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Consumer Morsel

The gig economy is up

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Key takeaways

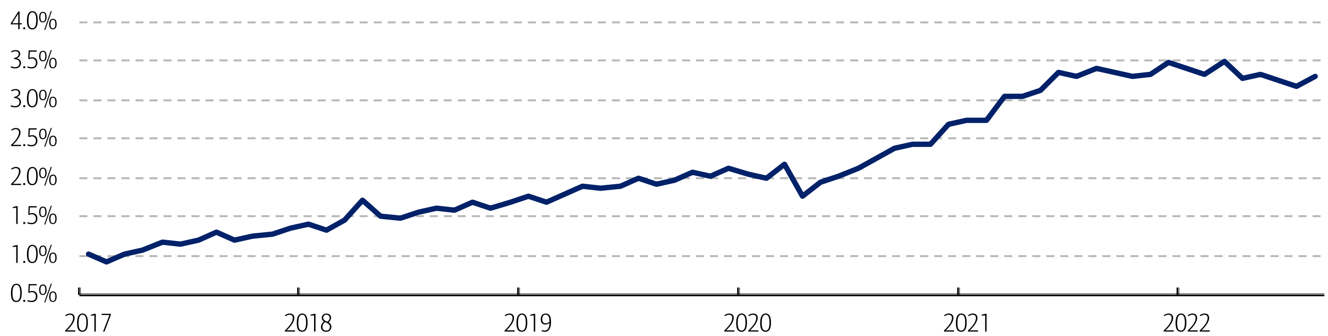
- Analysis of the gig economy is often hampered by a dearth of public data. However, Bank of America internal data can help plug this gap and suggests that gig work is still going from strength to strength. As of August 2022, the share of Bank of America customers receiving gig income from gig platforms was triple that in 2017, at 3.3%.
- Bank of America data also confirms that 1) gig workers skew younger, with 4.7% and 3.9% of Millennial and Gen Z customers receiving some gig income in August 2022 vs. just 3.3% of Gen X; and 2) post-pandemic, the share of customers receiving gig income from delivery platforms has risen threefold since 2019.
- Crucially, though, we see no evidence yet that the gig economy is displacing traditional jobs – for most of our customers, this is supplementary income, received in just a month or two out of the past year. We believe it is likely that consumers are engaging in gig activity for additional income to counter inflationary pressures.

The gig economy is still on the up, but traditional labor markets can rest easy

Why is important to understand the "gig economy"? From an economic point of view, it has meaningful impacts on the labor market. Some economists have questioned whether "gig jobs" are replacing traditional jobs and whether such a structural change might affect inflation and unemployment rates. From a policymaker perspective, it is also important to understand how the gig economy might impact working conditions and pay for those who take such jobs.

So having an accurate read on the gig economy is essential, yet related public data has been scarce. The monthly household survey published by the Bureau of Labor Statistics (BLS) includes gig employment as a subset of the "unincorporated self-employed" category. But the overall correlation is poor as the self-employed percentage of the workforce has not risen since the mid-1990s. Administrative data from the Internal Revenue Service (IRS) also has its shortcomings: it does show that the share of the workforce with income from alternative, non-employee work arrangements grew by 1.9 percentage points from 2000 to 2016, but it is lagged and still does not measure gig employment directly.

Exhibit 1: Percentage of Bank of America customers receiving gig income (monthly, %)
The share of Bank of America customers who receive gig-type income through direct deposit or debit card surged during the pandemic.



Source: Bank of America internal data. The sample includes Bank of America customers with a checking or savings account. The data might not capture those who were engaged in gig jobs but did not receive their income through Bank of America accounts.

This is where we believe Bank of America internal data can offer valuable additional data insights. Looking at aggregated and anonymized Bank of America customer data, we found the share of customers who receive gig-type income through direct deposits or debit cards was increasing steadily prior to the pandemic and then surged during it. Note that all references to Bank of America customers in this report refer to those who have a checking or savings account with the bank. As Exhibit 1 shows, as of August 2022, 3.3% of Bank of America customers received gig income, down from a peak of 3.5% in March 2022 but still three times higher than in 2017 (with the caveat that this data may not capture customers engaged in gig work who did not receive their income through Bank of America accounts).

Who are gig workers? Mostly younger generations

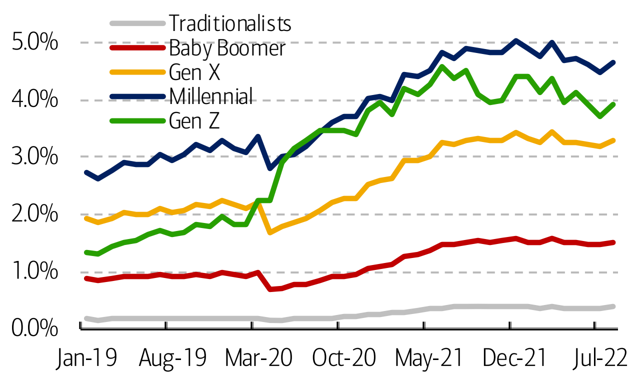
More young people are taking gig jobs than older generations. We believe this could be due to them being less affluent than previous generations and the potential need for supplemental income to counter rising prices.

Bank of America data shows Millennials (born 1981–1996) are the biggest cohort receiving gig income (Exhibit 2). As of August 2022, 4.7% received income from gig platforms, the highest across generations. Next was Gen Z (born after 1996), with 3.9% of customers seeing inflows of gig income in August. For both Millennials and Gen Z, the share of customers receiving gig income seems to be moderating from the peak in March. We think this could reflect some young gig workers returning to the traditional labor market in recent months as labor demand has surged and wages have accelerated.

One interesting observation is that although Millennial customers have the highest share of those engaging in gig jobs, it is Gen Z customers that saw the biggest increase during the pandemic. During the initial lockdowns across the US starting in April 2020, the share of Gen Z customers engaging in gig jobs did not dip like all other age groups. In fact, the share even increased by nearly one percentage point between April and May 2020.

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

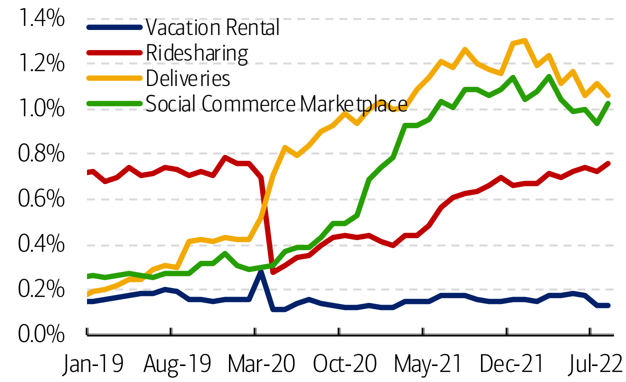
Nearly 5% of Bank of America Millennial customers received gig income in August 2022, compared with just 1.5% for Baby Boomers



Source: Bank of America internal data. The sample includes Bank of America customers with a checking or savings account. The data might not capture those who were engaged in gig jobs but did not receive their income through Bank of America accounts.

Exhibit 3: Percentage of Bank of America customers receiving major types of gig income (monthly, %)

About 1% of Bank of America customers received gig income from delivery platforms in August 2022, up from just 0.2% in January 2019



Source: Bank of America internal data. The sample includes Bank of America customers with a checking or savings account. The data might not capture those who were engaged in gig jobs but did not receive their income through Bank of America accounts.

Delivering overtakes ridesharing as the most popular gig job

Bank of America internal data also indicates a meaningful change in the composition of gig jobs before and after the pandemic. In 2019, the most common type of gig job was ridesharing, with 0.7% of Bank of America customers receiving income from this segment. In contrast, only about 0.3% of Bank of America customers received gig income through delivery platforms and social commerce marketplaces, respectively. Note social commerce marketplaces include online platforms where users can buy and sell goods.

However, the pandemic led to a big drop in the share of customers engaging in ridesharing due to social distancing, including closing of businesses and working from home. Meanwhile, surging demand for deliveries of food and other household items resulted in a big increase in people working for delivery platforms. As of August 2022, 1.1% of customers received gig income from such platforms, more than triple the share in 2019 (Exhibit 3). Meanwhile, rising goods prices likely fueled increased gig activity on social commerce marketplaces: the 1% share in August 2022 was again noticeably higher than the 2019 average of 0.3%.

More recently, with US consumers transitioning from goods spending to services spending, the share of Bank of America customers engaging in delivery and social commerce marketplace gigs has also moderated, though to a still-elevated level compared with 2019.

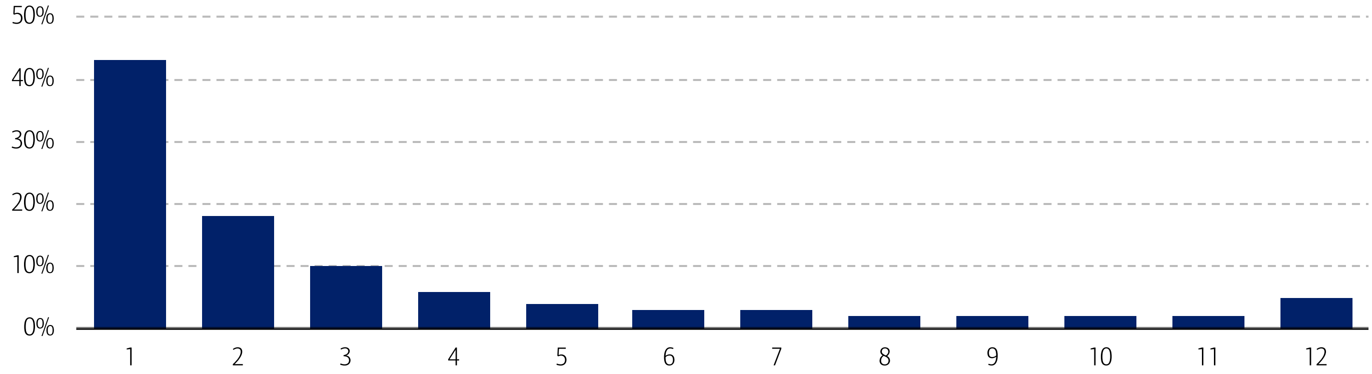
Gig work is not most people's main job – it's more for extra cash

Many economists have noted that gig employment tends rise when traditional labor market conditions deteriorate. This might explain the initial surge in gig employment at the beginning of the pandemic, but it does not seem to apply right now, given that the traditional unemployment rate is at a record-low. In our view, it is more likely that consumers continue to engage in gig activity for additional income to counter inflationary pressures. As such, most gig jobs remain temporary and supplemental. This is supported by a report published by the Pew Research Center in December 2021, which showed that 68% of gig platform workers are doing gig work as a side job.

Bank of America data adds an additional perspective. We focused on the group of Bank of America customers who had received any sort of gig income in the past 12 months and looked at whether they received it consistently or sporadically. As Exhibit 4 shows, 40% of those customers received gig income in only one month out of the past 12 months, and 18% received gig income for two months out of the 12, suggesting gig income is supplemental for most. At the other end of the spectrum, only 5% of this group of customers received gig income in every one of the past 12 months.

Exhibit 4: For customers receiving any gig income over the past 12 months, how many months out of the 12 did they receive such income? (% of customers)

Gig income seems to be supplemental for most consumers with over 40% of those receiving gig income in the past 12 months only engaging in gig activities for one month.



Source: Bank of America internal data

Bottom line: the gig economy is thriving, but traditional labor markets can rest easy

The rise of the gig economy has meaningful economic and policy implications, but related public data has been scarce. This is where Bank of America internal data can offer unique insights. Focusing on customers who have a checking or savings account with the bank, we found the share of customers who received gig-type income surged during the pandemic to 3.3% in August 2022, compared with 2% in February 2020.

Our data confirms that gig workers tend to be younger, with Millennials and Gen Z constituting the highest share of customers receiving gig income. Specifically, Gen Z customers have seen the steepest increase in gig activities since the pandemic. In terms of the jobs themselves, delivery gig jobs have now replaced rideshare ones. As of August, the share of Bank of America customers receiving gig income from delivery platforms was three times higher than in 2019.

Crucially, though, we see no evidence yet that the gig economy is displacing traditional jobs – for most of our customers, this is supplementary income, received in just a month or two out of the past year. This could signal consumers are using the supplemental income to counter the rising cost of living.

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Sources

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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.

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.

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.

Generations, if discussed, are defined as follows:

1) Gen Z, born after 1996
2) Millennials: born between 1981–1996
3) Gen X: born between 1965 – 1980
4) Baby Boomer: born between 1946-1964

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

Disclosures

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