overtime, pre-dominantly white counties experiencing lower unemployment rate, will produce less work participation in the platform economy. The interaction effect racial residential segregation and unemployment rates will be statistically significant and predict lower platform work.

Hypothesis #6: Over time, pre-dominantly white counties whose share of women with Bachelors' degrees increases, will experience less work participation in the platform economy. The interaction effect of racial residential segregation and percent of the female population with bachelor's degree will be statistically significant and predict lower platform work.

Concluding:

In closing, Friedman articulated it best "the rise of gig labor calls for new initiatives in social policy" as gig work is not the answer to social inequality as previously assumed, rather it is the capitalistic consequence of broadening inequality. This study is important as many scholars attempt to see the "Gig Economy" as a solution the rigidness of formal work, however, this study reveals that hidden mechanisms -- e.g. structural inequality as measured by racial residential segregation, unemployment, income inequality -- that drive the growth in labor participation in the gig economy. If high instances of inequality predict participation in the gig economy, while at the same time research shows that the gig economy "depresses wages, decreases worker protections, increase work precarity" on a Global scale (Graham 2017) than we can better argue that the gig economy exacerbates racial and economic inequality. Hence, this study further helps to explain many of the consequences and conditions cited in previous qualitative research on gig work (Booth 2015; Graham 2017) while also providing new additional empirical evidence on gig work. However, this study does not create a complete picture of the gig economy. There are more factors and mechanisms to structural inequality than what is included in this study. We need scholars to can move past debates regarding the conditions of work within the gig economy and focus on whether this type of work is driven by increases in other forms of structural inequality not included in this study.