16 December 2020

Boom time for gig economy but workers face long-term disadvantage

- **Actuaries Institute research paper finds gig economy grew nine-fold between 2015-2019 to $6.3 billion, a gain of 32 percent in 2019.**
- **Consumer spend in private transport sector rises 39 percent; (online) meal delivery sector increases six-fold between 2015-2019.**
- **Gig worker profile over-represents more vulnerable segments of Australian workforce.**
- **Workers impacted by lack of access to basic entitlements, but benefits include greater autonomy, flexibility and increase in short-term levels of discretionary expenditure.**
- **Long term risk to public spending due to greater reliance on age pension.**

Workers in Australia's burgeoning $6.3 billion gig economy could face long term financial disadvantage due to their lack of access to employer funded superannuation and other basic entitlements, according to a research paper by the Actuaries Institute.

Its paper 'The Rise of the Gig Economy and its Impact on the Australian Workforce' highlights the rapid growth in consumer spending on digital platforms such as Uber, Deliveroo and Airtasker, which underwent a nine-fold increase between 2015 and 2019.

The surge in consumer spending has gathered pace with COVID-19 and while gig workers have benefited from the boom, the longer-term implications are less certain, the paper said.

"The rapid rise of the gig economy has brought both opportunities and risks for workers, raising some important policy issues, particularly with regard to long term financial security," Actuaries Institute Chief Executive Elayne Grace said.

"Most gig workers have only minimal superannuation contributions and lower insurance coverage, increasing the prospect of greater reliance on public safety nets, including the age pension.

"With the economy evolving rapidly, particularly under the influence of the COVID-19 pandemic, it is increasingly important that we better understand the risks to workers and how they might impact on future public policy," she said.

The paper, which was prepared for the Actuaries Institute by Quantium lead consultant Donald Freudenstein, provides one of the first detailed studies of the gig economy – defined as on-demand services mediated by digital platforms where workers are classified as independent contractors.

Most gig workers do not receive entitlements such as minimum wage, employer paid superannuation, sick leave, annual paid leave, paid parental leave, long service leave and workers compensation insurance because they are deemed independent contractors.

On top of this, less than 1.5 per cent of gig economy workers make personal superannuation contributions, and where they do, the payments are minimal compared to the employer-paid contributions of minimum wage workers. A simulation of superannuation outcomes showed that "workers who spend five to 10 years of their productive labour years participating in the gig economy may be between $48,000 or $92,000 worse-off in superannuation savings at retirement" relative to a minimum wage employee.

Gig economy workers are also 14 per cent less likely than the average worker to be covered by private health insurance and also less likely to have life insurance.

"The ongoing concern is if the prevalence of gig economy work continues to rise under existing labour force regulations, there will be an increase in the proportion of persons with little to no superannuation savings on retirement," the paper said. "This would put further strain on the government funded age pension scheme."

Actuaries Institute President Hoa Bui said the research paper highlights the Institute's commitment to identifying and analysing key issues which will have an ongoing impact on economic and social policy.

"While the paper clearly outlines the opportunities and risks presented by the gig economy, there is a need for further research to develop policy changes that ensure the Australian workforce is adequately supported, whilst not reducing the benefits of economic activity that the gig economy brings," Ms Bui said.

Currently it is very challenging to measure the size and growth of the overall gig economy, due to lack of regular data collection at the population level, and an agreed definition of the gig economy. Based on the data set available to the Actuaries Institute, sectors of the gig economy such as private transport (fuelled by the arrival of Uber, Didi and Ola) and meal delivery (UberEATS, Deliveroo, Menulog) are clearly strongly impacted. The paper said consumer spending in the private transport sector rose 39 percent between 2015-19, with a sixfold increase in the meal delivery sector over the same period.

Urging a better understanding of the scope of the gig economy, the paper said at the moment it is not possible to properly address important questions such as identifying important workforce segments based on level of participation, demographic characteristics, financial risks and future employment pathways, plus measuring changes in the size of the gig economy workforce, and the population segments within the workforce. It recommends analysis of integrated public data sets available from the Australian Tax Office and Australian Bureau of Statistics or augmented design of traditional labour market and household-based surveys to address some of these questions.

The paper also recommends that further work is done to measure the extent to which benefits are being accrued by gig workers and to measure how the risks they also face are manifesting, particularly as the gig economy evolves under the COVID-19 pandemic.

COVID-19 has had a profound impact on the gig economy, the report noted, particularly in the meal delivery sector. After a sharp decline during the initial lockdown period in late March and April, demand has surged. Weekly consumer spending in the gig economy was over 40 percent higher between July and October compared to pre-lockdown levels.

The second round of lockdowns in Victoria caused an even greater spike in demand with meal delivery spending up by more than 100 percent between July and October than the pre-lockdown period.

Despite the longer-term risks associated with the gig economy, the paper identifies several benefits enjoyed by workers in the gig economy including:

- Greater flexibility and autonomy to choose when and where to work.
- Relatively low barriers to entry.
- The ability to improve consistency of income by ramping up gig economy work when primary sources of income might temporarily fall.

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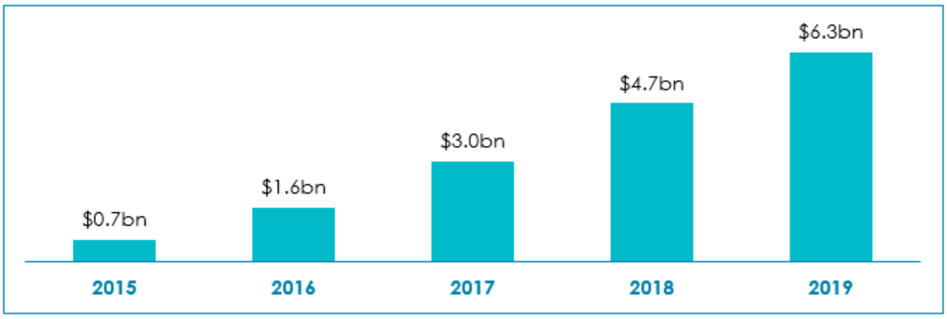
Furthermore, around 25 percent of workers experienced short term economic benefits, six months after starting work. The paper notes, however, that 77 percent of those workers were from population segments with the lowest levels of discretionary expenditure.

The paper noted that the gig economy workforce is overrepresented by vulnerable groups in society - young workers, students, and the formerly unemployed.

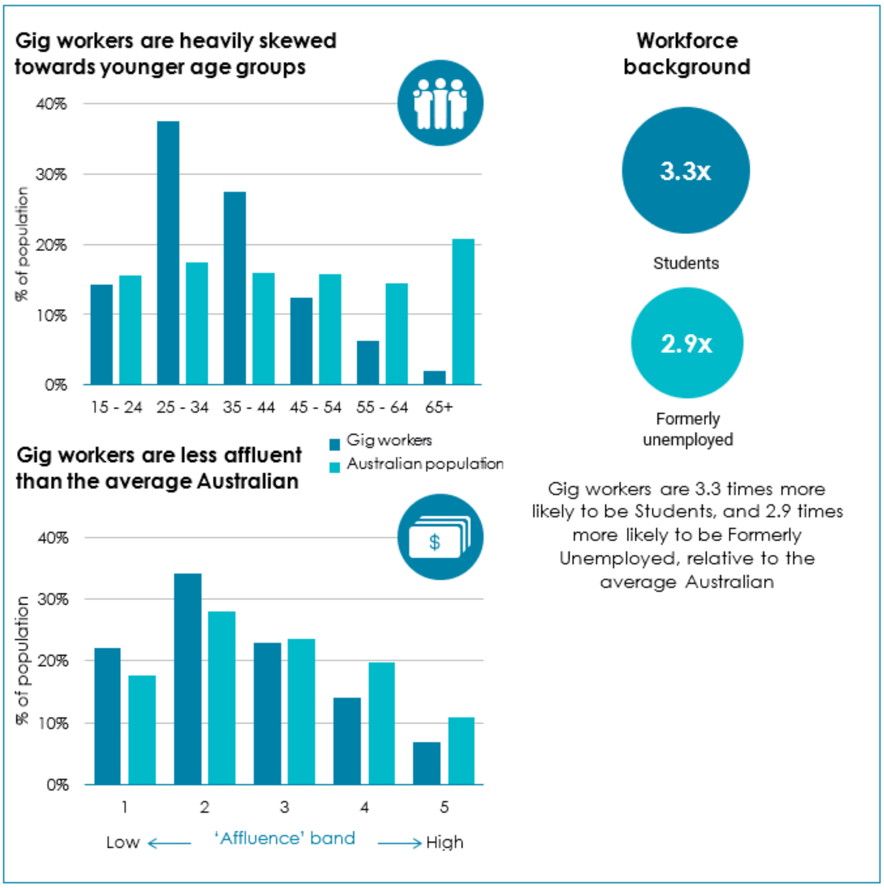
"As the gig economy continues to grow, it is increasingly important for government and digital platform owners to better understand the benefits and risks faced by gig workers," it said.

Figure 2.3: Gig economy market size*



Source: Quantium transactional data
* Market size is total consumer spend on domestic gig economy services

Figure 4.1: Demographic and behavioural profile of the gig economy workforce



Source: Quantium transactional data

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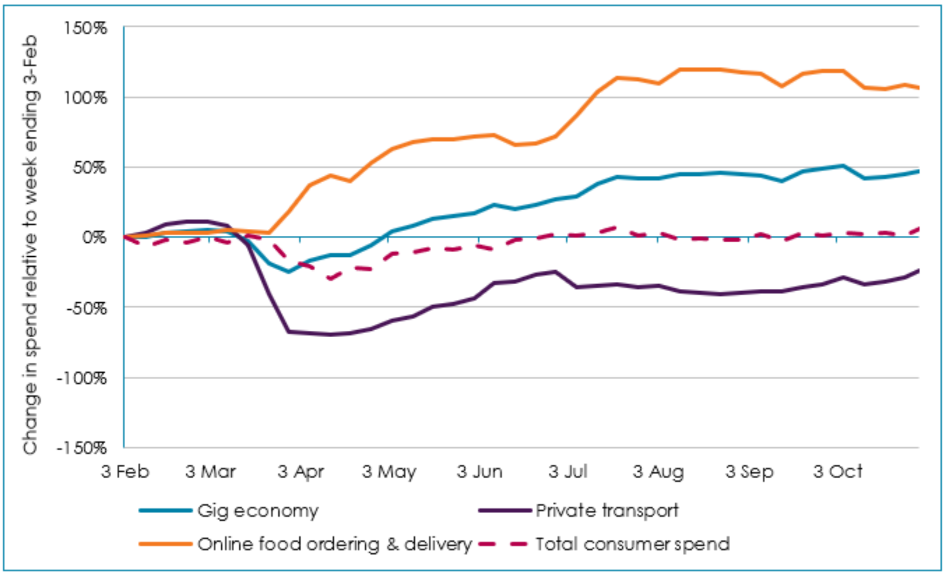
Figure 5.1: Consumer spend growth during the 2020 COVID-19 period to October 2020



Source: Quantium transactional data
Weekly spend growth is indexed to week ending 3-Feb-2020

A copy of the paper is available here.

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