

Access to gig economy may spur small business creation, study finds

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Access to the gig economy may help facilitate the creation of new businesses, according to a new study.

The gig (or short-term job) market is often more transitory than the traditional freelancing market. The flexibility and low barrier to entry of these jobs gives would-be entrepreneurs fallback opportunities that reduce their financial risk, argues Yael Hochberg, professor in entrepreneurship and finance at Rice University's Jones Graduate School of Business .

Hochberg and her co-authors explored how the [gig economy](#) has "positive spillover effects" on entrepreneurial activity by studying ride-hailing platforms like Uber and Lyft. In their research, the team found a 7% to 12% increase in entrepreneurial interest after the arrival of ride-hailing platforms in a city, as measured via local Google searches.

"Having the option to access gig work in the event of failure or other unpredictable situations appears to have huge value in pushing entrepreneurs to accept the risks associated with starting a new business," Hochberg said.

Business entrepreneurship is typically financed through personal savings or some form of debt, such as small-business lending. The study found that small-business lending to newly registered businesses increased by about 5% after the arrival of gig economy platforms in the local [market](#). The effect was strongest in cities where economic uncertainty is greater, Hochberg said.

Hochberg serves as the head of the Entrepreneurship Initiative at Rice and as academic director of the Rice Alliance for Technology and Entrepreneurship . She holds a research affiliate position with the Massachusetts Institute of Technology's Sloan School of Management and is a research associate at the National Bureau of Economic Research. Hochberg is also managing director of the Seed Accelerator Rankings Project, which publishes annual rankings of accelerator programs in the United States.

The paper was co-authored by John Barrios, assistant professor of accounting at Washington University in St. Louis, and Hanyi Yi, assistant professor of finance at Boston College.

More information: John M. Barrios et al, Launching with a parachute: The gig economy and new business formation, *Journal of Financial Economics* (2022). [DOI: 10.1016/j.jfineco.2021.12.011](https://doi.org/10.1016/j.jfineco.2021.12.011)

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