Dr Catherine Thomas October 2nd, 2025

Who really benefits from the online gig economy?

It's estimated that over 160 million global workers are registered on online gig economy platforms but only a small fraction of them are working at any point in time. ***Dr Catherine Thomas*** *writes that despite this, gig workers who are hired capture a significant share of market surplus. These findings challenge calls to reclassify freelancers as employees. Traditional employment regulation would not benefit the gig workers who need market protection the most—those who don't find work.*

Understanding surplus in digital labour markets

Digital labour platforms continue to reshape global employment landscapes; however, a central question persists, *who benefits from the gig economy?* A new study I recently co-authored with Professor Christopher T. Stanton, Associate Professor of Business Administration at Harvard Business School shows that, against prevailing concerns, many workers thrive in these settings.

By drawing on millions of job postings and applications from a major online platform for short-term remote work, we produced a structural analysis of surplus distribution between workers and buyers.

Our findings challenge common assumptions about competition between workers in gig markets and offer nuanced insights into how platform design, worker behaviour, and policy interventions shape pay and hiring outcomes.

Workers capture more value than expected

Our study found that workers capture **46% of the total market surplus** from gig work, earning an average of **$4.24 per hour above** their reservation wages. Put simply, this means nearly half of the economic value generated in these transactions goes to the worker—measured as earnings above what they would have accepted and could earn elsewhere.

This surplus persists despite the large pool of job seekers, thanks to two key dynamics:

1. **Worker Differentiation**: Buyers value specific skills, experience, and reputation, which reduces direct price competition.
2. **Search Frictions**: Buyers typically review only a limited number of applicants (around 18), and early applicants are more likely to be hired.

These preferences and frictions allow workers to earn **markups averaging 28% over** their minimum acceptable wages. We also see in the data that workers strategically adjust their bids based on perceived competition and currency exchange rates, enabling their surplus.

Platform design and market efficiency

The platform's structure plays a pivotal role in shaping these outcomes. Features that allow workers to signal quality—such as ratings, portfolios, and tailored applications—help reduce commoditisation and support higher earnings. At the same time, the organisations and individuals that hire workers have a willingness to pay for online services that exceeds the wages paid. Therefore, the platform enables significant gains from trade, which are shared between workers, those that hire them, and the platform itself.

Rethinking regulation

Our findings challenge prevailing assumptions that online gig platforms should fall under the remit of traditional employment regulation. For our research, we simulated the effects of various regulatory scenarios on total surplus and its distribution.

The key insight was that the number of jobs posted in the future is very responsive to total hiring costs on any one job opening. These dynamics imply that additional regulatory costs shrink the market to an extent that outweighs any gains generated for hired workers. Imposing a **10% payroll tax**, for instance, leads to a **24–27% drop in hiring** and a **67% reduction in job postings** among experienced buyers. Even when tax revenues are rebated to workers, the overall market contracts, and **worker surplus falls by 59%**.

This highlights the potential unintended consequences of applying traditional employment regulation to gig platforms. The gig nature of the work allows the demand side much more flexibility than in other markets to scale up fast, but also to scale down when faced with higher costs. While well-intentioned, such policies may reduce opportunities and welfare for the very workers they aim to protect.

Instead, we suggest **targeted interventions**—such as supporting skill development, improving worker visibility, or enhancing platform transparency—to raise the profile of gig workers who otherwise struggle to be hired.

For future research

Our study also advances methodological frontiers by combining structural modelling with rich platform data and survey validation. It applies economic theory to real-world digital markets, using econometric modelling to estimate surplus, behaviour, and policy effects. For researchers, this opens new avenues for studying dynamics in online environments.

A more nuanced view of the gig economy

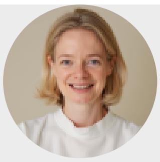
We offer a counterpoint to prevailing narratives about gig work. While challenges remain—especially for less differentiated workers—the evidence suggests that many participants in online labour markets are able to capture meaningful economic value.

For policymakers, the message is clear: **regulation must be carefully calibrated** to preserve the benefits of flexibility and market access while addressing genuine needs. And for platforms, the findings underscore the importance of design choices that empower workers and buyers alike.

As the gig economy continues to evolve, evidence-based insights will be essential for shaping efficient and inclusive digital labour markets.

- *This blog is based on research from Stanton, Christopher T., and Catherine Thomas. 2025. "Who Benefits from Online Gig Economy Platforms?" American Economic Review 115 (6): 1857–9*5
- *This blog post represents the views of its author(s), not the position of the London School of Economics and Political Science Department of Management.*
- *Photo by Getty Images*

About the author



Dr Catherine Thomas

Dr Catherine Thomas is an Associate Professor of Managerial Economics and Strategy. She is the Director of the International Trade Programme at the Centre for Economic Performance and a Research Fellow of the Centre for Economic Policy Research. Catherine is also a Co-Editor of Economical and an Associate Editor of Management Science.

Posted In: Management with Impact | Research and the World

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE