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Consumer Morsel

Gig work back in favor as wages slide

12 October 2023

Key takeaways

- Moderating wage growth has led to a small uptick in gig job participation over the past few months. Specifically, the percentage of Bank of America customers who received income from gig platforms through direct deposits or debit cards reached 3% in August 2023, up from 2.7% in April.
- This increase was driven particularly by ridesharing jobs and younger people, the former of which can be largely explained by strong travel-related spending. We also found that ridesharing gig workers do not tend to also have a traditional job and an increased supply of these workers has driven average monthly ridesharing gig pay down in recent months.
- Millennials and Gen Z have seen the biggest increase in gig work as they tend to be more exposed to the rising cost of living. But it seems gig work may not provide enough support: younger generations' credit and debit card spending growth has consistently lagged that of Baby Boomers since mid-March, according to Bank of America internal data.

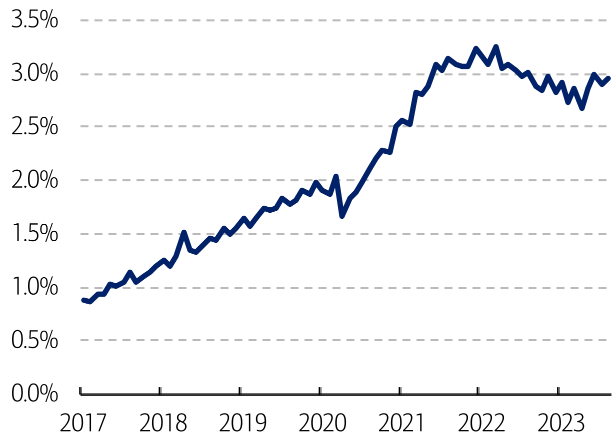
Number of gig workers inches up again

Earlier this year, a Consumer Morsel discussed how workers were leaving the gig economy as a tight labor market and strong wage growth attracted them to more traditional jobs. Now, six months later, things have shifted again. With wage growth for traditional jobs moderating, we have seen a small uptick in gig jobs over the past few months. Specifically, the percentage of Bank of America customers who received income from gig platforms through direct deposits or debit cards reached 3% in August 2023, up from 2.7% in April this year, but still down from March 2022's 3.3% (Exhibit 1).

As Exhibit 2 shows, the recent increase was primarily driven by more ridesharing work, as well as "other" types of gig jobs. Note that "other" gig jobs refer to those that are not categorized by delivery, ridesharing, social commerce or vacation rental and include gig work such as caregiving or home repair services etc. Meanwhile, delivery jobs have stabilized since the start of the year and the number of customers engaging with social commerce marketplaces continues to decline.

Exhibit 1: Percentage of Bank of America customers receiving gig income (monthly, %)

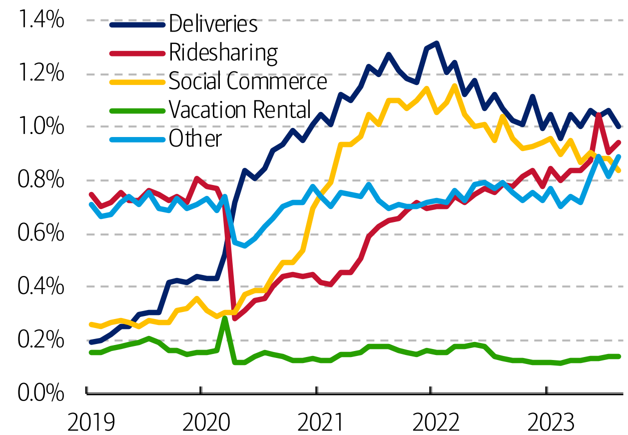
The percentage of Bank of America customers who received income from gig platforms reached 3% in August 2023



Source: Bank of America internal data

Exhibit 2: Percentage of Bank of America customers receiving select types of gig income (monthly, %)

The recent increase in gig jobs was primarily driven by more ridesharing work



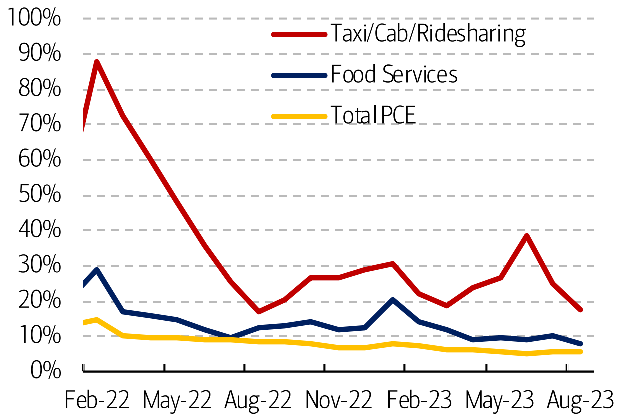
Source: Bank of America internal data

Not all gigs are equal

In our view, the strength of ridesharing gig jobs can likely be explained by resilient discretionary services spending, particularly in travel-related categories (for more on travel spend, please see [Unpacking summer travel](#)). According to monthly personal outlay data from the Bureau of Economic Analysis, nominal consumer spending on cabs and ridesharing grew by an average rate of 27% year-over-year (YoY) during the June-August period, much higher than the overall growth rate for personal consumption expenditure (PCE) (Exhibit 3). Rebounding business travel as workers return to in-person meetings could also be driving demand for ridesharing higher. Similarly, consumer spending on food services remains elevated, which helps to explain delivery jobs being the most common type of gig work.

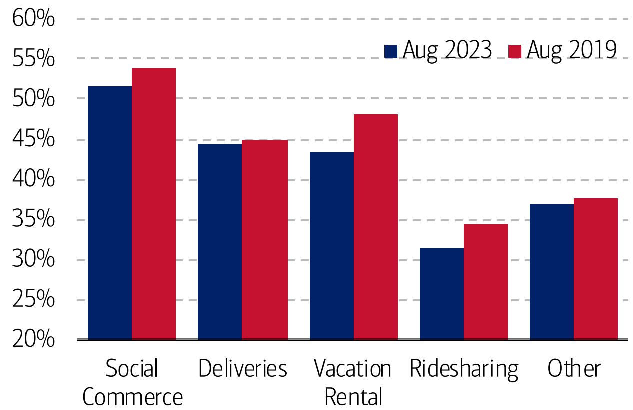
One interesting observation is that gig workers for ridesharing platforms are less likely to have a traditional job at the same time. In August 2023, only 31% of customers who received gig-type income from ridesharing platforms also received a traditional paycheck; this compares with 52% and 44% for those gig workers at social commerce marketplaces and delivery platforms (Exhibit 4).

Exhibit 3: Personal consumption expenditure: total and select categories
Nominal consumer spending on cabs and ridesharing grew by 27% YoY on average during the June-August period



Source: Bureau of Economic Analysis

Exhibit 4: Share of gig workers who also received paychecks from traditional jobs through direct deposit (%, Aug 2023 vs. Aug 2019)
In August 2023, only 31% of customers who received gig-type income from ridesharing platforms also received a traditional paycheck

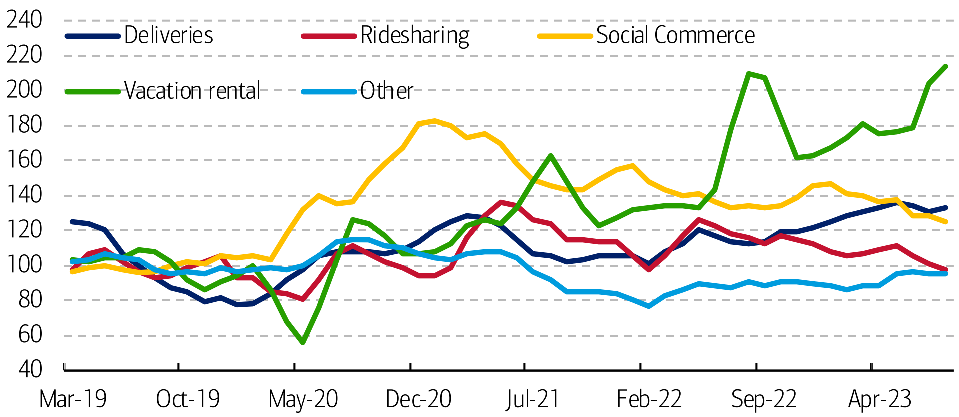


Source: Bank of America internal data

While more people are performing ridesharing work full-time, average monthly ridesharing gig income has gone down slightly. Exhibit 5 shows the average monthly income by type of gig platform according to Bank of America internal data, and it suggests that the average pay for ridesharing gig jobs has been on a downward trend over the last year. That said, compared with the same month in 2019, average monthly pay for ridesharing gig jobs was still 14% higher in August 2023.

Outside of ridesharing, two types of gig jobs have seen a noticeable rise in average monthly pay over the last year: vacation rental and deliveries. In our view, the former reflects overall inflation in the lodging sector while the latter can be partly explained by minimum wage increases in multiple states this year.

Exhibit 5: Average monthly gig income by type of work, according to Bank of America deposit data (index, 2019 average =100)
The average pay for ridesharing gig jobs has been on a downward trend over the last year



Source: Bank of America internal data

Gig income helps support younger generations

The recent increase in gig job participation seems to be driven by younger generations. Specifically, Millennials continue to represent the biggest cohort. As of August 2023, 4.3% received income from gig platforms (Exhibit 6). Next was Gen Z, with 3.6% of customers seeing gig income inflows in August.

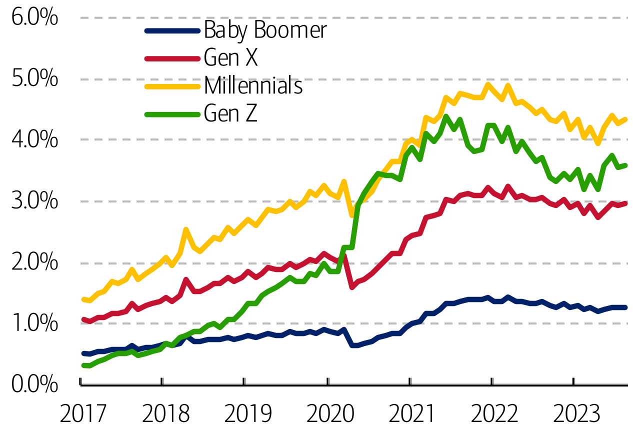
In our view, younger people tend to be less affluent than older generations and have greater need for supplemental income to counter rising prices. According to data from the Federal Reserve, Baby Boomers hold the greatest wealth across generations at $73 trillion in 4Q 2022, eight times that of Millennials.

In addition to different wealth levels, as we discussed in a previous [Consumer Checkpoint](), younger generations are also more exposed to the rising cost of living as they tend to move more frequently, either for work, to accommodate expanding families or, more broadly, as they seek more space as they age. As such, they have been squeezed harder by the increase in rent and mortgage payments compared with older generations.

As a result, not only are younger generations taking on more gig work, but they also have weaker spending trends. According to Bank of America internal data, younger generations have consistently shown weaker credit and debit card spending growth than Baby Boomers since mid-March this year (Exhibit 7).

Exhibit 6: Percentage of Bank of America customers receiving gig income by generation (monthly, %)

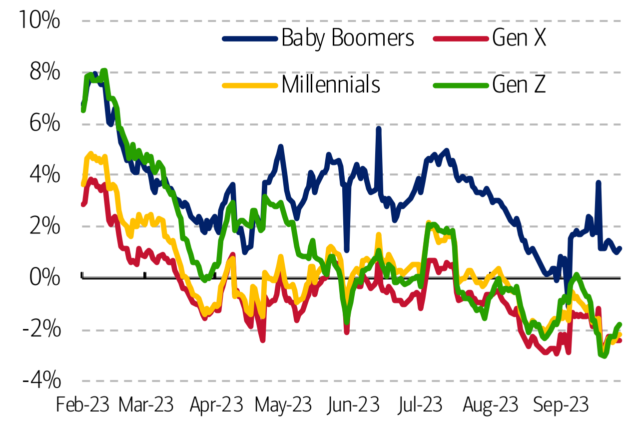
As of August 2023, 4.3% of Millennial customers received income from gig platforms



Source: Bank of America internal data

Exhibit 7: Total card spending excluding gas per household by generation (%YoY, 14-day moving average, data through Sep 27)

Younger generations have shown weaker credit and debit card spending growth than Baby Boomers since mid-March this year



Source: Bank of America internal data

Wage moderation could explain the rise in gig work

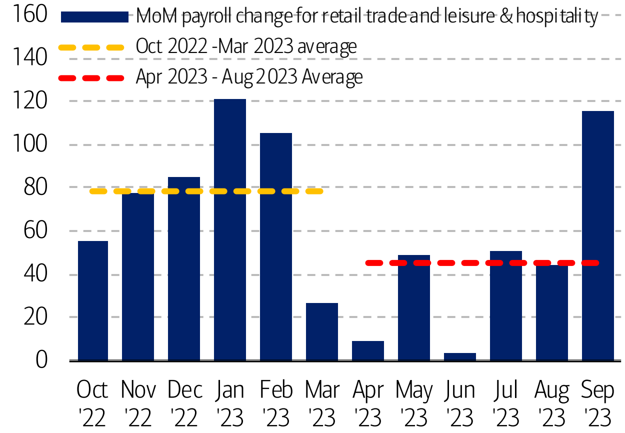
In a previous report, we found that for gig workers who also have traditional employment, they most commonly work in the retail and restaurant industries. We therefore take a look at recent job creation and wage growth in these two industries.

Exhibit 8 shows the monthly change in nonfarm payrolls for the retail trade and leisure & hospitality sectors between October 2022 and September 2023 according to data from the Bureau of Labor Statistics. Even with a strong reading in September 2023, the six-month average of jobs added was at 45k, over 40% lower than the prior six-month average of 78k.

In addition, wage inflation is also easing. As of September, average hourly earnings for retail trade were up 4.2% YoY, down from the high of 6.7% in early 2022 and only marginally above overall inflation, as measured by the Consumer Price Index. Wages for leisure & hospitality were relatively higher at 4.7% YoY in September but the slowdown over the last year has been much steeper (Exhibit 9). In short, lower wage growth in both of these sectors might mean more workers need to take on a side gig.

Exhibit 8: Month over month change in payrolls for retail trade and leisure & hospitality sectors (seasonally adjusted, thousands)

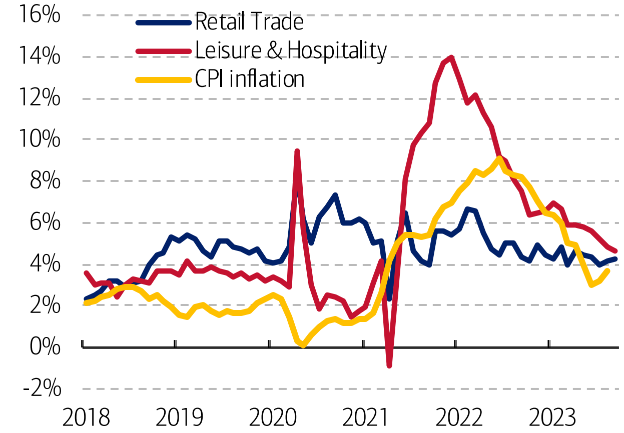
Change in nonfarm payrolls for the retail trade and leisure & hospitality sectors has slowed over the last six months



Source: Bureau of Labor Statistics

Exhibit 9: Average hourly earnings for retail trade and leisure & hospitality sectors (%YoY)

Wage growth for retail trade and leisure & hospitality sectors has moderated from its peak in 2022



Source: Bureau of Labor Statistics

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Bank of America credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards is excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

If applicable, the consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level.

Gig type of income referenced in this report is derived from aggregated inflows to consumer direct deposits or debit cards from gig platforms.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1996

2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988

4. Gen Xers: born between 1965-1977

5. Baby Boomer: 1946-1964

If applicable, any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Any reference to aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash and checks.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Additional information about the methodology used to aggregate the data is available upon request.

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Disclosures

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