

# GIG WORKERS IN AMERICA



## PROFILES, MINDSETS, AND FINANCIAL WELLNESS

While estimates of the size and growth of gig “employment” vary, there are several indications that gig work is here to stay. The gig work model, in which workers act as independent contractors rather than employees, has been adopted by both emerging companies, through technology-enabled platforms, as well as by some more established firms as a way to outsource some functions. One estimate reports alternative work arrangements comprised 16% of the workforce in 2015, up from 10% in 2005.<sup>1</sup>

The gig model is cost efficient for employers because it converts many fixed costs to variable, reduces benefits costs, and allows for resource flexibility. For workers, gig work provides flexibility and the opportunity to be their own boss. However, the gig model is fundamentally changing the employer-employee relationship. Consequences for gig workers include an unpredictable work stream, a lack of access to benefits, and average pay that is lower than traditional full-time employees.

While the independent contractor model is not new, Prudential sponsored the Gig Worker On-Demand Economy survey to understand the profiles and mindsets of gig workers today, and the impact of gig work on financial wellness. In this survey, gig workers included individuals who work for themselves and provide a service or labor (e.g., freelancer, independent contractor, on-demand or temporary worker), and excluded those who rent out assets (e.g., Airbnb) or sell goods that they produce (e.g., Etsy). Several themes emerged regarding the following three segments of workers:

-  Gig Only – individuals who do gig work exclusively
-  Gig Plus – “hybrid” workers who do gig work and have a traditional full- or part-time job
-  Full-Time – employees who have traditional full-time jobs

## The gig model poses significant challenges to financial wellness

While the gig model provides more flexibility for many employers and workers, it also has negative consequences for the workers’ pay, benefits, and job security, and, thus, their financial wellness. Financial wellness is the ability of individuals to achieve the foundational elements of financial security: managing day-to-day finances, achieving important financial goals, and protecting against major financial risks.<sup>2</sup>

<sup>1</sup> Lawrence Katz and Alan Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015,” 2016. Alternative work arrangements include temporary and part-time work, as well as contractual arrangements, such as independent contractors.

<sup>2</sup> Prudential, “The Power of the Wellness Effect,” 2017.

**Managing day-to-day finances.** The nature of gig work is such that its workers often live with less stability of income and “job security,” have to self-fund their benefits and retirement savings, and pay self-employment taxes.

According to the survey, on average, **Gig Only workers earn \$36,500 per year versus \$62,700 for Full-Time employees.**<sup>3</sup> This is not surprising, given that Gig Only workers work fewer hours (median 25 hours) per week than Full-Time employees (40 hours). Gig Plus workers, on average, work slightly more hours (44 hours) and earn almost as much (\$55,800), on average, as Full-Time employees. These factors may make it particularly challenging for Gig Only workers to manage their day-to-day finances.

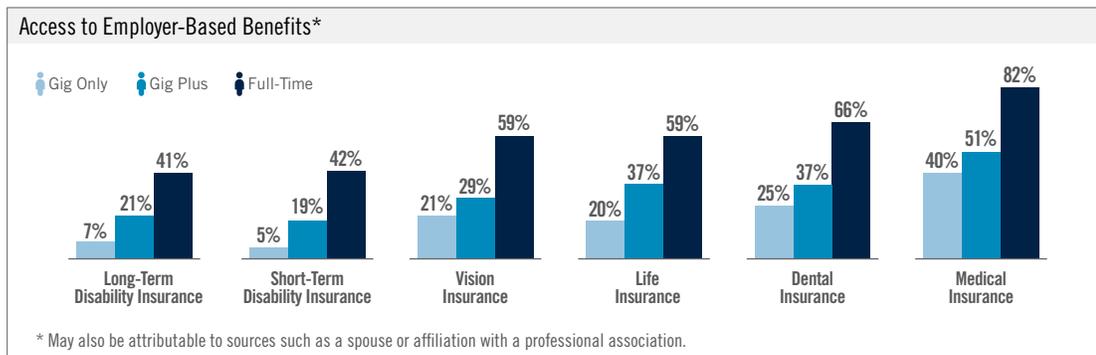
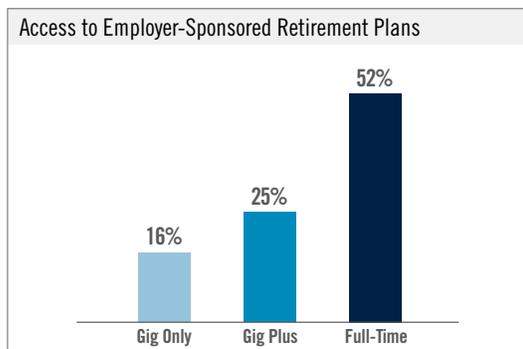
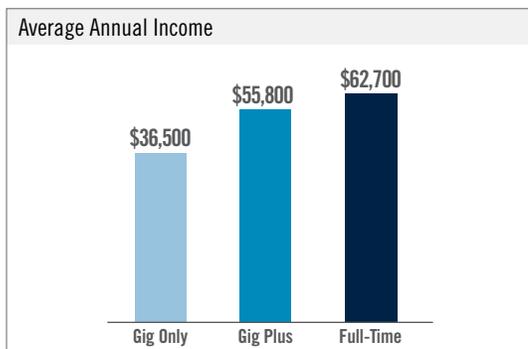
**Achieving important financial goals.** Lack of access to a systematic savings program for gig workers makes saving for retirement challenging. Moreover, Gig Only workers without access to employer-sponsored retirement plans would not be able to reap the benefit of employer-sponsored matching contributions. **Significantly fewer Gig Only workers have assets in an employer-sponsored retirement plan (16%) than their Full-Time counterparts (52%).** Twenty-five percent of Gig Plus workers have assets in an employer-sponsored retirement plan, possibly from their traditional, non-gig work. Retirement assets

for all segments may also be attributable to a spouse, a plan sponsored by a previous employer, or an affiliation with a professional association.

**Protecting against major financial risks.**

**Over half (54%) of Gig Only workers do not have access to employer-based benefits,** leaving them vulnerable to the key financial risks of premature death in the family, disability, or critical illness. In fact, Gig Only workers have less than half the access to employer-based coverage than that of Full-Time employees in terms of health insurance (40% vs. 82%), life insurance (20% vs. 59%), dental insurance (25% vs. 66%), and short-term disability (5% vs. 42%). For all three segments of workers, access to benefits may also be attributable to a spouse or an affiliation with a professional association.

Incidentally, younger Gig Only workers (age 18-35) are less likely to have access to benefits (70% have no access) than older Gig Only workers over age 55 (44%). The percentage of Gig Plus workers who have access to coverage falls between that of Gig Only workers and Full-Time employees, likely as a result of coverage accessed through their traditional employers.



<sup>3</sup> Average income calculated by using the midpoints of the income ranges provided as survey responses.

## Profiles differ in terms of demographics, nature of work, and attitudes

**Demographics.** Compared to Full-Time employees, **Gig Only workers are more likely to be older (average age of 47 vs. 43); single, divorced, separated, or widowed (51% vs. 36%); and either retired, a stay-at-home parent, or student (35% vs. 9%).** Gig Plus workers, compared to Full-Time employees, are more likely to be younger (average age of 38), have attended graduate school (31% vs. 18%), live in a suburban area (51% vs. 39%), and be a student (13% vs. 4%), and are much less likely to be the single source of household income (21% vs. 42%).

**Nature of work.** The types of work performed by gig workers interviewed for the survey fall into the broad categories of: professional or business services, personal services, and skilled labor or trade services. More specifically, **Gig Only workers focus mostly on construction, installation, and repair services, while the most common work for Gig Plus workers is computers and information technology.** Both gig segments also frequently perform sales, personal care, and service work.

To a lesser extent, Gig Only workers engage in arts, design, and media services, while Gig Plus workers perform architecture and engineering services.

**Attitudes.** **Gig Only workers tend to work because they need to, not because they want to** – 44% say gig work is “nothing more than helping to pay the bills,” and nearly one-third say they needed a way to bring in income due to circumstances out of their control. Interestingly, older Gig Only workers tend to gravitate toward gig work for financial reasons (46% needed money to make ends meet vs. 28%), whereas younger Gig Only workers expressed the need for a change (22% vs. 7%). On the other hand, **44% of Gig Plus workers think of their gig work as an important step toward their long-term aspirations.** They are also more likely to say they have a firm career direction (86%) vs. Gig Only workers (64%) and even Full-Time employees (78%).

### Demographics

	Gig Only	Gig Plus	Full-Time
Age	46.7	37.6	42.8
Married / Civil Union / Partner	48%	56%	65%
Single / Divorced / Separated / Widowed	51%	45%	36%
Children under the age of 18 in household	31%	50%	45%
Spouse / Partner not employed	29%	15%	18%
Single source of income	41%	21%	42%
Attended graduate school	16%	31%	18%
Own home	55%	57%	66%
Lives in suburban area	36%	51%	39%
Stay-at-home parent	16%	7%	3%
Student	6%	13%	4%
Retiree	13%	1%	2%

### Nature of Work (Ranked by Frequency)

Gig Only	Gig Plus*
1. Construction, Installation & Repair	1. Computer & IT
2. Personal Care & Service	2. Sales
3. Sales	3. Personal Care & Service
4. Business & Financial	4. Production
5. Arts & Design	5. Architecture & Engineering
6. Media & Communications	6. Business & Financial
	7. Construction, Installation & Repair

\*Refers to the gig work of the Gig Plus segment.

### Top Reasons for Doing Gig Work

	Gig Only	Gig Plus
Nothing more than helping to pay the bills	44%	29%
An important step to my long-term aspirations	36%	44%
Helps me figure out what I want to do long term	19%	27%

## But ... are they happy?

**Gig Only workers are less satisfied with their current work situation than Full-Time employees (44% vs. 55%),** and are also less likely to have a firm career direction (64% vs. 78%).

Gig Plus workers are decidedly more satisfied with their gig work than their traditional job. In fact, 86% say they have a firm career direction. They see their traditional employment as more of a stable necessity and their gig work as a choice for their career. However, 50% of Gig Only workers and 51% of Gig Plus workers feel financially secure or stable vs. 59% for Full-Time employees.

**Full-Time employees view timeliness and consistency of pay as the clear advantages of traditional employment,** and lack of earning potential as the main disadvantage (even though Full-Time employees earn significantly more than Gig Only workers). **Gig Only workers say the top advantages of gig work are control, a sense of pride and fulfillment, use of professional skills, and flexibility of hours.** The lack of

benefits is the most commonly reported disadvantage for Gig Only workers, followed by the lack of consistency of earnings and predictability of demand for work.

Overall, **Gig Only workers are less likely to say they are interested in switching to traditional work than Full-Time employees are in switching to gig work.** When asked whether they would be inclined to switch work models, nearly one-third (32%) of Full-Time employees expressed a strong interest in moving to gig work, whereas 19% of Gig Only workers expressed a strong interest in moving to traditional work.<sup>4</sup> Fear of failure and lack of benefits are the primary deterrents for Full-Time employees to consider switching to gig work. In addition, Full-Time employees indicate that the gig model would have to evolve to generate consistent pay and benefits to incentivize them to switch. Gig Only workers say flexibility would be the key factor in switching models.

### Interest in Switching

	Gig Only to Full-Time	Full-Time to Gig Only
Shows a Strong Interest	19%	32%

### Advantages

Gig Only	Full-Time
Control over what you do and how you do it	Timeliness of pay
Sense of pride and fulfillment	Consistency of earnings/cash flow
Use of professional skills	Quality of interactions with people
Work hours	Amount of interactions with people
Quality of interactions with people	Availability of benefits

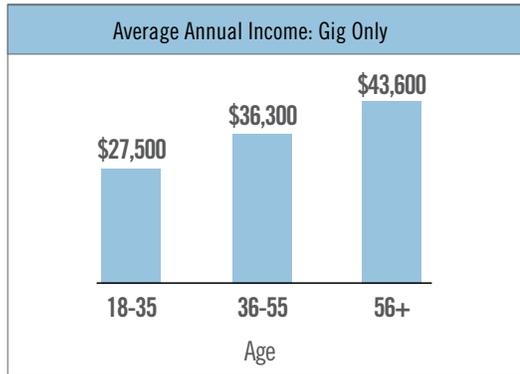
### Disadvantages

Gig Only	Full-Time
Availability of benefits	Earning potential
Consistency of earnings/cash flow	Growth and emotional opportunities
Baseline/guaranteed earnings	Managerial support/guidance
Predictability of demand for your work	Control over what you do and how you do it
Ease of tax reporting	Sense of job security/loyalty from employer

<sup>4</sup> Derived from a MaxDiff analysis. Respondents were shown 10-12 statements across a series of screens with five statements, and asked to select the statements on each screen that were the most and least likely to make them switch jobs.

## Gig work fulfills needs for various life stages

This section is a deeper dive into the Gig Only workers segment by generation: ages 18-35 (Millennials), ages 36-55 (Gen Xers), and ages 56+ (Boomers). On average, income increases by age.



**Gig Only Millennials.** Compared to Gen Xers and Boomers, **Millennials likely have the greatest need for work-life balance – 43% of Gig Only Millennials are either students or stay-at-home parents.** The nature of their work is somewhat more professional than the other generations – sales, arts, and design services top the list. They are most likely to cite “just needed a change” (22%) as an impetus for doing gig work. Nearly half (49%) say their gig work is an important step in their long-term aspirations, and 29% say it helps them figure out what they want to do. Two-thirds (67%) like their current working situation and wouldn’t want to change it. However, nearly half (49%) say they are struggling financially, and 70% say they have no access to benefits.

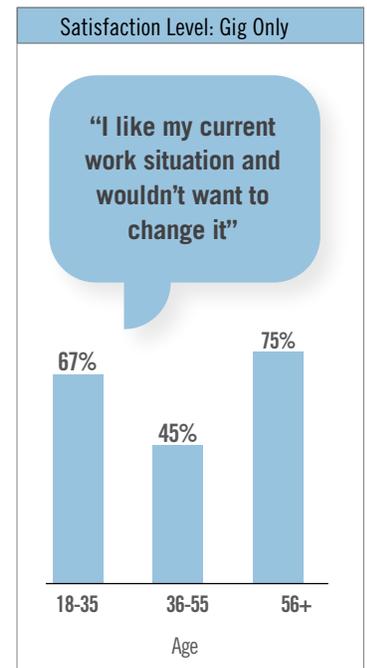
Nature of Work - Ranked by Frequency: Gig Only	18-35	36-55	56+
Sales	1 <sup>st</sup>		4 <sup>th</sup>
Art & Design	2 <sup>nd</sup>		
Personal Care & Service	3 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Construction, Installation & Repair	4 <sup>th</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Media & Communications	5 <sup>th</sup>	4 <sup>th</sup>	
Business & Financial		3 <sup>rd</sup>	3 <sup>rd</sup>
Computer & IT		5 <sup>th</sup>	

**Gig Only Gen Xers.** Gig Only Gen Xers are the most likely to be single or divorced (60%), and most likely to be the single source of their household income (49%). The nature

of their work is most commonly construction/installation/repairs and personal care followed by business and financial, and media and communications. **Gen Xers are the least satisfied** – only 45% like their current working situation and wouldn’t want to change it, over half (51%) say that their current work situation is “nothing more than helping to pay the bills,” and 30% say that they work “to get paid and don’t really care about what I do.” Perhaps not surprisingly, therefore, Gen Xers show the most interest in switching to traditional work (33% show strong interest). Although they tend to work the most hours (median 30) per week, they are most likely to say that they are struggling financially (63%).

Demographics: Gig Only	18-35	36-55	56+
Married / Civil Union / Partner	52%	39%	60%
Single / Divorced / Separated / Widowed	47%	60%	40%
Single source of income	36%	49%	32%
Attended graduate school	12%	15%	22%
Stay-at-home parent	21%	20%	6%
Student	22%	1%	1%
Retiree	0%	5%	34%

**Gig Only Boomers.** Nearly one-third (31%) of Gig Only workers are Boomers. Over one-third (34%) Gig Only Boomers say they are retired, indicating that many may be working longer to better prepare financially for full-time retirement. Gig Only Boomers are the most likely to be married or live with a partner (60%), and least likely to be the single source of their household income (32%). Although Boomers are the most likely to have attended graduate school (22%), the nature of their work is a mix of skilled trade and professional services – construction/installation/repair, personal care, business and financial, and sales. Their primary impetus for doing gig work is needing money to make ends meet (46%). Even so, **Boomers are the most likely to be satisfied** – 75% like their current working situation and wouldn’t want to change it. Eighty-six percent say they get a lot of enjoyment and pleasure out of their work. Only 32% say they are struggling financially.



## Takeaways

Most agree that the nature of jobs is changing and will likely continue to do so in the near future. Rapidly accelerating developments in, and acceptance of, technology may further disintermediate the employment model, increasing the size of the gig market. Many workers may be forced to adapt to the gig model due to the mix of traditional employment and gig work available.

The gig work model has many positive aspects. Employers enjoy the cost structure and the flexibility of workforce management. Gig workers enjoy the flexible schedules, the opportunity to follow their passions and make money, the ability to do gig work alongside traditional work, and being their own boss. For older workers, gig work can help bridge them from an untimely retirement to their desired retirement age, or to supplement income in retirement.

Yet, gig work also presents challenges, such as making the foundational elements of financial wellness more difficult to achieve.

The shift in employment models has implications for many:

- **Policymakers.** Policymakers should encourage exploration of both public and private sector solutions to deliver benefit solutions to gig workers that would improve gig workers' level of financial wellness. Doing so has several benefits – in addition to the “wellness effect,”<sup>5</sup> these solutions may reduce reliance on government programs.
- **Employers.** Employers who use the gig model may consider offering holistic financial wellness programs and benefits to traditional employees and gig workers alike.
- **Gig workers.** In the absence of employer-sponsored benefits, gig workers may have to use a do-it-yourself model. They may consider using exchanges for health care and other insurance, setting up IRAs, and using budgeting tools. They should consider seeking advice to help them navigate the options.
- **Advisors.** Advisors should use their expertise to help gig workers navigate the financial choices they need to make regarding the foundational elements of financial wellness: managing day-to-day finances, achieving important financial goals, and protecting against major financial risks.

## About this Study

The Gig Worker On-Demand Economy survey was conducted online by Harris Poll on behalf of Prudential from January 5 to February 18, 2017, among a nationally representative (U.S.) sample of 1,491 workers including 514 full-time and 256 part-time traditional employees and 721 gig workers. Gig work was defined as providing a service or labor, and did not include renting out assets. Survey respondents were selected from among adults aged 18+ who had agreed to participate in online surveys from the Harris Poll Online panel and preferred sample partners.

<sup>5</sup> Prudential Financial, “The Power of the Wellness Effect,” 2017. Achieving financial wellness may help employees improve their financial security. In addition, employers may be better able to improve employee productivity, optimize their investments in employee benefits, and improve workforce and cost management.