



Independent Contracting Threats

What's at Stake

Today, [70 million Americans](#)—39% of the U.S. workforce—freelance. They earn 1099-income full-time or part-time, and many are self-employed as independent contractors.

People overwhelmingly choose independent contracting because they can **earn more income and enjoy greater flexibility, fulfillment, and work-life balance** than if they were W-2 employees.

Women especially value flexibility. Independent contracting is important to **stay-at-home mothers, caregivers, retirees, students, and people with disabilities, chronic illnesses, and health conditions** that prevent them from working in a traditional job. [Ninety-two percent](#) of female workers prioritize flexibility over stability when it comes to their careers.

Reclassification Destroys Flexible Opportunities

Congress, federal agencies, and states are pushing for greater restrictions on self-employment. Lawmakers and regulators seek to reclassify tens of millions of independent contractors as employees, even if they prefer their contractor status, through:

- **The Department of Labor's new rule for independent contractors set to be enacted on March 11, 2024**
- The House-passed Protecting the Right to Organize (PRO) Act
- The National Labor Relations Board (NLRB) considering changes to its independent contractor status test

Similar restrictions on independent contractors were enacted in California (AB5) under the guise of protecting workers' rights. In reality, AB5:

- Led to a [10.5% drop](#) in self-employment and a 4.4% decline in overall employment.
- [Destroyed](#) many flexible work arrangements causing workers to lose their livelihoods.
- Triggered layoffs and closures because businesses could not afford the higher costs.

Reclassifying independent workers as employees will raise labor costs for businesses by an estimated [20-30%](#) and cost an estimated \$57 billion nationwide.

Reclassification takes away worker choice and will lead to lost incomes, closed businesses, and destroyed livelihoods. At a time of high inflation, policymakers should not destroy flexible work in America.

Misguided policies to reclassify millions of independent contractors must be rejected.

Addressing Misperceptions

MISPERCEPTIONS	FACTS
<p>Reclassification as employees will improve gig workers' lives.</p>	<p>Independent contractors understand they are making a tradeoff: Traditional jobs offer benefits, but contract work offers independence, flexibility, and greater control. Reclassification efforts would take this choice away from workers and threaten their livelihoods.</p>
<p>The number of full-time workers hired to replace contractors will balance out the lost income for contract workers.</p>	<p>No. In California, companies are either hiring a much smaller number of full-time employees or reducing their independent contractor workforce. According to an analysis by the Mercatus Center, in addition to the declines in self-employment and overall employment, traditional employment did not increase.</p>
<p>If independent contractors are unduly burdened by the Department of Labor's rule, they should simply seek an exemption from the regulation as Californians did from AB5.</p>	<p>The DOL rule does not contain any exemptions like AB5. Even if it did, carving out protections for one's own work unfairly excludes those who do not have the money or clout to lobby for an exemption. All workers deserve the freedom to choose the best work arrangement for their situation.</p>