



GIG ECONOMY IMPACT BY GENERATION

PART OF A SERIES ON GIG WORKERS IN AMERICA



Prudential

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The “gig economy” has become a significant source of employment for three generations of Americans—Millennials, Gen Xers and Baby Boomers. While all three see opportunities in gig work, they also acknowledge challenges. Gen Xers are particularly conflicted. For gig workers from this “lost generation,” financial wellness, especially as it relates to retirement preparedness, is far from assured.

Introduction

Gig “employment” is becoming more prevalent in the United States, transforming for many Americans what it means to have a job. Employers are embracing the gig model to convert fixed costs to variable costs, to reduce the financial burden of offering employee benefits, to gain quick access to desired skill sets, and to create a more flexible workforce. Employees are turning to gig work to fulfill a variety of needs depending upon their stage of life, from creating a more flexible work experience as young parents to providing a few more years of income in or near retirement. Yet despite these many benefits, gig work challenges traditional employer/employee relationships, with significant implications for workers’ financial wellness.

Prudential sponsored the Gig Worker On-Demand Economy survey in 2017 to understand how gig workers think about this new job model and how it is impacting their financial wellness. The survey defined gig workers as people who work for themselves while providing a service or labor—freelancers, independent contractors, on-demand or temporary workers. It excluded people who solely rent out assets (their apartments on Airbnb, for example) or sell goods they have produced. The study further segmented workers into three categories: those who do gig work exclusively (Gig Only), those who take gig assignments in addition to holding down a traditional job (Gig Plus), and those who exclusively have a traditional job (Full-Time or Part-Time).

The initial results of the survey were published in the Prudential report, “[Gig Workers in America: Profiles, Mindsets, and Financial Wellness](#).” Among the key findings: gig workers earn less, on average, than traditional full-time employees; suffer from an unpredictable stream of work; and lack access to employer-sponsored benefits. In addition, gig workers are generally taxed at a higher rate than traditional workers because gig workers must pay both their own share of employment taxes plus the share usually paid by employers on their behalf. However, the tax laws enacted in 2017 allowing gig workers to deduct 20% of their revenue from taxable income may help offset the additional employment taxes.¹

This paper takes a deeper dive into the gig work experience by examining how it differs across three different generations of workers: Millennials (those ages 18-35), Gen Xers (ages 36-55), and Baby Boomers (ages 56+).² People in these generations use gig work, in many cases, very differently. Understanding how and why they use it can give employers important insights into workers’ expectations and needs, which in turn can help employers attract the best talent.

The survey defined gig workers as people who work for themselves while providing a service or labor—freelancers, independent contractors, on-demand or temporary workers.

¹ Noam Scheiber, *New York Times*, “Tax Law Offers a Carrot to Gig Workers. But It May Have Costs.” 2017.

² Because there is no “official” definition for Millennials and Gen Xers, these age groups were used in the survey as a proxy for the generations.

While many full-time and part-time workers supplement their jobs with gig work, this paper focuses solely on Gig Only workers—those who exclusively conduct freelance work. Unless otherwise stated, the findings in this report are from the Gig Worker On-Demand Economy survey, and refer strictly to Gig Only workers.

The Gig Market: How Big Is It?

Despite the challenges associated with gig work, the gig economy is widely estimated to be growing, with newer tech companies leading the way. Given that these companies tend to employ a higher percentage of young workers than older, more established companies, this suggests the gig model will ultimately have the biggest impact on younger Americans. One survey estimates that about 24% of Millennials have worked as an independent contractor/freelancer in 2015, versus 15% of Gen Xers and just 9% of Boomers.³ When asked how they think the nature of jobs will change over the next 30 years or so, 62% of Millennials say it is somewhat or highly likely that traditional full-time employment will largely disappear, and that freelancers will make up 75% or more of the U.S. workforce.⁴

24%

of Millennials have worked as an independent contractor or freelancer in 2015.

Gig Workers: Generational Profiles

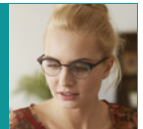
Life stage has a significant impact on why people choose to do gig work, and on the type of work they perform. It also affects their financial wellness and their attitudes about gig work. While there are many different types of gig workers in each generation, the survey identifies clear characteristics for each group.

Based on these characteristics, we've constructed hypothetical profiles for gig workers from each generation

Millennial gig workers are most likely to:

- Be a stay-at-home parent or a student, and female
- Have children under the age of 18
- Have a slightly more professional job, proactively choose to do gig work, and view gig work as an important step toward realizing their long-term aspirations
- Be comfortable taking risks with their career, and proactively exploring how to be their own boss
- Use technology platforms to get work or acquire clients
- Have financial wellness challenges due to low income, high debt levels, low homeownership rates, and limited access to employer-sponsored benefits—all of which can leave a family with young children especially vulnerable financially
- Have the potential to improve their financial wellness because they live in households with multiple sources of income, perform more professional types of gig work, make greater use of technology-enabled job search platforms, and have commitments that will likely prove temporary (e.g., being a stay-at-home parent or student)
- Seek financial advice from family and friends

MILLENNIAL



“Flexibility, life balance, financial challenges, upside potential”

Anna is a stay-at-home mother with children under the age of 18. She chose gig work to improve her life/work balance and follow her passion. Anna works in sales about 25 hours per week and earns \$28k annually, but it is not the only source of income in her household. She is not a homeowner, and has no access to employer-sponsored benefits. Overall, though, Anna is satisfied with her employment situation and would not want to change it.

³Kantar Consulting, 2016 U.S. Monitor, 2017.

⁴Prudential, “80-Year-Old Millennial” research, 2017.

Gen X gig workers are most likely to:

- Be single (including divorced, widowed, or separated), with gig work their single source of income
- Work the most hours per week of any generation—but still earn less than Boomers
- Have only a high school education
- Not identify as a student, retiree or stay-at-home parent
- Begin doing gig work due to circumstances beyond their control (a trait they share with Boomers)
- Struggle financially, and need money to make ends meet
- Have financial wellness challenges due to living in a single-income household, and, like Millennials, having relatively low income and little access to employer-sponsored benefits and retirement plans
- Have limited potential to improve their financial wellness due to living in a single-income household, being in mid-career, doing mostly non-professional work, and already working nearly full-time hours
- Be least satisfied with their current situation, and most interested in switching to a traditional job

Boomer gig workers are most likely to:

- Be a retiree, and working to make ends meet
- Want more freedom from bureaucracy
- Along with Gen Xers, begin doing gig work due to circumstances beyond their control
- Have gone to graduate school, but nonetheless do the least skilled gig work
- Have a higher degree of financial wellness because they have higher levels of income, multiple sources of income, and access to employer-sponsored benefits—and also because they are married or partnered, own their own home, and do not have children under 18
- Seek advice from a financial professional
- Be satisfied with their current situation, and least interested in switching to a traditional job

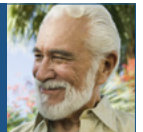
GEN XER



“Not so satisfied, struggling financially, stuck”

Mike earns \$36k annually working about 30 hours per week in construction. His motivation to work is “nothing more than paying bills.” Mike is divorced, and gig work is his only source of income. He says he struggles financially, and needs money to make ends meet. Moreover, he does not have assets in an employer-sponsored retirement plan. Overall, Mike is not satisfied with his employment situation and is interested in switching to a traditional job.

BOOMER



“Moving along, bridging to retirement, happy with current situation”

Jose started doing gig work in response to a corporate downsizing. He earns \$44k annually working about 25 hours per week in personal care, which is a new line of work for him. Despite this schedule, he considers himself retired. Jose has access to some employer-sponsored benefits through his spouse and his former employer. He likes his employment situation and would not want to change it.

Gig Life Varies from One Generation to the Next

For most gig workers, lifestyle, financial wellness, attitudes about work and even the nature of work vary depending on which generation is doing the work.

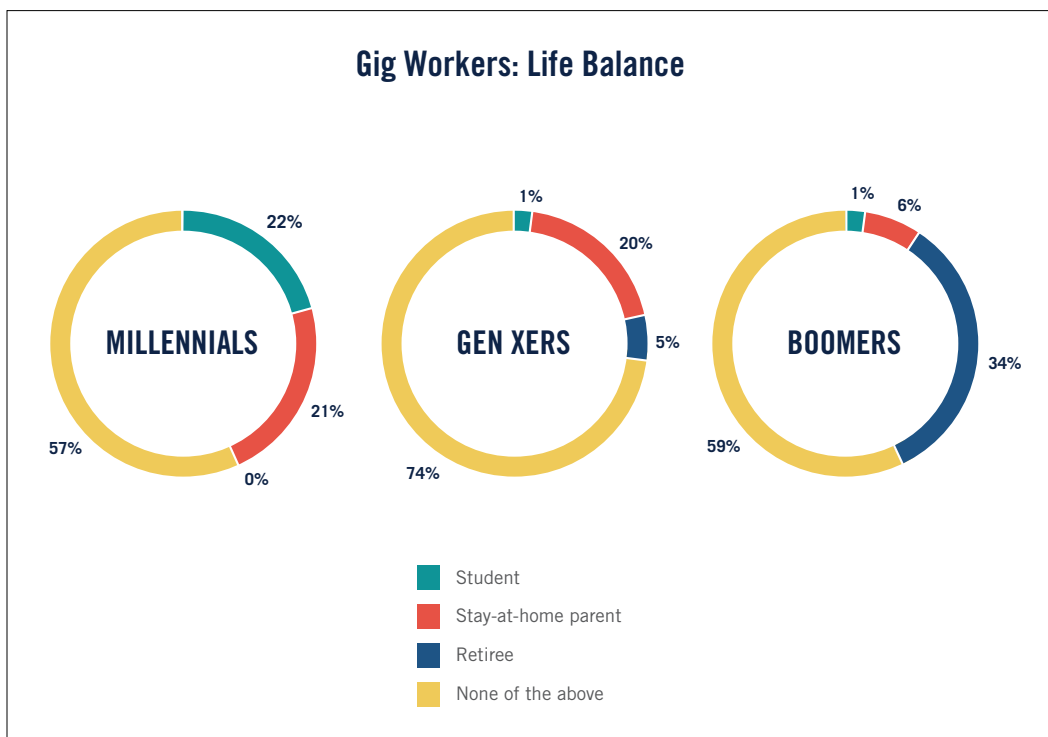
Lifestyle

For Millennial gig workers, it's all (or mostly) about work/life balance. Nearly half of Millennial gig workers—43%—are either stay-at-home parents or students, and gig work appears to help them balance their work and personal lives. When asked why they started doing gig work, for example, the most common response for Millennials was that they wanted more time for things important to them (40%), followed by wanting to pursue their passion (35%). As expected, Millennials are much more likely to have children under the age of 18 in their households (56%) than Gen Xers (35%) or Boomers (5%).

For Gen Xers, gig work is less critical to balancing work and other responsibilities, perhaps because only 21% are stay-at-home parents or students. Instead, Gen Xers are by far the most likely to say they do gig work because they need money to make ends meet, with 59% citing that as their primary motivation. A third of Gen Xers also say they got into gig work “due to circumstances beyond my control.”

Many Boomers also say they started doing gig work because they needed money to make ends meet (46%), although another 38% say they simply want more freedom from bureaucracy and red tape. A third of Boomer gig workers say they are retired, voluntarily or not, which suggests they may actually be using gig work as a way to transition into retirement. Like Gen Xers, a third of Boomers also say they began doing gig work due to circumstances beyond their control.

Living arrangements vary by generation, too. Almost half of Millennial gig workers (48%) live in urban areas, versus 28% of Gen Xers and 30% of Boomers. Millennials are the least likely to own their homes, too. Just 31% of Millennial gig workers are homeowners, versus 50% of Gen Xers and 80% of Boomers.



Financial Wellness

Financial wellness refers to a person's ability to achieve the foundational elements of financial security by properly managing their day-to-day finances, working toward important financial goals (such as saving for retirement), and protecting against major financial risks.⁵ In addition to these behavioral factors, financial wellness is heavily influenced by income levels, retirement savings levels, and the degree to which an individual is protected against financial risk.

By most measures, Gen Xers seem to be the least financially secure gig workers. Sixty-three percent say they are struggling financially, compared with 49% of Millennials and only 32% of Boomers. Gen Xers also are most likely to say that due to inconsistent cash flows, gig work makes it difficult to stick to a budget (cited by 40% of Gen X gig workers) and make ends meet (37%).

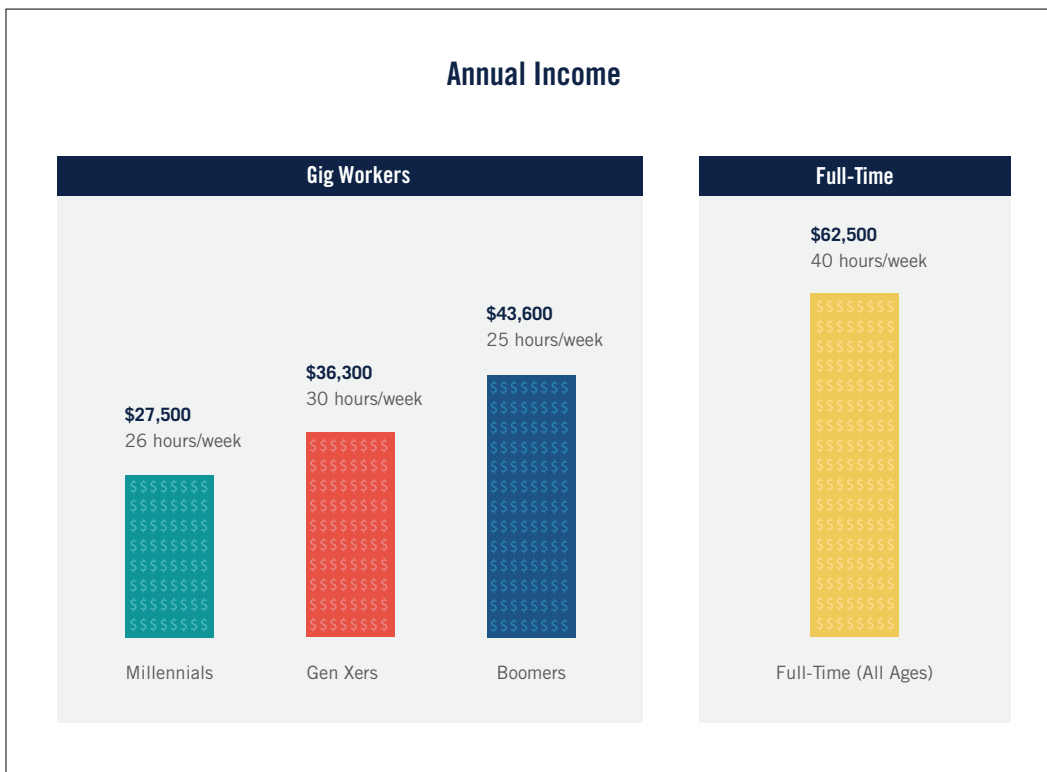
The three generations also report widely different experiences relating to their income levels, their access to employer-sponsored benefits and retirement plans, and their preferred sources of financial advice.

Income

Across the generations, gig workers earn, on average, only about 58% as much as full-time employees (\$36,500 vs. \$62,500), making it particularly challenging for gig workers to manage their day-to-day finances. One reason for the income discrepancy is that gig workers put in fewer hours than traditional full-time workers—a median of 25 hours per week, versus the standard 40 for full-time employees.

Income levels improve as gig workers age, however. While Millennials earn an average of \$27,500 annually, for example, Gen Xers earn \$36,300 and Boomers \$43,600. Note that the typical Gen Xer earns less than the typical Boomer even though the average Gen Xer works more hours.

63%
of Gen Xer gig workers say they are struggling financially, versus 49% for Millennials and 32% for Boomers.



⁵Prudential, "The Power of the Wellness Effect," 2017.

Not only do Gen X gig workers earn less than Boomers on average, they're also more likely to be the sole source of household income. Almost half of Gen Xers—49%—say their gig work is their sole source of income, compared with 36% of Millennials and 32% of Boomers. Marital status may factor into those statistics: only 39% of Gen Xers are married, versus 52% of Millennials and 60% of Boomers.

Benefits

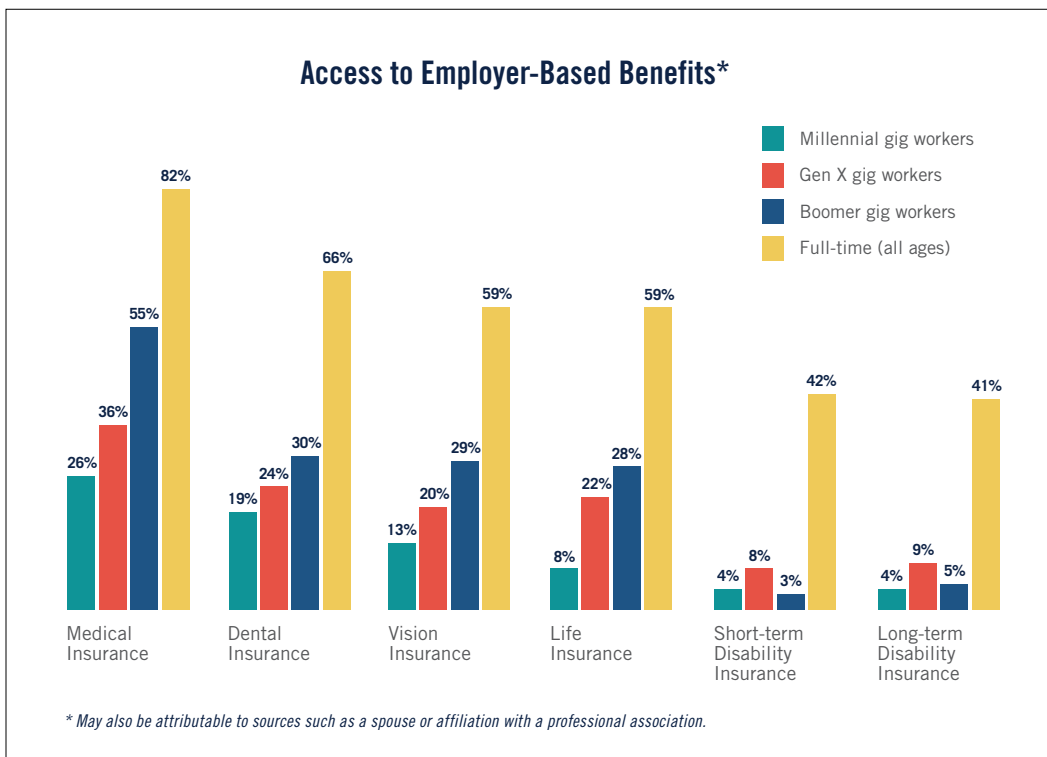
Over half of all gig workers (54%) lack access to employer-sponsored benefits.

This leaves them vulnerable to key financial risks: disability, critical illness, a premature death in the family. In fact, gig workers have access to employer-based benefits at less than half the rate of full-time employees. Only 40% of gig workers have the opportunity to receive employer-based medical insurance, for example, versus 82% of full-time workers. For dental insurance, the split is 25% versus 66%. For life insurance, it's 20% versus 59%, and for short-term disability insurance it's 5% versus 42%. Where gig workers do have access to benefits, it is sometimes through a spouse or professional association.

Just as income goes up for older generations of gig workers, so too does access to benefits. Put another way, access to benefits is least common among the youngest gig workers. Seventy percent of Millennial gig workers report having no access to employer-based benefits, compared with 54% of Gen Xers and 44% of Boomers. Looking specifically at insurance, only 26% of Millennials have access to medical insurance, compared to 36% of Gen Xers and 55% of Boomers—with similar disparities for dental and life insurance.

54%

of gig workers have no access to employer-based benefits.

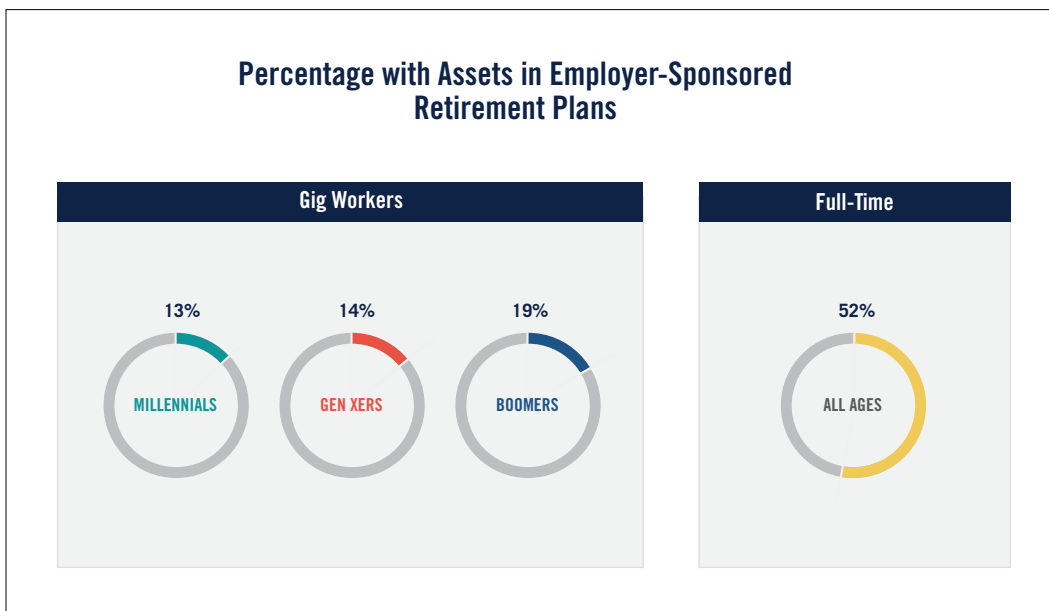


Retirement Plans

Lack of access to an employer-sponsored retirement plan is a critical challenge for gig workers. Not only do they miss out on the convenience of contributing to a plan via payroll deduction—which makes it easier to stick to a savings regimen—they also miss out on the matching contributions many employers make on behalf of their employees.

Among all the gig workers surveyed, only 16% have assets in an employer-sponsored retirement plan, compared with 52% of workers with full-time jobs.

The percentage of gig workers with assets in retirement plans increases by generation, but not significantly, starting at 13% for Millennials and reaching 19% for Boomers. Of particular concern are the Gen Xers—the middle generation in which the oldest members are already in their mid-50s. Only 14% of them have assets in employer-sponsored retirement plans, barely more than Millennials.



Advice

Given the financial challenges facing gig workers, it is clear they need help in planning for and achieving financial wellness. However, **when asked what sources of advice they regularly use, one of the most common responses was “none.”** Among those who do seek advice regularly, Millennials and Gen Xers cite family and friends as their top choice, while Boomers cite professional advisors. This may be because Boomers tend to have accumulated more assets, have more complicated family structures, and are more likely to be planning for retirement. Boomers also rely on newspapers, magazines and books for advice, while social media is on the radar screen for Millennials.

Gig Workers: Sources of Financial Advice*

(Ranked by Frequency)

Millennials		Gen Xers		Boomers	
1. Family or friends	52%	1. None	42%	1. None	35%
2. None	30%	2. Family or friends	32%	2. Professional financial advisor	26%
3. Other online sources	15%	3. Local bank/credit union	14%	3. Newspaper, magazine, books	22%
4. Professional financial advisor	13%	4. Professional financial advisor	13%	4. Financial institution websites	19%
5. Social media networks	12%	5. Financial institution websites	13%	5. Local bank/credit union	18%

* Survey respondents could select multiple sources of financial advice.

Nature of Work

The most common types of work done by gig workers are construction, installation and repair services, and personal care. While there is little variation by generation, Millennials are slightly more likely to provide professional services in specialty fields. Three of the five most common jobs among Millennial gig workers are in the sales, art/design, and media/communications fields. **Nearly half of all Millennial gig workers (48%) use technology platforms to find work or generate business with clients,** compared with only 35% of Gen Xers and just 19% of Boomers. It is reasonable to expect that the types of work done by Millennials, and comfort with job-finding technology platforms, to become more common over time.

Among the two older generations, Gen Xers have a slightly more professional mix of jobs than Boomers. Media/communications and computer/IT jobs rank among the five most common types of jobs among Gen Xers. Although Boomers are more likely to have attended graduate school, they do less skilled gig work, perhaps indicating they want to be doing less-demanding work as they approach or enter into retirement—or simply that they were not able to find work in their previous field.

48%
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Gig Workers: Nature of Work

(Ranked by Frequency)

Millennials	Gen Xers	Boomers
1. Sales	1. Construction, Installation & Repair	1. Construction, Installation & Repair
2. Art & Design	2. Personal Care & Service	2. Personal Care & Service
3. Personal Care & Service	3. Business & Financial	3. Business & Financial
4. Construction, Installation & Repair	4. Media & Communications	4. Sales
5. Media & Communications	5. Computer & IT	

Attitudes

Gig work fulfills different needs for different generations, which is reflected in their attitudes about the kind of work they do and why they do it. As noted earlier, Millennials place a stronger emphasis on work/life balance when choosing to do gig work, while Gen Xers are more likely to see it as a means of making ends meet. Boomers, by contrast, are the most likely to choose gig work to earn discretionary income or escape bureaucracy.

Compared to Gen Xers and Boomers, more Millennials see gig work playing a strong role in helping them achieve their aspirations, and they proactively pursue this type of work—perhaps in part because they tend to take more professional jobs. By contrast, Gen Xers and Boomers are more ambivalent about their gig jobs, with more than half saying they do gig work for no reason other than to pay bills.

Overall, 75% of Boomers and 67% of Millennials say they “like (their) current work situation and wouldn’t want to change it,” versus just 45% of Gen Xers. It follows that Boomers are the least interested in taking a traditional full-time or part-time job. Just 10% would like to do so, compared with 20% of Millennials and 24% of Gen Xers.

75%

Boomers

67%

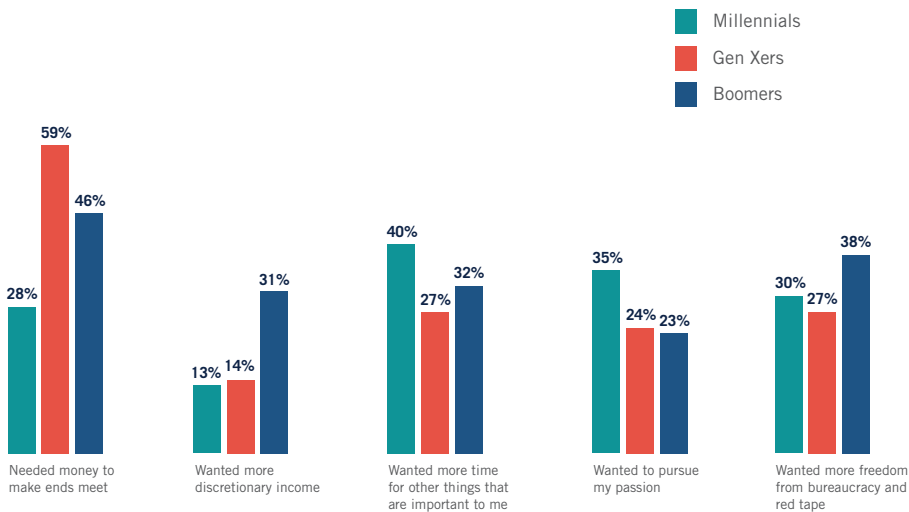
Millennials

45%

Gen Xers

say they “like” their current work situation and wouldn’t want to change it.

Gig Workers: Reasons for Starting Gig Work



Takeaways

Approaches to gig work, and attitudes toward it, vary from generation to generation. As the labor market tightens, employers who understand how the different generations use and view gig work may find themselves better equipped to meet workers' expectations and needs—and so improve their ability to attract the talent they need.

Gig work appears to function best today for the Baby Boom generation, whose members in some cases are already established financially and are looking to gig work as a bridge to retirement.

At the opposite end of the spectrum, many Millennials appear to be making a short-term decision to embrace gig work as a means of balancing work/life demands. While that has left many of them with financial wellness challenges, it is worth noting that Millennials still have three or more decades to work and improve their financial situation.

Gen X gig workers also face financial wellness challenges, but do not have as much time to shift their career path and improve their financial life.

The growth of the gig economy, and the changes it has produced in the employer/employee relationship, has implications for workers and employers alike, and for financial advisors and policymakers.

- **Gig workers.** Gig work clearly presents financial challenges for many people, especially Gen Xers. Given their lower average income levels and their widespread lack of access to employer-sponsored benefits, Gen Xers would appear to be in need of financial guidance. Yet most gig workers do not regularly seek advice on financial matters. When they do, Millennials and Gen Xers often turn to family and friends. Boomers are the most likely to seek the services of a professional advisor. Other generations may wish to consider joining the Boomers in doing so, and/or in taking greater advantage of the many financial planning tools now available to them.
- **Advisors.** Gig workers may need a broader level of advice than traditional employees who have access to employer-sponsored benefits and retirement plans. Advisors can help gig workers not only with setting up retirement savings plans but also with acquiring adequate insurance coverage and developing budgets.
- **Employers.** Employers who use the gig model may want to consider offering gig workers the same holistic financial wellness programs they provide to traditional employees as well as voluntary benefits (not covered by ERISA). To attract the full-time talent they need, employers also may want to make it easier for workers to balance work and life responsibilities by offering flexible work schedules, student loan repayment programs and training programs—along with transitional work for those looking to segue into retirement.
- **Policymakers.** Today's financial wellness challenges may lead to tomorrow's retirement shortfalls, which could strain government programs and resources—especially once ill-prepared Gen X gig workers begin exiting the workforce. Policymakers may want to encourage both public- and private-sector solutions to delivering health, retirement and other benefits to gig workers.

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.

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