

How Do Workers Think About The Costs and Benefits of Freelance Work? New Evidence From a Survey Experiment ^{*}

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February 6, 2026

Abstract

We examine how workers perceive the trade-offs of freelancing using a novel survey design that explores the nature of workers' perceptions of their own jobs and the implications of work arrangements for their take-home pay. We find that, across several alternative classifications of freelance work, workers in such arrangements make less per hour than traditional employees, but report having greater control of when, where, and how they work. We find that on average, self-employed workers spend an additional 5 to 8 percentage points of gross pay covering unreimbursed expenses relative to traditional employees. However, when asked about expectations of net pay in freelance and traditional employment jobs with the same gross pay, respondents who received no quantitative information expected net pay to be higher in freelance arrangements than in employment arrangements, on average. This pattern reversed among respondents who were randomly assigned to receive customized estimates of their expected total expense and tax burdens in each arrangement, who estimated that freelance arrangements would generate lower net lower earnings than employment arrangements (consistent with the estimates we provided to them). This suggests that workers may not be fully aware of the tax and expense burdens freelance workers are responsible for. Interestingly, we find similar results both for workers who are currently employees in their main job and those who are currently self-employed, suggesting that the low salience of the tax and expense burdens associated with freelance work are not merely driven by those with no self-employment experience.

^{*}Linh Tô contributed to the implementation of the survey discussed in this paper and is a coauthor on work examining other findings from the survey. We are grateful to the Sloan Foundation for generous support that made this work possible. Grace Chao and Cleon Sun provided excellent research assistance for this project. All tabulations of EPOP restricted-use data adhered to the rules established to maintain respondent confidentiality.

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1 Introduction

A large and growing body of research has documented that a substantial share of individuals in the United States who do work for firms do so as self-employed independent contractors rather than as employees of those firms.¹ The decision to work for a firm (or through a digital platform) as a self-employed contractor rather than as an employee has important ramifications for workers. Unlike employees, independent contractors are not protected by labor law and are not eligible for social insurance programs administered through employers, such as workers compensation and unemployment insurance. In addition, contractors are often responsible for covering their own expenses, fees, and some taxes usually paid by employers, so the true take-home earnings from independent contract work may be lower than initially appears. However, it is often the case that independent contract arrangements offer greater flexibility and control over one’s work, which is desirable to many participants.

At the heart of policy debates about the appropriate regulation of freelance work are questions about whether such arrangements actually offer workers more flexibility and control compared to traditional employment and whether workers have a clear understanding of what the implications of such arrangements are for their net take-home earnings. If the expense and tax burdens associated with freelance work are not highly salient, firms might use such arrangements to shift the burden of these costs to unaware workers (Chetty, Looney, and Kroft, 2009). Thus, it is important to understand how workers *perceive* their job status and the implications for their earnings.

We examine how workers perceive the trade-offs of freelancing using a novel survey that explores the nature of workers’ perceptions of their own jobs and the implications of work

¹Prior studies have examined IRS tax return data and find that approximately 10 percent of the U.S. workforce has compensation from firms for work performed as an independent contractor, which has been stable over the period 2005-2022 Jackson, Looney, and Ramnath (2017); Collins, Garin, Jackson, Koustas, and Payne (2019); Lim, Miller, Risch, and Wilking (2019); Garin, Jackson, and Koustas (2022); Garin, Jackson, Koustas, and Miller (2024). The share of the workforce with any type of self-employment income is higher, above 15 percent. These figures include all workers with any income from contract or other self-employment work; for roughly one-half of these workers the income is a secondary earnings source to a primary traditional job. Major BLS surveys typically find small self-employment rates (Abraham, Haltiwanger, Hou, Sandusky, and Spletzer, Forthcoming).

arrangements for their take-home pay. We launched this survey as a follow-up survey to the 2024 wave of the NORC Entrepreneurship in the Population (EPOP) survey, which asks questions about experience with business ownership and freelance work to a representative sample of the US population ([Atkins and Brummet, 2023](#)).

To better understand the current work arrangement of each participant, our survey begins with a series of questions that assess the detailed characteristics of their current job. This descriptive part of the study has three parts. First, we ask questions about select job amenities similar to those asked in the RAND American Working Conditions Survey ([Maestas, Mullen, Powell, Von Wachter, and Wenger, 2023](#)). Second, we attempt to validate EPOP responses about contract work status by asking questions about W-2 versus 1099 reporting and tax withholding motivated by [Abraham, Hershbein, Houseman, and Truesdale \(2024\)](#). Finally, we ask detailed questions about the major expenses involved in one’s current job (such as using a car) and whether the worker is responsible for covering these expenses. This last set of questions, which is also intended as an exercise to make such costs salient to the respondents, is asked at different points of the survey corresponding to the information condition.

We then conduct a survey experiment to assess respondents beliefs about what their net take-home pay would be in freelance and traditional employment work arrangements with identical net pay and how sensitive these beliefs are to additional information. Specifically, we randomize the sample into, first, a group that gets these questions about hypothetical net earnings without any detailed information about expense and tax burdens and before being asked about their detailed expenses, and second, a group that is asked detailed expense questions first and provided with estimates of total tax and expense burdens prior to the questions about hypothetical net earnings. In the same survey, we also conducted a discrete choice experiment embedded in the same information experiment to assess preferences for freelance work given different information environments, which will be analyzed in a separate paper.

We find that, across several alternative classifications of freelance work, workers in such arrangements make less per hour than traditional employees, but report having greater control of when, where, and how they work. We find that on average, self-employed workers spend an additional 5 to 8 percentage points of gross pay covering unreimbursed expenses relative to traditional employees. Nonetheless, when asked about expectations of net pay in freelance and traditional employment jobs with the same gross pay, respondents who received no quantitative information expected net pay to be higher in freelance arrangements than in employment arrangements, on average. However, when we provided estimates of total expense and tax burden in each arrangement based on respondents earlier responses, this pattern reversed, and respondents estimated that freelance arrangements would generate lower net lower earnings than employment arrangements (consistent with the estimates we provided). This suggests that workers may not be fully aware of the tax and expense burdens freelance workers are responsible for, similar to what [Pires \(2024\)](#) finds among rideshare drivers. In particular, our results indicate that the respondents do not take into account the burden of out-of-pocket expenses when considering freelance work. Interestingly, we find similar results both for workers who are currently employees in their main job and those who are currently self-employed, suggesting that the low salience of expense burdens associated with freelance work are not merely driven by those with no self-employment experience.

A key contribution of our work is to explicitly study the difference between gross and net pay among self-employed freelancers and how perceptions of this difference impact career decisions. Although prior research has examined self-reported expenses on tax forms ([Collins, Garin, Jackson, Koustas, and Payne, 2019](#)), finding significant deductions (20-30 percent of revenue, and up to 60 percent for new online platform work), these figures are limited to tax filers and potentially strategically reported to minimize tax payments. Recent studies have also focused on rideshare driver expenses to inform pay regulations (e.g. [Reich and Parrott, 2020](#); [Parrott and Reich, 2022](#); [Reich and Parrott, 2024](#); [Pires, 2024](#)). Our work expands upon these efforts by providing survey-based expense estimates for self-employed

workers more broadly and critically by analyzing the sensitivity of reported estimates to survey design.

2 Survey Design

2.1 Sample Recruitment

We fielded our survey as a follow-on to the third annual wave of the Entrepreneurship in the Population (EPOP) survey fielded by NORC at the University of Chicago, which was fielded between February 28 and July 8, 2024.² The EPOP survey recruits a nationally-representative sample with the goal of identifying individuals who have started a business, engaged in freelance and gig work, or who have been otherwise self-employed and to study their experiences engaging in such activities. The survey asks demographic and work history questions to the full sample to identify current and former freelancers and business owners, then asks a detailed set of additional questions to these flagged individuals that explore their experiences in greater depth. While the EPOP was fielded in both probability and non-probability frames, we only fielded our follow-on survey among the probability sample drawn from NORC's AmeriSpeak panel.

After completing the EPOP survey, AmeriSpeak respondents who took the EPOP in English online were invited to participate in our follow-on survey if they reported that they were currently working but not running a businesses where they employed other workers.³ In total, we invited 5,707 of the 9,568 individuals in the EPOP AmeriSpeak sample. Each individual was offered an incentive payment of 6 dollars for their participation, which was increased later in the survey period to encourage those who had not yet participated. Of those invited, 3,830 (67 percent) participated in our study, 229 of whom participated in a pilot and 3,601 of whom participated in the final survey. Finally, we drop 706 respondents

²More information on the EPOP survey can be found here: <https://epop.norc.org/>

³We excluded individuals who ran businesses that had employees because the relationship between gross revenues and profits in such cases is significantly different than for freelance workers.

from our analysis sample who either took over 24 hours to complete the survey, who took the survey multiple times and were exposed to more than one treatment arm, or who failed a basic attention check.⁴

Table 1 tabulates the characteristics of our final analysis sample of 2,895 respondents compared to the full set of EPOP respondents who were invited to take our follow-up survey. Respondents who accepted our invitation and successfully completed our survey had slightly higher earnings, educational attainment, and self-employment rates compared to the invited sample as a whole, although the discrepancies between samples are small.

2.2 Questions About Work Arrangements and Job Characteristics

Throughout our survey, we focused on attributes of respondents’ primary paid job or work arrangement. While the baseline EPOP survey included questions about job characteristics, many were not asked consistently across all groups of workers. For example, respondents who indicated they had *any* experience running a business or doing freelance work were only asked detailed questions about that work even if their *main* job was in a traditional employment relationship. Consequently, we began by asking all respondents consistent questions about their usual hours worked per week and weeks worked per year in their *main* work arrangements. Respondents reported their pay at whatever frequency they preferred (hourly, weekly, monthly, or annual), which we converted to consistent units using their responses about hours and weeks and had respondents confirm their answers. To reduce the burden on respondents, whenever related questions had already been asked to at least a subset of respondents in the EPOP survey, we used the values they had supplied already and only asked for new responses from those who had not been presented the questions in their branch of the EPOP survey.⁵

We then asked about key characteristics of the respondents’ primary work arrangements.

⁴The basic attention check that asked respondents to select a number we specified from a list of options; if they did not choose the number, they failed the attention check.

⁵In the EPOP survey, only respondents with no experience with business ownership or freelance work were asked about their main job characteristics.

First, we asked how respondents’ working time arrangements were set in their main job. We coded individuals who selected “My working hours are entirely determined by me,” “I can adapt my working hours within certain limits,” or “I can choose between several fixed working schedules determined by my company/organization/clients” as having schedule flexibility in their main job, and those who said their schedules “are set by the company/organization/clients with no possibility for changes” as not having schedule flexibility in their main job.” Next, we asked how much control respondents had over what they work on and how they do their work. We coded those who said they had “a lot of control” or “some control” as having control in their jobs and coded those who said they had “very little control” as not having control in their jobs. We then asked about respondents’ ability to work remotely; since EPOP had asked a remote work question in some branches of the survey, we used the same question language and only presented to those who had not already been asked about their main job. We coded individuals who selected “I am allowed or required to telecommute/work remotely regardless of the coronavirus pandemic” as having main jobs that allowed remote work, and coded them as not having jobs that allowed remote work if they responded that they were never permitted to telecommute, could only telecommute during the pandemic, or had jobs for which remote work did not sense. Finally, we asked if respondents expected their current main work arrangement to end within the next year and, if so, whether this was because they expected to not be offered continuing contracts or otherwise be laid off; we then coded those jobs as “contingent.”

We identify whether an individual is a freelancer or otherwise self-employed using several alternative approaches. First, the baseline EPOP survey asks all respondents directly about the nature of their main work arrangements—workers can either select that they are self-employed or a business owner, or that they “work for” a company or organization run by someone else or for the government. However, recent research by [Abraham, Hershbein, Houseman, and Truesdale \(2024\)](#) shows that self-employed freelancers often perceive themselves as working for another company, in which case they may not self-identify as

self-employed. Accordingly, we additionally ask the following question modeled on the alternative approach proposed by [Abraham, Hershbein, Houseman, and Truesdale \(2024\)](#): “Some workers have payroll and income taxes taken out of their pay by their employers while other workers must pay taxes on their own. In your MAIN job/work arrangement over the past 12 months, does your employer withhold payroll and income taxes from your pay OR do you pay these taxes on your own?” This question is meant to elicit whether or not the respondents job is a formal employment arrangement subject to withholding. In addition, we further ask whether their earnings are reported on a W-2 return (as required for traditional employees), a 1099 return (as required for self-employed contractors doing work for firms), or not reported because they sell or provide services directly to individual customers. The questions about tax withholding and information return receipt are asked at the very end of the survey flow to avoid interfering with the information treatments described below.

2.3 Questions About Work-Related Expenses

A central goal of our study is to understand how workers think about their net take home pay relative to their gross pay and how their net take home pay might differ under alternative work arrangements. To that end, we ask all respondents detailed questions about the expenses incurred in the cost of their work. We first provided respondents with a list of possible expense categories and asked which items were required for their main job or work arrangement and, if so, whether they had to provide that item themselves or if those items were provided by an employer or client (Appendix Figure [A.1](#)). Specifically, we asked about the following set of items: Motor vehicles, business travel, computer, mobile phone, internet access, specialized software or web services, accessory hardware, supplies or materials, licenses or similar, liability insurance, or home office or coworking space. We then asked follow-up questions about the costs of covering each item that respondents had previously selected. For each item that respondents selected as something they provided themselves, we subsequently asked them to estimate how much they spent on that item over a given time

period (where they could select their preferred reference period) and what amount (if any) was reimbursed by an employer or client (Appendix Figure A.2). In cases where respondents indicated that an item was provided by an employer or provider, we asked them to estimate how much it would cost them to provide that item at their own expense.

One potential concern we had is that respondents might not be able to provide accurate estimates of their expenses on the spot. Consistent with this concern, several respondents noted in open-ended feedback we collected at the end of the survey that they did not know how to estimate many of the listed expenses. To assess whether respondents might have systematically overestimated or underestimated the costs of items, we provided information on example costs of specific items in the question text to a random subset of respondents (randomized as part of the information experiment described below). This enables us to test whether respondents altered their answers based on these example values.

2.4 Subjective Perceptions of Take-Home Pay

In addition to learning about respondents’ detailed expenses, we also aimed to assess respondents’ perceptions of how the gap between gross pay (what is posted in a job ad) and net take-home pay differs in traditional employment and freelance self-employment arrangements. To that end, we asked respondents the following question: “Suppose you were offered two similar jobs, each with a weekly gross pay of [*respondents’ reported weekly earnings*] before any taxes and expenses. In your situation, what would you expect your weekly take-home earnings after taxes and expenses to be in each job, if one was a W-2 employee job and the other was a 1099 independent contractor job?” Respondents were then prompted to enter values for both the W-2 employee job and the 1099 independent contractor job.

To study whether respondents systematically overestimate or underestimate the net income after taxes and expenses they would receive as a self-employed freelancer or employee, we randomly altered the information environment surrounding this question. With one-third probability, respondents were placed in a group (*INFO1*) that was given basic information

about the difference between working as a 1099 independent contractor and as a W-2 employee, but were not given any quantitative information about the taxes and expenses they would need to cover in either situation; further, these *INFO1* respondents were asked about their subjective perceptions of hypothetical take home pay *before* being asked the detailed questions about expenses at their main job (Appendix Figure A.3). Also with one-third probability, respondents were put in a group (*INFO2*) that was provided the same basic information about working as a 1099 independent contractor or as a W-2 employee *and* were additionally presented with quantitative estimates of the out-of-pocket expenses and taxes they would likely have to pay out of their gross income in both arrangements (Appendix Figure A.4). In contrast to the *INFO1* group, the *INFO2* group was asked the questions about detailed expenses prior to the presentation of information and the hypothetical take home pay questions and their answers were used to generate the information prompts. Finally, with one-third probability, respondents were placed in a holdout sample (*CONTROL*) that was not presented with either the information prompts or hypothetical take home pay questions; this subsample was intended as a “clean” control group.

We briefly describe the information prompts here; the full prompts are displayed in Appendix A. The basic information shown to both the *INFO1* and *INFO2* groups consists of a grid contrasting key features of W-2 employment and 1099 independent contract work and several comprehension questions. The features we highlight are: 1) eligibility for unemployment insurance, workers compensation, overtime regulation, and other employment laws; 2) withholding of taxes and responsibility for complying with tax law; and 3) the responsibility of independent contractors to provide all necessary equipment and supplies at their own expense. To ensure that the respondents engaged with this information, we then asked a series of comprehension questions asking workers to confirm who is covered by various regulations and who is responsible for covering expenses, based on the information provided above. We also asked workers to evaluate what the net take-home pay would be for a worker who made 1,000 dollars in gross pay in a week but had to pay 50 dollars to cover expenses and 100

dollars in taxes on those earnings. For each question, the page would only proceed once the correct answers were selected.

Subsequently, the *INFO1* group was asked the hypothetical take-home pay questions with no further information provided. However, for the *INFO2* group, we provided quantitative estimates of what the federal income tax, payroll (FICA/SECA) taxes, and unreimbursed expenses they would be liable for on a weekly basis given their gross weekly earnings and prior responses, as well as their implied take-home pay. For federal taxes, we clarified that these are estimates of what the burden would be for a single individual with no children for whom this job was the sole source of earnings for a year. To estimate weekly expenses, we used their responses to the detailed questions about their expenses at their current job—one should note that this is the group of respondents who had also been provided information about example expense items in the detailed expense questions. We assumed that as a 1099 independent contractor, the respondent would be liable for *all* expenses, both those currently paid out of pocket and those covered by an employer or client; by contrast, we assumed W-2 would have *no* personal liability for *any* expenses.⁶ To calculate the tax burden, we annualized their earnings and expenses based on their answers about weeks worked per year, and then ran the amounts through NBER TAXSIM twice—once under the assumption that all income was W-2 wage income, and again after subtracting annualized expenses under the assumption that the resulting earnings were small business (Schedule C) profits.⁷ Immediately below the text presenting our estimates of tax and expense liability and net earnings under each work arrangement, we asked a modified version of the hypothetical net earnings questions

⁶As we discuss below, this may have overstated the differences in expense burdens across the two job types, since in practice some workers who are W-2 employees listed their commuting costs as out-of-pocket expenses and some who are 1099 contractors listed expenses that were reimbursed or covered by their clients.

⁷The primary difference between the tax treatment of wage income and small business profits are: 1) the deduction of expenses from gross income, 2) the application of only the employee's portion of FICA taxes to wage income but the application of the equivalent of both the employer's and employee's portion in SECA taxes, 3) the deduction of the employer's portion equivalent of SECA taxes from taxable income, and 4) the 199A Qualified Business Income deduction that applies to small business profits. In practice, for workers with no expenses, #2 is more significant than #4 for workers with low earnings, so the (statutory) tax burden is higher for self-employed workers, but #4 dominates #2 at higher earnings levels (over approximately \$200,000) and the resulting tax burden is lower for self-employed workers.

described above, acknowledging that the estimates we provide may not be accurate for their personal circumstances.⁸ This allowed us to collect comparable responses from both the *INFO1* and *INFO2* groups. We did not ask these questions to the *CONTROL* group.

3 Findings

We begin by comparing various approaches to classifying freelance work based on the questions in our survey in the baseline EPOP. We examine both the degree of overlap across alternative classifications and how the measured prevalence of freelance work across subgroups varies across different classifications. We then assess how the characteristics of main jobs—work hours, typical pay, and amenities—vary across different work arrangements using alternative approaches. Next, we present findings from both the detailed questions about expense items and the questions about hypothetical net earnings as a freelancer or employee. We examine how sensitive responses about net earnings are to our information interventions, and examine how these beliefs vary across subgroups.

3.1 Identifying Freelance Workers

Table 2 shows the prevalence of different indicators of self-employment in our follow-on survey sample, both in the full sample and within demographic subgroups. All columns report percentages of the full sample with valid responses to the relevant question (using EPOP sampling weights). The first five columns are based on the responses about primary and secondary jobs in the EPOP survey. The first two columns show the percentage of respondents who said they worked for a firm or the government or who were self employed either as a business owner or a freelancer; these percentages add to 100 percent in our sample

⁸Specifically, we asked: “For each job, the exact taxes you would owe and the unreimbursed expenses would depend on your personal circumstances. You may owe additional taxes based on the state and municipality in which you live. This means the actual taxes and expenses you encounter may be higher or lower than those listed above. Since our estimates might not accurately reflect your specific situation, please tell us what you expect your actual weekly take-home earnings after taxes and expenses would be for each job given your situation.”

as a result of our screening criteria. Columns 3 and 4 subsequently break out the percentages in Column 2 into the percentages who are business owners or otherwise freelancing/self-employed, respectively. Column 5 reports the subset of individuals who are traditional employees (Column 1) in their main job who report any kind of self-employment in a second job. Columns 6 and 7 report the percent of respondents who indicated that taxes are or are not withheld in their main job, respectively. Columns 8, 9, and 10 report percentages who report that their earnings from a main job were reported on a W-2 return, reported a 1099 return, or were not subject to third-party reporting, respectively.

The first row of Table 2 displays the prevalence of each classification in the full sample. In our sample, 15.8 percent of individuals report being self-employed in their main job; as shown earlier in Table 1, this is similar but slightly lower than the 17.7 percent who report being self-employed among all invited EPOP respondents. Of these self-employed individuals, most report being freelancers or otherwise self-employed—only 4.8 percent of the sample say they are business owners, while 10.9 percent report being freelancers. An additional 9.2 percent of respondents are employees in their main job, but do self-employment work in a second job. When we alternatively ask the same set of respondents whether an employer withholds taxes in a main job, we find the share reporting no withholding is larger than the share who identify as self-employed in Column (2), with 18.8 percent reporting no withholding. This finding is broadly consistent with [Abraham, Hershbein, Houseman, and Truesdale \(2024\)](#), who find a larger share reporting having no withholding in a main job than reporting self-employment. Interestingly, however, the share of respondents reporting having received a W-2 return from a main job—the tax information return that reports to individuals the pay from an employer and the taxes that have been withheld—is slightly higher than the share who report that an employer withholds taxes (83.8 percent and 81.2 percent respectively), and is closer to the share that said they are employees in their main job in Column 1 (84.2 percent). Of those who did not receive a W-2, most report receiving a 1099 return (12.5 percent of the sample), while some report not being subject to third-party reporting (3.7

percent).

To explore the differences across these alternative classifications, Table 3 tabulates the responses to the withholding and third-party reporting questions by main job types reported in the EPOP. Similar to Abraham, Hershbein, Houseman, and Truesdale (2024), we find a sizable portion of those reporting being traditional employees in their main job report having no withholding in that same job (9.3 percent). However, within this same group, a larger share report receiving a W-2 than report having withholding (94 percent versus 90.7 percent), suggesting that some respondents have taxes withheld but are not fully aware of it. Further, we find that errors in self-classification appear to cut both ways. Of those reporting being self-employed in a main job, 30.4 percent report having an employer withhold taxes in that job and 26.8 percent report having received a W-2 return for that job, indicating that some people who are legally employees perceive themselves to be self-employed. We find that these inconsistencies are broadly similar for both respondents identifying as business owners or as freelancers.⁹ Probing these findings further, the results in Columns 5 and 6 show that the overwhelming majority (97.2 percent) of workers who report having taxes withheld by an employer report having received a W-2 return, while 24.4 percent of workers who report no withholding say they received a W-2 return, suggesting broader familiarity with what it means to receive a W-2 return than with the concept of tax withholding.¹⁰

⁹One potential reconciliation is that some self-employed individuals may incorporate as C- or S- corporations and pay themselves as W-2 employees of the corporation. While this is likely the case for some business owners, we think it is unlikely to explain the majority of the discrepancy documented in Table 3. The EPOP survey asks a set of business owners in our sample identified as “entrepreneurs” what their business type is, and only 9 percent of asked individuals who self-identify as primarily self-employed say they have a C- or S- corporation—only half of whom also report getting a W-2 in our follow-on survey. This is far too few business owners who are incorporated with a W-2 to explain the 37.5 percent of business owners who say they receive a W-2 in Table 3. While one might contrast the 9 percent figure with the Current Population Survey, which routinely finds that about 40 percent of self-employed workers are incorporated, the CPS responses are inconsistent with US business statistics based on administrative filings and likely also capture sole proprietors with limited liability companies or similar business forms. For instance, CPS estimates imply there were approximately 7 million incorporated individuals in November 2022, while the Census Statistics on US Businesses report fewer than 3 million C- and S- corporations with employment between 1 and 5 in 2022 (a self-employed worker paying oneself on W-2 would be a corporation with one employee, a subset of this category; there were an additional 1.8 million non-employer C- and S- corporations in 2022 but these would not have generated a W-2).

¹⁰Appendix Table A.1 provides a full breakdown of the joint distribution of responses across the three questions. These tabulations show that for the 30 percent of individuals who self-identify as self-employed

Returning to Table 2, the lower rows display the prevalence of different classifications among specified demographic subgroups. Several clear patterns emerge. First, freelance work—whether measured on the basis of the EPOP question, the lack of withholding, or receipt of 1099 return—is far more prevalent among individuals with annual household earnings below \$50,000 than among those in households with higher earnings. It is also more common among individuals with lower levels of educational attainment. Although there is no significant age gradient among the working-age population, freelance work is more than twice as prevalent among retirement-age workers 65 or older than among any other age group, across all definitions. One interesting finding is that the prevalence of individuals who responded that they received a W-2 but reported not having an employer take taxes out of their pay is highest among respondents under the age of 30—only 10 percent said they did not get a W-2 at their main job, but over 20 percent said they did not taxes withheld at their main job. This suggests that younger respondents are less aware of tax withholding than older workers.

3.2 Characteristics of Freelance Work

We next examine how job attributes vary across work arrangements in Table 4, which tabulates typical earnings, hours, and amenities for each of the job classifications described in the previous subsection.

The estimates in Column 1 show that, across our sample, workers who are employees in their main job have median annual earnings in that job that are roughly twice that of workers who are self-employed and freelance workers in their main job, and this is true across all methods of classification we examine. However, the estimates in Column 2 show that while there is still a gap in median hourly earnings for traditional employees and self-employed

but report having taxes withheld, nearly all also report receiving a W-2 as well (consistent with withholding but not with self-employment), suggesting these are likely cases where those respondents are really employees. By contrast, in cases where respondents self-identify as employees but say they have no taxes withheld, a majority report receiving a W-2 (not consistent with reporting but consistent with employment), suggesting that these cases may represent individuals who are actually employees but are unsure about the nature of withholding.

workers, the relative gap is smaller, on the order of one-third. In Columns 3 and 4, we find that workers who self-identify as freelancers, those who report no tax withholding, and those receiving 1099 returns from their main job work fewer hours a week and fewer weeks per year than their counterparts in traditional jobs, which further contributes to the differences in annual earnings.

Columns 5 through 8 of Table 4 examine the prevalence of key amenities. We find that while freelance arrangements typically pay less per hour, they tend to afford greater flexibility and control. While about one-third of traditional employees report being able to work remotely, over 40 percent of freelancers say they can do so. The differences in control over schedule are even larger: over 85 percent of freelancers report a high degree of control of when they work across definitions, while only half of traditional employees do so. Further, nearly all freelancers report a high degree of control over how they their work, as opposed to only about two-thirds of traditional employees. On the other hand, freelancers report being more than twice as likely to have their job end involuntarily in the next year compared to employees.

3.3 Detailed Expense Items

Importantly, the differences in hourly pay across work arrangements may mask larger differences in take-home earnings if self-employed workers have to cover more expenses out of pocket. Accordingly, Figure 1 displays the prevalence of different expense items involved in the jobs of traditional and self-employed workers and who bears responsibility for covering them. In this analysis, we follow [Abraham, Hershbein, Houseman, and Truesdale \(2024\)](#) et al and identify self-employed workers based on whether or not they report having an employer take taxes out of their pay.

Panel A of Figure 1 reports the expense items involved in the jobs of respondents who had an employer take taxes out of their pay. Most of these traditional employees indicated that their jobs involved the use of items such as computers, software, hardware, and supplies,

but that these items were provided by their employer and not at their own personal expense. However, there are some exceptions. Even among this group, the majority of respondents who said that their job required the use of a vehicle or a cell phone indicated that they covered those expenses themselves. Many employees also reported using internet and home office space they paid for out of pocket. One caveat is that many of these respondents may have used their cars, cell phones, internet subscriptions, and home office space for personal use as well, in which case they may have incurred these costs irrespective of their employment at their job.

On the other hand, Panel B of Figure 1 reports expense items reported by workers who do not have withholding in their main jobs. Notably, the total prevalence of each item among these self-employed workers is highly similar to the same items' prevalence among employees with withholding in Panel A. However, in stark contrast to employees, these self-employed workers report covering nearly all expense items out of their own pockets. There are several exceptions—a non-trivial share of self-employed workers report using software and supplies provided by a client, but this share is still a small minority. For the most part, self-employed workers cover the expense items that employees report being provided by their employer.

In Table 5, we examine the average expense values that respondents reported when asked how much it would cost to supply the items themselves or, for items provided by an employer or company, how much it would cost to supply the items themselves. We tabulate these on an annualized basis separately for those in the *CONTROL* and *INFO1* groups, who received no additional information, and for the *CONTROL2* group, who received example expenses in each category; we then test for systematic differences across groups receiving different information. One caveat is that some values in the data are implausible, suggesting that respondents may have selected the wrong reference period (e.g. weekly instead of annual). We therefore winsorize all positive values at the 95th percentile to limit the influence of outliers. All averages are tabulated only among those who had positive expenditures on the given item; thus, averages cannot be added up since the reference population is different

across each column.

We find that, in most cases, the information treatment did not systematically impact the reported expenses on items respondents said they paid out of pocket. While the information provided led individuals to report higher out-of-pocket vehicle expenses (a common big-ticket item), workers seem to have clear perceptions of the amounts spent on items they paid for themselves that were insensitive to treatment. By contrast, respondents appear to have less robust perceptions of how much it would cost to cover the items provided by employers and clients. In several categories, such as computers, cell phones, software, hardware, and supplies, respondents in the *CONTROL* and *INFO1* groups appeared to significantly *overestimate* the cost of covering the items themselves when compared either to their counterparts in *INFO2* to whom we provided example expenses or to individuals in the same information groups who covered those items themselves.

To assess the total expense burden on individuals, we sum up all expense items (imputing zeros in categories not selected by respondents as relevant to their job) and present the sample-wide average of combined expenses as a percentage of total gross pay in Table 6. To limit the influence of outliers, we winsorize these totaled percentage amounts at the 95th percentile. As before, we present estimates separately across information groups and further break out results for self-employed respondents with no tax withholding and for employees with tax withholding. We find that on the whole, pooling both expenses paid out of pocket and covered by employers, workers estimates these expenses amount to roughly 10 percent of their gross pay; there are no significant differences across groups treatment arms. However, there are important differences across self-employed workers and traditional employees. Among employees (those whose employers withhold taxes), expenses covered by the employer are 6–8 percent of gross pay and expenses paid out of pocket are only 1–2 percent of gross pay; employees in the *INFO2* group report slightly higher total out-of-pocket expenses and slightly lower employer-provided expenses relative to the *CONTROL* and *INFO1* groups, but these differences largely offset one another. By contrast, self-employed workers report

that 7–9 percent of gross pay covers out of pocket expenses (the difference across treatment arms is not significant). For self-employed workers, out-of-pocket expenses eclipse the value of expenses covered by clients—there are sizable differences in the estimated values of expenses covered by clients across information groups, but the differences are not statistically significant largely due to the small size of this subsample. Together, self-employed workers spend an additional 5 to 8 percent of their gross pay covering out-of-pocket expenses relative to traditional employees.

3.4 Perceptions of Net Earnings in Hypothetical Jobs

A central question for our survey is how workers perceive their potential take-home pay under alternative work arrangements. Even though workers appear to have a good sense of the amount expenditure they make on specific items they pay for out of pocket, the implications for the net take-home pay once would receive as a freelancer relative to those of an employee may not be fully salient. Moreover, the total tax burdens implied by each arrangement may also not be salient to workers, and there may be important differences in the taxes owed by freelancers and employees that workers may or may not be aware of. Accordingly, we directly asked respondents to report what they believed their weekly net take-home pay after taxes and unreimbursed expenses would be for two jobs with the same gross base pay (anchored to their currently weekly pay in their main job), where one job was a W-2 employment arrangement and the other was a 1099 freelancing arrangement. We also examined how sensitive these responses were to the information interventions described in Section 2.4.

We first examine perceptions of net pay among workers in group *INFO1* who were asked these questions before being asked detailed questions about expenses and without being provided any quantitative estimates of tax and expense burdens. We plot the distribution of net earnings responses, scaled as a percentage of gross earnings, for each work arrangement in the blue bars in Figure 2 Panel I.

Notably, individuals in the *INFO1* group (who were not given quantitative information on taxes and expenses) expected their net earnings to be slightly *higher* as freelancers than as W-2 employees. Specifically, on average, these respondents expected their net earnings to be 88.6 percent of gross earnings as a 1099 freelancer, but only 84.5 percent of net earnings as a W-2 employee. Strikingly, about one-third of these respondents thought that their net earnings would be *100 percent* of gross earnings as a freelancer, implying that such respondents did not expect earnings from freelancing to be subject to any taxes (which was not the case for traditional employment).¹¹

By contrast, this pattern reverses among respondents in group *INFO2*, who answered the questions about detailed expense items and who were provided estimates of their tax and unreimbursed expense burdens in each arrangement before being asked about perceived net earnings; the responses for this group are colored red in Figure 2 Panel I. Respondents in this group reported that their expected net earnings as 1099 freelancers would be significantly lower than as W-2 employees—72.5 percent of gross pay versus 84.4 percent of gross pay. Importantly, this reversal is driven entirely by shifting perceptions of 1099 freelancer work. The information we provided about potential taxes owed by W-2 workers had no effect on responses about net earnings in a W-2 job. Meanwhile, the information we provided about the burden of taxes and unreimbursed expenses that 1099 freelancers would be responsible significantly lowered responses about net pay by over 16 percentage points.¹² For context, Panel II in Figure 2 shows that these effects cannot be explained by actual differences in detailed expenses reported by individuals in each group or by expected taxes, which we calculated for both groups but only showed to respondents in *INFO2*; the treatments had

¹¹One important possibility is that some respondents did not *intend* to pay any taxes that were not withheld, regardless of their formal legal liability. While W-2 employees have their taxes withheld, 1099 freelancers must remit taxes through quarterly estimated tax payments and end-of-year tax filing voluntarily. Some workers may risk not paying those taxes in hopes that their non-compliance is not detected. However, this explanation is inconsistent with the fact that providing quantitative estimates of the taxes and expenses owed to the *INFO2* group dramatically reduces the share who report net earnings as a 1099 freelancer would be 100 percent of gross earnings.

¹²Note that this 16 percentage point effect is larger than would be explained by the cost of expenses alone—in Table 6, we find that the total expenses we reported to workers in *INFO2* based on their responses to the detailed expense questions were 10 percent of gross pay on average.

zero effect on these amounts in either work arrangement.¹³

One possibility is that respondents in *INFO2* simply took the estimates we provided them and reported them back to us.¹⁴ To explore this possibility, Figure 3 plots the difference in the net earnings they reported for each job arrangement and the predicted net earnings we calculated for both groups but only showed to respondents in *INFO2*; these amounts are always presented as a percentage of gross pay. Panel I shows results for the full sample. First, we note that there was essentially zero average discrepancy between the net earnings we estimated for the W-2 arrangement and what respondents reported, even for individuals in the *INFO1* group. These results suggest that respondents have a fairly good sense of the federal tax burden on W-2 employment. However, although providing information did not impact the discrepancy between calculated and respondent-reported amounts on average, it tightened the distribution around zero. In group *INFO2*, 50 percent of respondents reported an estimate that was within 5 percentage points (of gross pay) of our calculated estimates compared to 32 percent in *INFO1*. This suggests that some respondents may have anchored their answers to the estimates we provided.

In contrast, respondents in *INFO1* who were not provided with our estimates systematically predicted higher net earnings under a 1099 freelance arrangement than what we calculated. However, the responses of the respondents in *INFO2* (who were shown these estimates) had zero average discrepancy. Although it is possible that some of the effect of information provision was driven by anchoring responses to our estimates, anchoring does not appear to explain most responses in this analysis. Only a minority of respondents in

¹³The results in Figure 2 Panel II also indicate that the example expense costs we provided to respondents in *INFO2* did not materially impact the total expense burden we calculated and showed to that group.

¹⁴An additional caveat is that the estimates we provided were based on an assumption that freelancers would be responsible for covering *all* expenses including those provided by an employer or client in one's current job, while W-2 employees would have no responsibility for any-out of pocket expenses. In practice, the results in Table 6 show that some employees report reimbursed expenses (particularly on vehicles), while some freelancers report expenses covered by clients. Thus, the estimates provided to the *INFO2* group may have overstated the difference in net pay across the two arrangements. Specifically, if freelancers had to cover all expenses reported in Table 6 but employees covered none, then freelancers would have to devote an additional 10 percent of net pay to covering costs relative to employees. In reality, Table 6 shows that freelancers in *INFO2* only spend an additional 5 percent of gross pay on unreimbursed expenses, relative to employees.

INFO2 entered the exact amount we presented to them—only 34 percent gave a response that was within 5 percentage points (of gross pay) of our estimate, which is higher than the 16 percent in group *INFO1* but still only a small portion of the full group. Thus, the effects of the information treatment were not simply a mechanical result of respondents reporting the exact estimates given to them back to us.

As another way of summarizing our findings from these questions, Figure 4 plots the differences in the (logged) net pay amounts that respondents reported for the 1099 freelance and W-2 employment jobs, respectively. Intuitively, this is how much more each respondent expected to make in take-home net pay as a freelancer than as a traditional employee, in approximate percent terms. The left-hand figure in Panel I (Subfigure a) shows that, on average, respondents in the *INFO1* group expected to make 4.2 percent *more* as a 1099 freelancer than they would as a W-2 employee given the same base pay, while respondents presented with predicted taxes and expenses in *INFO2* expected to make 13.4 percent *less* as a 1099 freelancer than as a W-2 employee. In total, providing such information reduced the perceived relative net earnings advantage of freelance work by 17.6 percent. The right hand panel (Subfigure b) confirms once again that the predicted net earnings we calculated do not differ across the treatment arms—in all cases, our prediction is that workers would make 12–13 percent less on average as 1099 freelancers.

Although one might expect that workers who are currently primarily self-employed would have more informed perceptions of the net returns to freelance work and would therefore be less sensitive to information, the results in Panels II and III of both Figure 3 and Figure 4 show that this surprisingly is not the case. For both workers who have an employer withhold taxes in their main job and those who do not, the effects of information provision on the perceived advantage of freelance work relative to traditional employment are virtually identical. In the *INFO1* group, both respondents with and without withholding in their job thought that 1099 freelance arrangements would yield relatively higher net earnings than W-2 employment. Meanwhile, in the *INFO2* group, both types of workers similarly adjusted

their expectations to match the predictions we provided to them. This suggests that our results are not simply driven by respondents with no experience doing freelance or other self-employment work—we see similar behaviors in both groups.

Individuals in our survey appear to respond to information about differences in calculated net pay across different employment arrangements. In practice, are the lower net pay we calculate for 1099 freelance arrangements in Figure 4 (Subfigure b) driven by higher calculated tax burdens on freelancers or by calculated higher expense burdens (which only fall on freelancers)? To answer this question, we recalculate what net earnings would be for both arrangements if freelancer expenses were fully reimbursed in order to isolate the difference in tax burden and plot the results in Appendix Figure A.7. Notably, the differences in calculated net pay for the 1099 freelance and W-2 employment scenarios become dramatically smaller when only considering taxes. We still predict that workers would make less on average as 1099 freelancers, but the difference falls from the original 12–13 percent to only about 2 percent. In particular, it appears that the long tail of cases in Figure 4 (Subfigure b) for which we calculate that freelance arrangements would yield dramatically less pay is driven by individuals with significant expenses that are deducted when calculating net 1099 freelance pay.

4 Discussion and Conclusion

Our survey provides novel evidence that self-employed workers bear substantial out-of-pocket costs that most traditional employees do not face, which should be considered when comparing pay levels across different types of workers. Further, we showed that the total impact of these expenses on freelancers take-home earnings is not salient to most individuals, even among those who are currently self-employed. Thus, some freelancers may not realize the full extent of the trade-offs in pay that offset the benefits from greater flexibility and control enjoyed by freelancers.

These findings raise an important question: Would people make different choices about self-employment if more fully informed of the costs and benefits? To explore this question, we conducted a discrete choice experiment in our survey, in which respondents choose between hypothetical 1099 freelance and W-2 employment jobs at different wages and with different flexibility and control amenities. We use the responses to these hypothetical choice questions to measure workers' willingness to pay to be an employee rather than a freelancer, above and beyond their willingness to pay for the flexibility and control amenities considered here. We embedded this choice experiment in the broader information experiment we implemented in the survey to study whether those valuations are sensitive to information either about the benefits of employment protections or about differences in net versus gross pay. The findings from the choice experiment are analyzed in a separate paper (in progress). Preliminary results indicate that most workers would give up pay to avoid freelance work but that currently self-employed workers do not have any such aversion. Moreover, we find that all workers, regardless of their current work arrangement, have a stronger preference for traditional employment when informed about the differences in legal treatment of employees and freelancers.

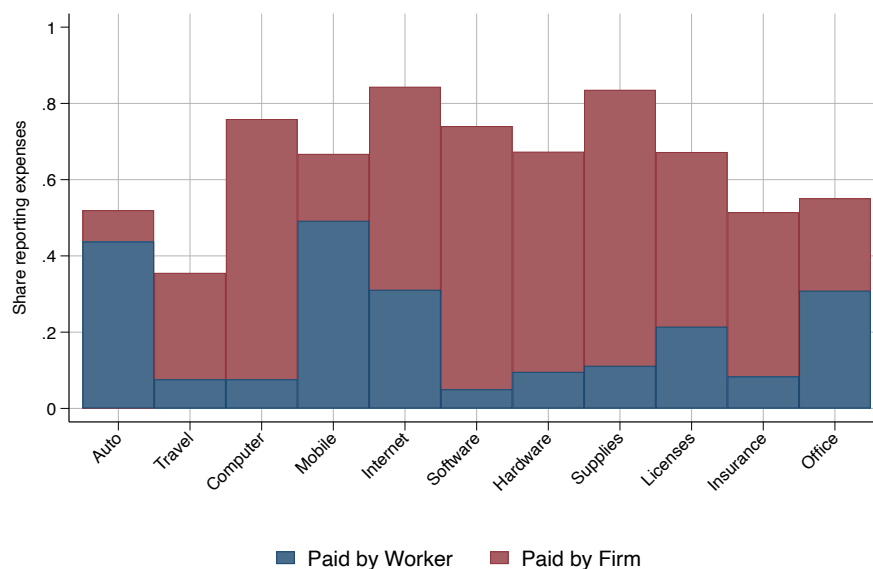
Our findings have a number of important policy implications. While the opportunity to work in freelance arrangements may be advantageous for certain workers, our results highlight that improving the extent to which workers are informed about the total impact of their choices on their take-home pay would help workers to make better choices about which type of work arrangement is correct for them. Pay for freelance work is almost always advertised in gross terms. Light touch interventions that make necessary expenses more salient could help workers make better-informed decisions, similar to how [Cowgill, Freiberg, and Starr \(2024\)](#) show that freelancers are able to make better choices for themselves when non-compete clauses are made salient. Automatic withholding of taxes for gig workers similar to W-2 work may also help reduce tax compliance burdens and make net pay more transparent; For instance, Italy, Mexico and Korea have already developed systems for automatic withholding

of taxes on independent contractor earnings. As policymakers consider potential reforms to independent contract arrangements, efforts that increase transparency should be considered as a key tool to empower workers as they navigate complex work decisions.

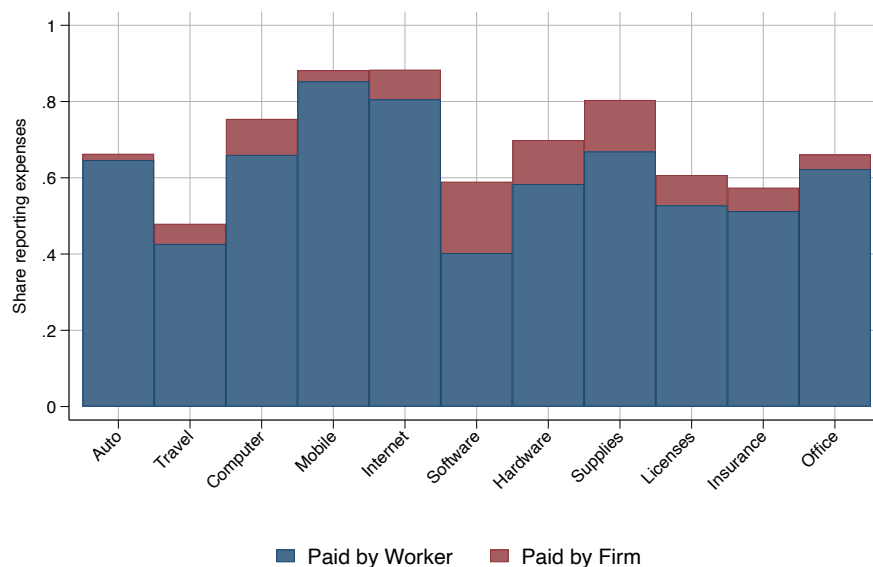
Figures

Figure 1: What Jobs Involve Which Expense Items, and Who Pays for Them?

(a) Employees with Withholding (Employees)



(b) Workers with No Employer Withholding Taxes (Self-Employed)



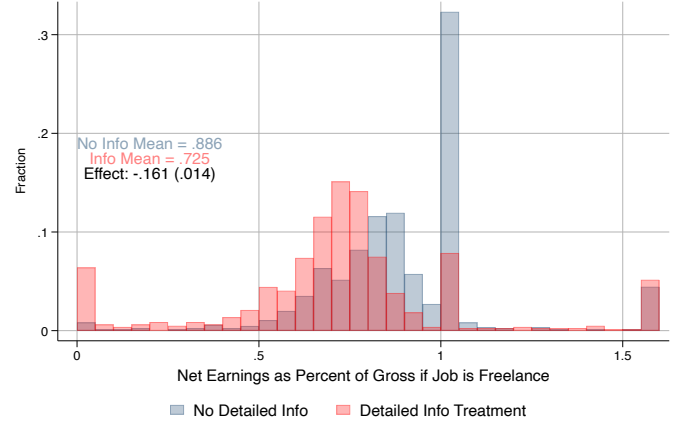
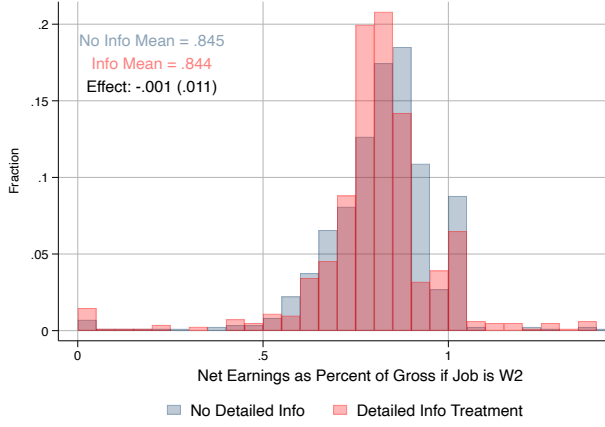
Notes: Figures plots the share of workers within each type who say their job involved use of the specified expense item, broken out by whether or not the item was paid out of pocket or provided by an employer or client (i.e. firm). The sample in panel (a) is respondents who said an employer takes taxes out of their pay in their main job, and in (b) is those who said they have no employer who withholds taxes in their main job. All tabulations are weighted using Amerispeak sampling probability weights provided by NORC.

Figure 2: Predicted Net Earnings Under Alternative Arrangements

Panel I: *Respondent-Reported* Perception of Net Pay

(a) As W-2 Employee

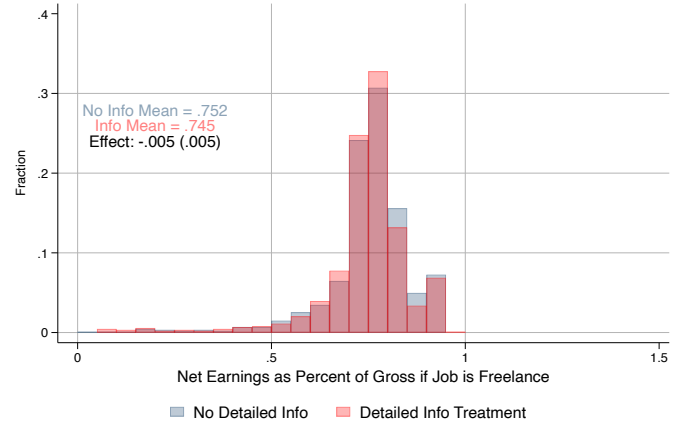
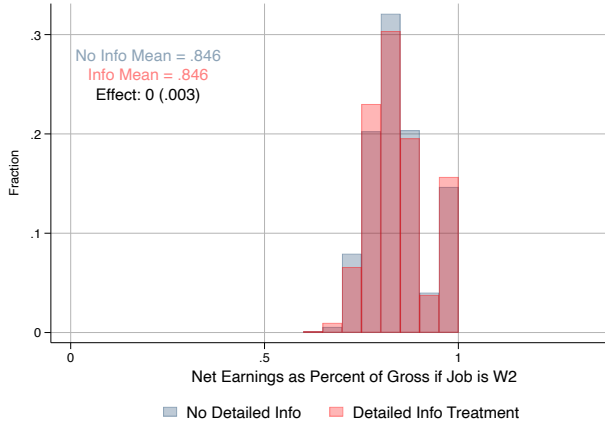
(b) As 1099 Freelancer



Panel II: *Researcher-Calculated* Predicted Net Pay

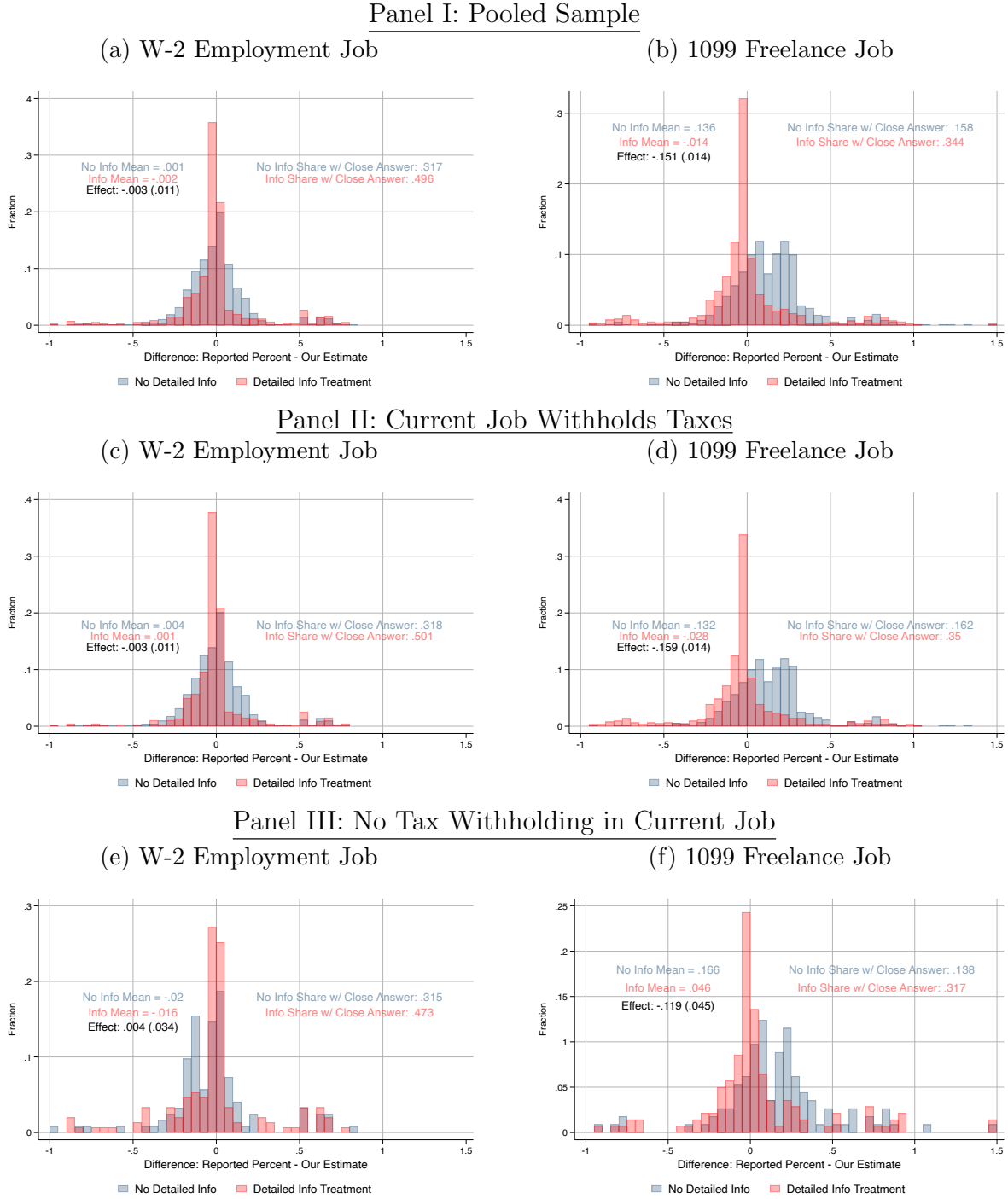
(c) As W-2 Employee

(d) As 1099 Freelancer



Notes: Panel I shows the distribution of answers to the questions about respondents' expected net weekly earnings after taxes and unreimbursed expenses as a W-2 employee (left side) or as a 1099 freelancer (right side) in a jobs with the same gross weekly pay before taxes and expenses. Distributions complotted separately for individuals randomly assigned to group *INFO1* ("No Detailed Info", shaded in blue), who were not given any detailed information about expenses and taxes, and for those randomly assigned to group *INFO2* ("Detailed Info Treatment", shaded in red), who were both asked the detailed question about specific expense items and provided with personalized estimates of expected expense and tax burden under each arrangement before being asked to provide their own estimates. Histograms show density of responses within the specified subgroup. Panel II shows the distribution of personalized expense and tax estimates for each work arrangement that we calculated for each respondent based on their annual earnings and detailed expenses (but were only shown to respondents in *INFO2*). We winsorize all quantities at the 95th percentile (calculated among positive values) and bottom-code net earnings at zero. In all plots, we present the mean value within each group along with group differences and robust standard errors (in parentheses), which are obtained from a regression of the amount on an *INFO2* indicator are reported in parentheses. Histograms, frequencies, and group means are unweighted.

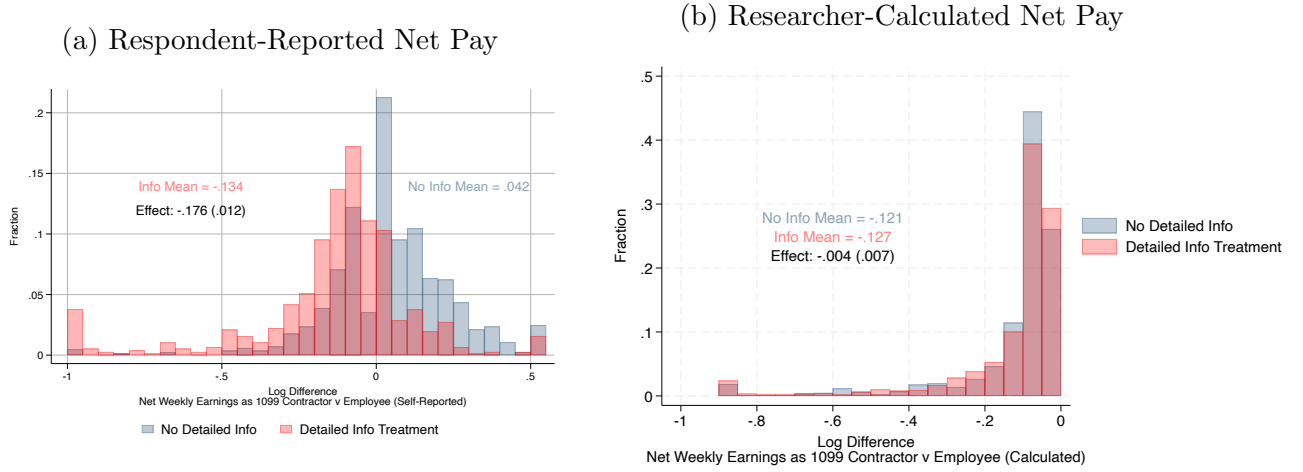
Figure 3: Difference Between Researcher-Calculated and Respondent-Reported Net Earnings



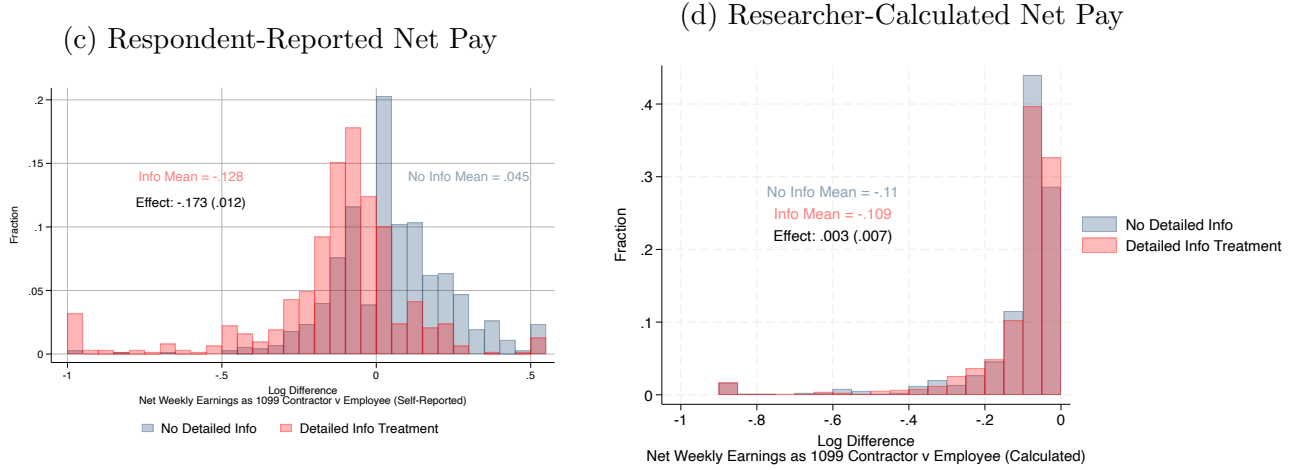
Notes: Panel I plots the distribution of gaps between the respondent-reported expectations of net earnings (the same data as in in Panel I of Figure A.6) and the personalized estimates we calculated (the same data as in Panel II of Figure A.6) for all individuals in groups *INFO1* (“No Detailed Info”, shaded in blue) and *INFO2* (“Detailed Info Treatment”, shaded in red). All values are presented as a percentage of gross earnings, and quantities are winsorized as in Figure A.6 prior to differencing. Panels II and III present the same information tabulated within the specified subpopulations. In all plots, we present the mean value within each group along with group differences and robust standard errors (in parentheses), which are obtained from a regression of the amount on an *INFO2* indicator are reported in parentheses. Histograms, frequencies, and group means are unweighted.

Figure 4: Predicted Difference in Log Net Pay: 1099 minus W-2

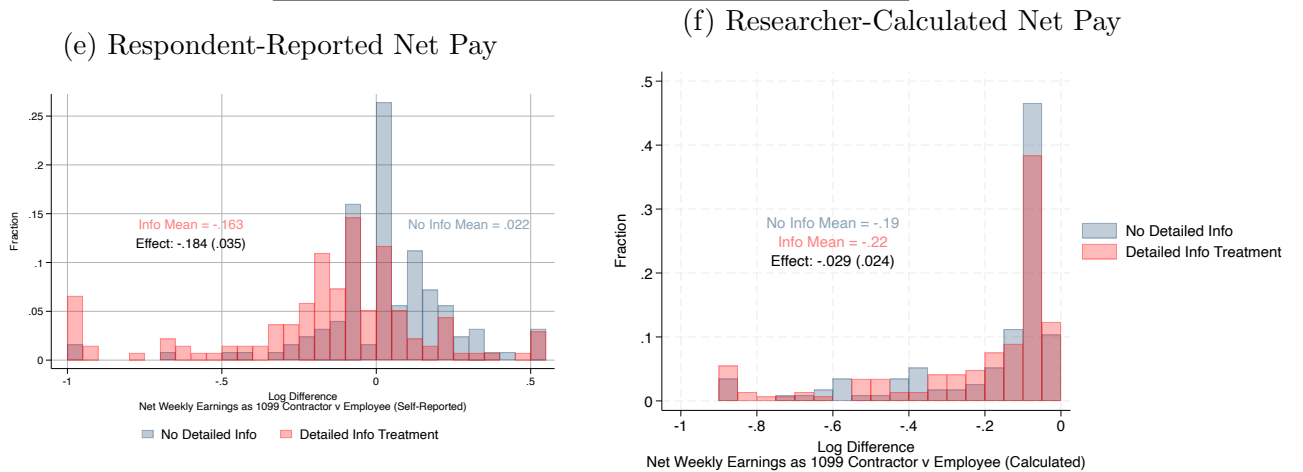
Panel I: Pooled Sample



Panel II: Current Job Withholds Taxes



Panel III: No Tax Withholding in Current Job



Notes: The plots in the left-hand column displays how the net pay advantage of freelance work relative to W-2 employment—defined as the difference between one’s (logged) expected net pay from a 1099 freelancing arrangement and (logged) expected net pay from a W-2 employment arrangement with the same *gross* pay—is distributed in specified subsamples. The plots in the right-hand column present corresponding analyses using *researcher-calculated* net for those same 1099 freelancing and W-2 employment arrangements instead of respondent-provided estimates. We winsorize logged net pay differences at the 2nd and 98th percentiles. Panel I presents results for all individuals in groups *INFO1* (“No Detailed Info”, shaded in blue) and *INFO2* (“Detailed Info Treatment”, shaded in red). Panels II and III present the same information tabulated

Tables

Table 1: Comparison: Invited EPOP Sample Versus Final Follow-Own Survey Sample

<i>EPOP Characteristics</i>	Unweighted		Using Sampling Weights	
	Invited	Final Sample	Invited	Final Sample
	(1)	(2)	(3)	(4)
<i>Main job is...</i>				
... Self-employment	0.177	0.160	0.177	0.158
... Owns business	0.060	0.052	0.057	0.048
... Freelancer	0.117	0.108	0.120	0.109
Has second job	0.208	0.209	0.218	0.212
<i>Gender/Family</i>				
Female	0.579	0.573	0.499	0.472
... no children	0.359	0.357	0.320	0.301
... with children	0.213	0.212	0.171	0.168
Male	0.421	0.427	0.499	0.523
... no children	0.292	0.290	0.341	0.346
... with children	0.124	0.133	0.145	0.161
<i>Race</i>				
White	0.673	0.677	0.599	0.568
Nonwhite	0.327	0.323	0.401	0.432
<i>Education</i>				
HS or less	0.147	0.124	0.324	0.301
Some college	0.292	0.279	0.296	0.280
College graduate	0.346	0.363	0.220	0.247
Graduate degree	0.180	0.201	0.114	0.129
<i>Age</i>				
Under 30	0.137	0.141	0.240	0.252
30–44	0.381	0.408	0.318	0.337
45–64	0.369	0.359	0.351	0.343
65+	0.114	0.092	0.092	0.068
<i>Household income</i>				
Under \$50k	0.256	0.227	0.302	0.276
\$50k–\$100k	0.319	0.313	0.287	0.282
\$100k–\$200k	0.326	0.347	0.313	0.335
\$200k+	0.099	0.113	0.098	0.106
Total N	5707	2895	5707	2895

Notes: Table reports share of sample (specified in column header) with the specified characteristic. All characteristics are drawn from the core EPOP survey. Columns 3 and 4 apply the Amerispeak sampling probability weights provided by NORC.

Table 2: Prevalence of Self-Employment and Freelance Work Arrangements, Alternative Classifications

Subsample	EPOP: In main job, respondent is...					Main job taxes are...		Main job earnings....		
	Traditional Employee	Self-Employed	SE Business Owner	SE Freelancer	Employee, SE in 2nd Job	Withheld by employer	Not withheld	Reported on W-2 return	Reported on 1099 return	Not 3rd party reported
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All Respondents	0.842	0.158	0.048	0.109	0.092	0.812	0.188	0.838	0.125	0.037
<i>Gender/Family</i>										
Female	0.833	0.167	0.052	0.115	0.080	0.836	0.164	0.851	0.114	0.036
... no children	0.859	0.141	0.044	0.097	0.086	0.867	0.133	0.881	0.089	0.030
... with children	0.787	0.213	0.067	0.146	0.060	0.788	0.212	0.806	0.148	0.047
Male	0.858	0.142	0.045	0.096	0.103	0.798	0.202	0.835	0.126	0.039
... no children	0.833	0.167	0.056	0.111	0.074	0.809	0.191	0.834	0.123	0.043
... with children	0.905	0.095	0.020	0.075	0.175	0.816	0.184	0.823	0.143	0.034
<i>Race</i>										
White	0.838	0.162	0.054	0.108	0.073	0.833	0.167	0.850	0.100	0.051
Nonwhite	0.848	0.152	0.040	0.111	0.118	0.784	0.216	0.823	0.157	0.020
<i>Education</i>										
HS or less	0.847	0.153	0.046	0.107	0.124	0.781	0.219	0.836	0.123	0.042
Some college	0.838	0.162	0.049	0.113	0.080	0.818	0.182	0.807	0.140	0.052
College graduate	0.845	0.155	0.057	0.098	0.074	0.858	0.142	0.882	0.098	0.020
Graduate degree	0.883	0.117	0.053	0.064	0.076	0.883	0.117	0.896	0.070	0.034
<i>Age</i>										
Under 30	0.845	0.155	0.056	0.099	0.089	0.778	0.222	0.899	0.064	0.037
30–44	0.870	0.130	0.033	0.096	0.117	0.817	0.183	0.825	0.155	0.021
45–64	0.850	0.150	0.044	0.106	0.080	0.863	0.137	0.842	0.119	0.039
65+	0.651	0.349	0.116	0.233	0.041	0.648	0.352	0.640	0.244	0.116
<i>Household income</i>										
Under \$50k	0.789	0.211	0.057	0.154	0.110	0.692	0.308	0.733	0.208	0.059
\$50k–\$100k	0.841	0.159	0.055	0.104	0.086	0.811	0.189	0.863	0.099	0.038
\$100k–\$200k	0.898	0.102	0.037	0.065	0.094	0.898	0.102	0.893	0.081	0.026
\$200k+	0.889	0.111	0.028	0.083	0.097	0.845	0.155	0.883	0.095	0.022

Notes: Table reports share of subsamples specified in row labels that have the characteristic specified in column labels. "All respondents" refers to the 2,895 individuals in our final analysis sample described in Table 1. All tabulations are weighted using Amerispeak sampling probability weights provided by NORC.

Table 3: Correspondence across Alternative Classifications

<i>Share of group who report...</i>	<i>EPOP: In main job, respondent is...</i>				<i>Main job taxes are...</i>	
	Traditional Employee	Self-Employed	SE Business Owner	SE Freelancer	Withheld by employer	Not withheld
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Employer withholds taxes:</i>						
Yes	0.907	0.304	0.329	0.293	1	0
No	0.093	0.696	0.671	0.707	0	1
<i>Earnings reported on:</i>						
W-2 return	0.940	0.268	0.375	0.225	0.972	0.244
1099 return	0.054	0.522	0.354	0.589	0.025	0.572
No 3rd-party reporting	0.006	0.210	0.271	0.186	0.003	0.184

Notes: Table reports the share of individuals in the subsamples specified in column headings who have the characteristic specified in row labels. Sample is the 2,895 individuals in our final analysis sample described in Table 1. All tabulations are weighted using Amerispeak sampling probability weights provided by NORC.

Table 4: Characteristics of Work Arrangements

	Median Earnings (\$)				Share with Job Feature			
Worker type	Annual	Hourly	Average Weeks / Yr	Average Hours / Week	Remote Work OK	Control Schedule	Control How Work Done	Likely Job Ends in <1 Yr
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
EPOP: Main job is...								
...Traditional Employment	50000	26	44	37	0.320	0.540	0.689	0.024
...Self-employment	26000	20	38	33	0.443	0.890	0.917	0.056
...Owns business	26000	19	40	38	0.337	0.924	0.955	0.027
...Freelancer	26000	20	38	31	0.490	0.875	0.900	0.069
Employer withholds taxes:								
Yes	50180	26	44	38	0.325	0.535	0.683	0.026
No	19904	19	36	30	0.406	0.858	0.902	0.042
Earnings reported on:								
W-2 return	52000	26	45	38	0.338	0.528	0.686	0.020
1099 return	20800	19	36	31	0.426	0.870	0.871	0.042
No 3rd pary reporting	15600	22	35	29	0.265	0.990	1.000	0.111

Notes: Table displays characteristics of workers' primary job within the subsamples specified in the row labels. Sample is the 2,895 individuals in our final analysis sample described in Table 1. All tabulations are weighted using Amerispeak sampling probability weights provided by NORC.

Table 5: Expenditure Amounts, Detailed Expense Items

	Estimated Expense Amount (\$) if Greater than Zero										
	Auto	Travel	Computer	Mobile	Internet	Software	Hardware	Supplies	Licenses	Insurance	Office
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Item Paid Out of Pocket											
Mean, <i>CONTROL</i> and <i>INFO1</i>	1650	1415	592	717	668	632	261	438	295	505	957
Mean, <i>INFO2</i>	2495	1561	609	510	491	430	282	295	256	773	674
Difference	845	147	16	-208	-177	-202	21	-143	-39	268	-283
(SE)	(328)	(687)	(145)	(128)	(152)	(178)	(74)	(115)	(51)	(163)	(263)
Item Provided by Firm/Client											
Mean, <i>CONTROL</i> and <i>INFO1</i>	3789	3213	1098	1236	722	1235	557	1069	717	2055	4214
Mean, <i>INFO2</i>	5819	4401	678	412	341	570	344	497	432	1052	1393
Difference	2029	1188	-421	-824	-381	-664	-213	-572	-285	-1003	-2821
(SE)	(1745)	(720)	(77)	(181)	(203)	(140)	(109)	(187)	(110)	(409)	(1101)

Notes: Table presents average annualized expenditure amounts on each expenditure items calculated among respondents with non-missing values for the specified item. Individuals were only asked to report amounts spent out of pocket if they previously selected that their main job required them to pay for that item out of pocket, and were only asked to estimate costs of items provided by an employer or client if they previously selected that an employer or client provided that item. Therefore, amounts cannot be added across rows. All variables are winsorized at the 95th percentile among observations with positive values. *CONTROL*, *INFO1*, and *INFO2* groups refer to different randomized information treatments described in the text. Group differences and robust standard errors (in parentheses) are obtained from a regression of the amount on an *INFO2* indicator. Sample is the 2,895 individuals in our final analysis sample described in Table 1. All tabulations are weighted using Amerispeak sampling probability weights provided by NORC.

Table 6: Totaled Expenses, by Work Arrangement

		<i>Main Job: Employer Withholds Taxes</i>	
	Full Sample	Yes	No
	(1)	(2)	(3)
Total Job Expenses			
Mean, <i>CONTROL</i> and <i>INFO1</i>	0.110	0.096	0.175
Mean, <i>INFO2</i>	0.098	0.093	0.115
Difference	-0.012	-0.003	-0.060
(SE)	(0.016)	(0.018)	(0.046)
Expenses Paid Out of Pocket			
Mean, <i>CONTROL</i> and <i>INFO1</i>	0.025	0.011	0.092
Mean, <i>INFO2</i>	0.032	0.022	0.071
Difference	0.008	0.012	-0.021
(SE)	(0.006)	(0.004)	(0.027)
Items Provided by Firm/Client			
Mean, <i>CONTROL</i> and <i>INFO1</i>	0.076	0.079	0.061
Mean, <i>INFO2</i>	0.054	0.061	0.028
Difference	-0.021	-0.018	-0.034
(SE)	(0.011)	(0.013)	(0.021)

Notes: Table presents means of totaled expenditures related to respondents' main jobs for all respondents in the specified groups. When summing expenses across detailed categories, we impute zeros for respondents who said that an expense type was not relevant to their job. Total expenses, expenses paid out of pocket, and estimated costs of items provided by employers or clients are each annualized and then divided by respondents' annualized earnings at their main jobs; these scaled amounts are then individually winsorized at the 95th percentile among positive values. *CONTROL*, *INFO1*, and *INFO2* groups refer to different randomized information treatments described in the text. Group differences and robust standard errors (in parentheses) are obtained from a regression of the amount on an *INFO2* indicator. Sample is the 2,895 individuals in our final analysis sample described in Table 1. All tabulations are weighted using Amerispeak sampling probability weights provided by NORC.

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A Survey Screenshots

Figure A.1: Question About Presence of Expenses

Please indicate which of the following are required for your MAIN job/work arrangement, AND whether you supply them at your OWN EXPENSE or if they are provided by an employer or client?

	Not required/ applicable	I supply myself	Provided by employer/client
Motor vehicle	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Business travel (airfare, hotel, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Computer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mobile phone	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internet access	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Specialized software or web services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accessory hardware (headsets, cameras, tools, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supplies or materials	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Licenses, certifications, subscriptions, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liability insurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Home office or coworking space	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Notes: This question was shown to all respondents, though it was shown earlier in the survey to respondents randomized into group *INFO2*. Respondents could only select one response from each row. For each item where an answer in the second or third column was chosen, responders were asked a followup question about the cost of the item (as in Figure A.2).

Figure A.2: Follow Up Question About Expense Costs: *INFO2* Version

You indicated that you use a motor vehicle for work purposes. Please (1) estimate the average expense for the motor vehicle you use solely for the purpose of work (that is, the expense you would avoid if a motor vehicle was not required for your work); then (2) separate the portion of this expense that is reimbursed by a client or employer and the portion that is not reimbursed.

For example, Edmunds.com estimates the total costs of gas, repairs, and depreciation for a 1-year old Toyota Camry are approximately \$4,000 per year, assuming 10,000 miles driven per year. Your costs may be higher or lower depending on your vehicle and usage.

Please tell us just the part of the expense covering your use of this item for your work. For example, if your total costs on this item are \$4,000 per year but 50% of the use of the item is for personal purposes, your expense for business would be \$2,000.

You can report your estimated expense on a weekly, monthly, or annual basis. Please indicate which basis you are using.

Reimbursed	\$	<input type="text" value="0"/>
Not reimbursed	\$	<input type="text" value="0"/>
Total	\$	<input type="text" value="0"/>

Weekly	Monthly	Yearly
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Notes: This is an example of a follow-up question triggered by the response selected in Figure A.1 (motor vehicle, I supply myself). A modified version of the question was presented if individuals selected that and employer/client provided item, which asks individuals to estimate the out-of-pocket cost that would be required if *hypothetically* the respondent had to cover the cost themselves. The text in the red box was only shown to respondents in the *INFO2* group; we provided similar text with specific costs tailored to each individual item. We re-classified any expenses amounts that were reimbursed as “provided by an employer/client.” We used the answers to convert all amounts to weekly and annual frequencies.

Figure A.3: Hypothetical Net Earnings Elicitation: *INFO1* Version

Now think about your current job, where you make \$1,200 per week.

Suppose you were offered two similar jobs, each with a weekly gross pay of \$1,200 before any taxes and expenses.

In your situation, what would you expect your weekly take-home earnings after taxes and expenses to be in each job, if one was a W-2 employee job and the other was a 1099 independent contractor job?

Your best estimate is fine

Your Estimated Net
Weekly Earnings as a
1099 Independent
Contractor

Your Estimated Net
Weekly Earnings as a
W-2 Employee

Notes: This version of the question was presented to respondents randomized into group *INFO1* and was displayed prior to the detailed expense questions we show above in Figures A.1 and A.2. The weekly gross pay amount shown in the question is based on the weekly gross pay individuals reported earlier in the survey.

Figure A.4: Hypothetical Net Earnings Elicitation: *INFO2* Version

Now think about your current job, where you earn \$1,200 per week.

Suppose you were offered two similar jobs, each with a weekly gross pay of \$1,200 before any taxes and expenses. In one job, you would be hired as a 1099 independent contractor, and in the other, as a W-2 employee.

Below, we have provided estimates for weekly unreimbursed expenses and federal taxes for which you would be responsible, based on the job type. These estimates are based on what you have told us about your expenses in your current job, and the federal taxes that would apply to a single individual with no children for each type of job, assuming it were their sole income source for a full year.

Contract Type: Work for a firm as a 1099 independent contractor	Contract Type: Work for firm as a W-2 employee
<u>Weekly Gross Pay:</u> \$1,200	<u>Weekly Gross Pay:</u> \$1,200
<u>Federal Income Taxes:</u> \$66.01	<u>Federal Income Taxes:</u> \$115.40
<u>Social Security and Medicare Taxes:</u> \$153.16	<u>Social Security and Medicare Taxes:</u> \$91.80
<u>Unreimbursed Expenses:</u> \$115.47	<u>Unreimbursed Expenses:</u> \$0
<u>Implied Net Weekly Take-home Pay:</u> \$865.35	<u>Implied Net Weekly Take-home Pay:</u> \$992.80

For each job, the exact taxes you would owe and the unreimbursed expenses would depend on your personal circumstances. You may owe additional taxes based on the state and municipality in which you live. This means the *actual* taxes and expenses you encounter may be higher or lower than those listed above.

Since our estimates might not accurately reflect your specific situation, please tell us what you expect your *actual weekly take-home earnings after taxes and expenses* would be for each job given your situation.

Your best estimate is fine.

Your Estimated Net Weekly Earnings as a 1099 Independent Contractor

Your Estimated Net Weekly Earnings as a W-2 Employee

Notes: This version of the question was presented to respondents randomized into group *INFO2*. This question was displayed after the detailed expense questions we show above in Figures A.1 and A.2, which were used as inputs to the estimated reimbursed expenses, which we calculated as the sum of *all* expenses reported by workers whether or not they were currently paid out of pocket. The weekly gross pay amount shown in the question is based on the weekly gross pay individuals reported earlier in the survey, and taxes are calculated using NBER TAXSIM based on these earnings (or earnings less expenses for the 1099 freelance job) and the assumptions described in the question text.

Figure A.5: Basic Information Provision

People generally work for businesses either as a **1099 independent contractor** or as a **W-2 employee**, with the 1099 and W-2 forms being used by businesses to report earnings to the IRS for each kind of worker, respectively. The main differences between the two types of jobs are:

<i>Contract Type:</i> Work for a firm as a 1099 independent contractor	<i>Contract Type:</i> Work for firm as a W-2 employee
Not covered by unemployment insurance, workers compensation insurance, overtime, or other employment laws	Covered by unemployment insurance, workers compensation insurance, overtime, and other employment laws
You are responsible for complying with any taxes and quarterly estimated tax payments	The employer will calculate and withhold payroll taxes and estimated federal income tax
In general, you must provide all necessary equipment and supplies at your own expense	In general, the employer provides all necessary equipment and supplies at no expense to you

Below, we will ask you a few questions to review the differences between these two types of jobs so that the distinction is clear in the remaining parts of the survey.

Notes: This information prompt was shown to all respondents in both the *INFO1* and *INFO2* groups prior to being asked the questions in Figures A.3 and A.4

Figure A.6: Review Questions

Review Question: Which type of job, 1099 independent contractor or W-2 employee, is eligible for unemployment insurance, workers' compensation, overtime pay, and covered by employment laws?

☐ 1099 independent contractor job

☐ W-2 employee job

Review Question: In each job, who is responsible for providing and covering the costs of equipment and supplies?

	You	Employer/Client
1099 independent contractor job	<input type="radio"/>	<input type="radio"/>
W-2 employee job	<input type="radio"/>	<input type="radio"/>

Review Question: Imagine you have a **W-2 employee** job with weekly gross pay before taxes and expenses of \$1,000 per week.

Assume that your income tax is \$100 per week. You spend \$50 per week for a membership at a co-working space that is fully reimbursed by your employer.

What would your weekly take-home (net) earnings after taxes and unreimbursed expenses be?

☐ 900

☐ 1,000

☐ 850

Review Question: What would your answer to the question above be if you were a **1099 contractor** and your expenses for the co-working space were not reimbursed by an employer? (Assume the gross pay and taxes are the same for this example, though they may not be the same in real-world situations.)

☐ 1,000

☐ 900

☐ 850

Notes: These comprehension questions were given to all respondents in both the *INFO1* and *INFO2* on the same page as the information shown in Figure A.6. Respondents were required to keep trying until they selected the correct answers before proceeding.

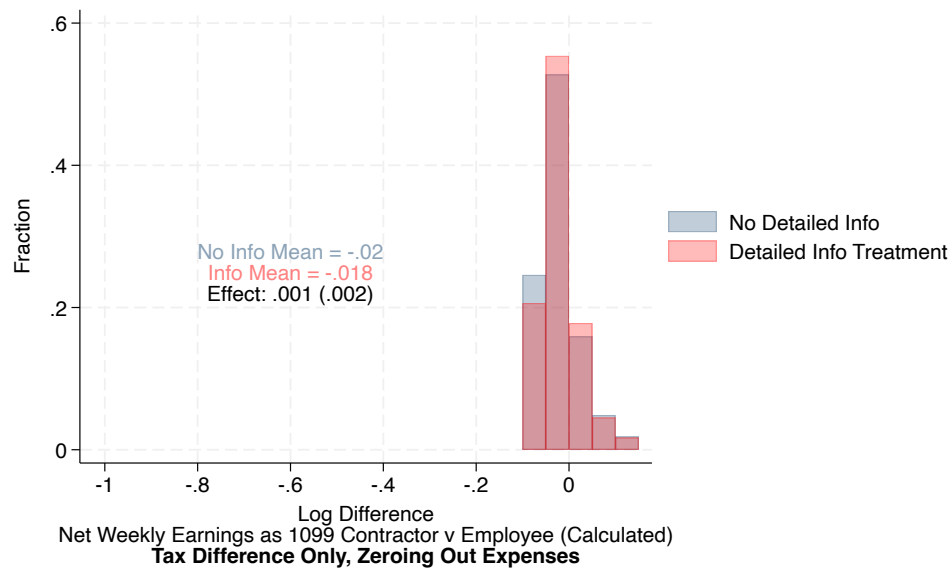
B Supplemental Tables and Figures

Table A.1: Correspondence across Alternative Classifications, Full Breakdown

<i>EPOP: In main job, respondent is...</i>				
	Traditional Employee		Self- Employed	
	<i>Main job taxes withheld by employer</i>			
	Yes	No	Yes	No
	(1)	(2)	(3)	(4)
<i>Earnings reported on:</i>				
W-2 return	0.704	0.039	0.035	0.002
1099 return	0.016	0.026	0.002	0.071
No 3rd-party reporting	0.001	0.003	0.002	0.028

Notes: Table shows (weighted) joint distribution of survey respondents across all potential combinations of answers on the three questions used to infer self-employment and freelance status in table 3. Table entries indicate the share of respondents with each set of responses; the entries in the table sum to one.

Figure A.7: Difference in Researcher-Calculated Pay as W-2 versus Employee When Considering Taxes Only



Notes: Figure replicates subfigure B of Figure 4 but does not include expenses in calculation of net pay, so that any differences only reflect the differences in the calculated tax burden for each arrangement.