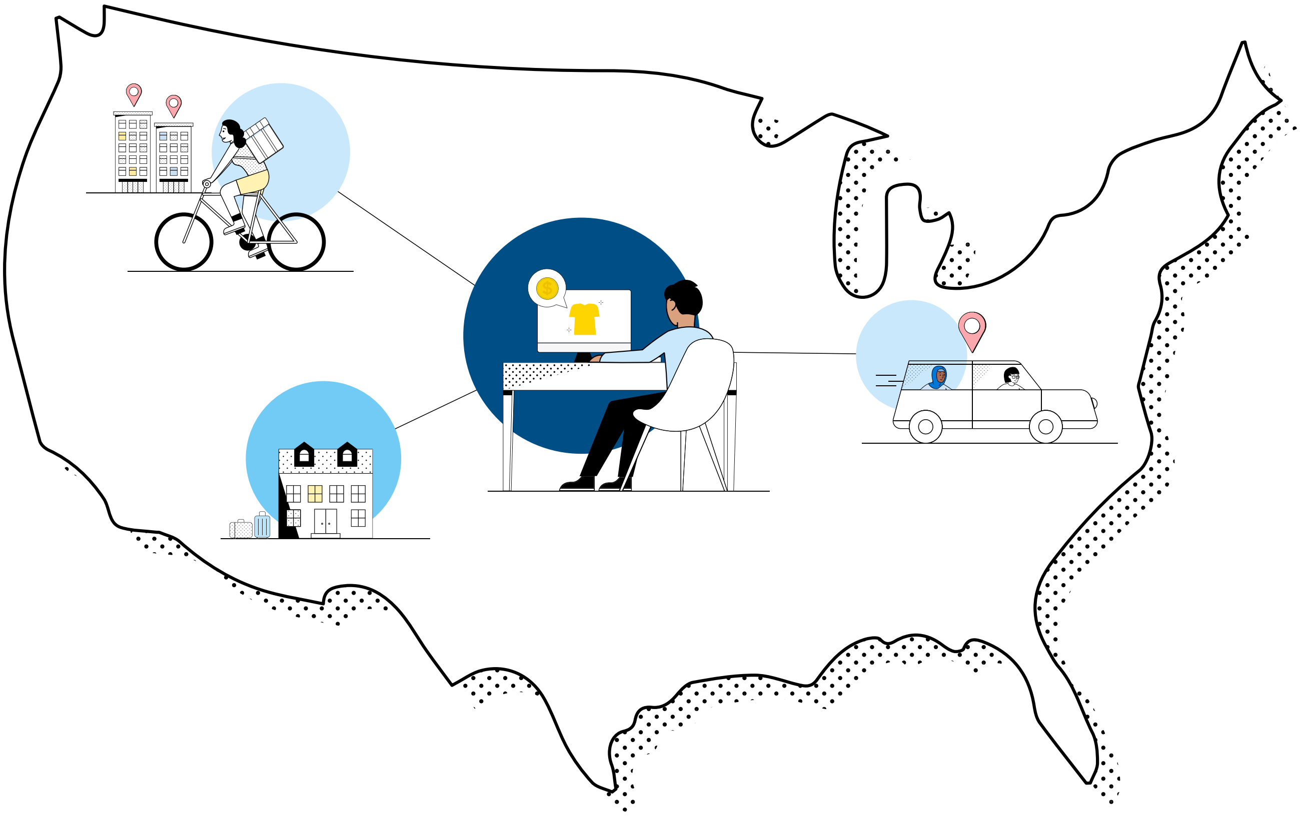
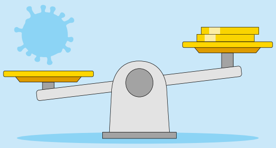
Legal & General U.S. Gig Economy study: Part 7

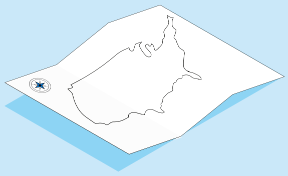
Covid's impact on gig worker earnings shapes evolving work models



43% of gig workers reported a decline in earnings due to the pandemic; of these, almost half are in the lowest income brackets

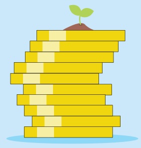


Wide variations by state reported on pandemic income increases and losses



27% said their income increased due to the pandemic

42% of those who already earned +$200K



A third of gig workers appear to have remained financially unaffected by the pandemic or current economic crisis

With the World Health Organization's recent announcement that Covid-19 no longer constitutes a public health emergency of international concern, the world should begin to move on. But the roughly two-and-a-half-year period encompassing the worst of the global Covid-19 pandemic advanced some major changes in the way we work, which may not necessarily spring back to pre-Covid norms. Working from home has become a goal of many former full-time office employees; long Covid is only beginning to be acknowledged and understood; and with the much anticipated economic slowdown yet to arrive, Wall Street analysts are projecting that layoffs could reach 3.4 million by Q3 2024. While we're continuing to assess the impact of Covid-19 on how we work, one area experts seem to agree on is that the pandemic led to a surge in gig work in the U.S. Mass layoffs could result in a further increase in the ranks of independent workers. How did freelancers fare during that challenging time? And how might they weather continuing and future economic disruptions?

Recent estimates of the economic toll of Covid-19 are pegged at $14 trillion by the end of 2023, and the ongoing debt ceiling crisis has led to the clawing back of some $30 billion in unspent pandemic funds that will flow back into the larger U.S. economy. To that end, it's been reported that only 23 to 34 percent of the loan money from the $800 billion Payment Protection Program (PPP) went directly to workers who would otherwise have lost their jobs.

Against this backdrop, we now look at how U.S. gig economy workers have been affected by the pandemic and subsequent cost of living crisis. Our research uncovered a layered set of responses to questions around the pandemic. Here we'll look at how various sectors and demographics responded to Covid-19, as well as gig workers' attitudes toward their chosen mode of working during this period of huge societal change. In particular, we'll look at how the pandemic affected their earning power, which could serve as an indicator or how this growing segment of the U.S. workforce could fare during future economic disruptions.

In terms what precipitated becoming an independent worker, only about one in 10 reported that the pandemic had specifically motivated them to join the gig economy—6 percent told us it was the only work available during the pandemic/recession, while an additional 4 percent said that Covid-19 accelerated their move into freelance work.

As one respondent put it:

> "Laid off because of the pandemic. Would not go back to full-time work."

Nonetheless some interesting, and sometimes concerning, trends emerged: females and those in the lowest earning group fared the worst in the pandemic, as their work is often in the health and services sectors; 18 to 24-year-olds just entering or newly in the workforce experienced unique difficulties, though not as much financial hardship; a couple of U.S. states stood out as being the best and worst places to have weathered the pandemic; and a large segment of U.S. gig workers expected a reduction in their income over the next year.

Who did better, who did worse? And who remained relatively unaffected?

The segment of gig workers we spoke with offered a nuanced picture, falling into roughly three categories. The pandemic did have a negative impact for many gig workers, but some were able to benefit—our research showed that 27 percent realized an increase in their income. The more affluent freelancers were more likely to report increased or strongly increased earnings. Those working in several niche sectors, notably management consulting and IT, were more likely to increase their fees during Covid, though—as would be expected—drivers made more, as well. Among gig workers with an annual income of over $200,000, 42 percent reported higher earnings during this time; additionally, those who are highly educated earned more.

For those who did well during the pandemic, some of this was likely due to the sudden diaspora from the workplace and the fact that they were already set up to work from home. In our analysis, this segment was able to benefit from opportunities opened up by the pandemic—for example, in some fields (tech, consulting) freelancers stepped into work that permanent salaried workers were no longer able to do.

As one gig worker put it:

> "The threat of Covid was too severe to work in public."

Gig workers in the highest bracket ($100K to $4 million a year) made out the best, with 17 percent overall reporting their income increased a lot and an additional 20 percent that it had increased a little. In contrast, only 6 percent of those in the lowest bracket (less than $50K annually) said their earnings increased a lot, while 16 percent reported a small increase.

Lower earners were more affected by a loss of income during the pandemic and markedly more females were among lower earners, our research shows. Overall, 43 percent of gig workers we talked to suffered reduced income as a result of Covid-19—for those in the lowest income bracket, this climbs to 46 percent. Once again, the losses skew toward the have-nots, with 26 percent saying their earnings decreased a lot, compared with 22 percent overall and only 15 percent in the highest income bracket. Around 21 percent of our total sample of freelancers said their income had dropped by a little.

Still, a group of people, about a third of our respondents, said that the pandemic and current economic headwinds have had little impact on their earnings. One respondent told us that freelancing was making...

> "... Less and less of a contribution since Covid."

Maybe they were too busy to notice, but 28 percent of gig workers reported no change in earnings during the pandemic, and 34 percent expected nothing to change in their earnings for the 12 months afterward, with the ensuing economic crisis. Overall slightly more than a third of gig workers expected a decrease in income over the next year, while only 23 percent anticipated earning more.

Why did females fare so poorly in the pandemic?

We've seen that in general, women freelancers tend to make out worse financially than their male counterparts. In our analysis, the decline in women's earnings during the pandemic is likely linked to the sectors in which they performed their services. More females were employed in various mixed gig work areas that took the biggest hit during Covid, accounting for 36 percent reporting pay decreases. Contrast this with 4 percent of IT gig workers reporting earning declines—far fewer females provide IT services, the least impacted sector. Health & Beauty was one female-dominated profession that was badly impacted by Covid (see chart below). It's hard to perform nursing duties or do facials and manicures over Zoom.

Both women with children and those without recorded higher declines in earnings than the men we talked to. However, as noted above, it appears that the drop was driven by the sectors in which they performed their services—they were far more likely to be working in those services most affected by the pandemic. Women are more likely to be among the lower earners, in any case: 58 percent of women were in the lowest income bracket ($50k a year or less) compared to 40 percent of men. In the top earnings group, there were only 18 percent women while 28 percent were men. Our analysis concludes that if the lower earners (more likely women) were more affected by a pandemic-driven impact on their earnings, it was more likely that they were hit harder.

	Gender			Impact of pandemic on earnings	
Sector	**Women**	**Men**	**All**	**Net increased**	**Net decreased**
Other (please specify)	**29%**	**37%**	**33%**	**32%**	**36%**
Sole Professional Services / Consulting	16%	17%	16%	**16%**	**17%**
Creative / Design / Arts / Music / Video	8%	9%	8%	**6%**	**11%**
Agriculture / Seasonal / Construction	11%	5%	8%	**6%**	**7%**
IT / Web design, etc.	**12%**	**2%**	**7%**	**9%**	**4%**
Media / Writing / Digital marketing	5%	8%	7%	**7%**	**5%**
Beauty and health	**5%**	**8%**	**7%**	**8%**	**7%**
Driving / Transportation / Delivery	7%	4%	6%	**9%**	**5%**
Family business operator	6%	5%	5%	**4%**	**7%**
Online / App based services	1%	3%	2%	**1%**	**2%**
Office temp	0%	0%	0%	**1%**	**0%**

Source: Legal & General

Did those with kids do better or worse than those without kids?

Returning to the question of gig workers who are parents, our research showed that overall, parents' earnings didn't change significantly compared with non-parents. However, we did see some differences between mothers and fathers (see table below). While half of women, both, mothers and non-parents, saw declined earnings, fewer mothers benefited from increased earnings. As we've seen, however, other factors besides parenthood affected their income during the pandemic.

Interestingly, male parents saw a stronger impact of Covid on their earnings than those without children. The pandemic affected gig working fathers in two different ways: first, more men with children increased their earnings compared to men without children (35 percent vs. 30 percent). Also, fathers had lower earnings than childless males. Our analysis holds that some fathers may have had to take on more work to enable their partners to provide childcare, while others took on less work in order to share the parenting duties.

	Gender		
Impact of pandemic on earnings	**Women**	**Men**	**All**
All			
There was no change	27%	29%	28%
Net increased	24%	30%	27%
Net decreased	47%	38%	43%
Parents			
There was no change	31%	22%	26%
Net increased	21%	35%	29%
Net decreased	46%	42%	44%

Source: Legal & General

How were Gen Z and millennial gig workers impacted?

Our research shows that the pandemic appeared to be least impactful on the earnings of the youngest gig workers. One third of those in the 18- to 34-year-old age group (millennials and Gen Z) reported lower income—and only 8 percent reported markedly lower earnings. Contrast this with gig workers in the 35- to 54-year-old group (Gen X), nearly a quarter of whom suffered a major drop in earnings. Among the younger group, 18- to 34-year-olds are more likely to be among the lower earners; but a good proportion of them, particularly the millennials, have already achieved financial success. The pandemic seems to have affected them less than other age groups. Worryingly, however, there are markedly more females among the lowest earners in this age group, too. Inequity seems to be holding fast.

Here's a table showing the annual earnings of gig workers across generational groups. We've broken out the females in the youngest group to show the difference in pay between young men and young women.

We posit that the worst effects of the pandemic on especially the youngest workers were more related to mental health than to income. Those entering or just getting out of college have had their overall expectations lowered by the sheer loss of life and, also important, the educational opportunities missed during the long period when schools, universities and even travel were shut down and off limits to them—important career building blocks like summer internships, shadowing professionals to see what their work was like, even engaging in in-person classes in their chosen career field, were removed from their reach. It's likely that this group will work even harder to support their independence and freedom than many generations before theirs have had to do.

	18-34		35-54	55+	All
Yearly earnings from gig work		**Women**			
100k - 4000k	23%	18%	22%	26%	23%
50k - 99k	24%	17%	28%	29%	28%
<50k	53%	65%	50%	44%	49%

Source: Legal & General

States and regions of the country most affected by Covid-19

Our research assessed the regional impact of the pandemic on gig workers, as well as a dozen of the largest states. While regionally there weren't significant differences—the Northeast, Midwest, South and West all hovered around 27 percent of freelancers reporting a net increase in income and 43 percent reporting a next decrease—the Northeast did see more significant rate increases than the other regions. There, 11 percent of gig workers reported that their earnings increased a lot, and 28 percent that they increased slightly; these numbers in the other three regions were 7 to 9 percent and 26 to 27 percent, respectively.

However, among the states, we saw significant differences (see chart below). Texas stands out as more negatively impacted by Covid than other states, with 54 percent of freelancers there reporting a net decrease in earnings. Meanwhile, only 16 percent of gig workers in Illinois reported a net increase in pay. Earnings in Georgia were the least affected—gig workers there seem to have been less financially affected by the pandemic than those in most other states.

State		Net increase	Net decrease
California	114	30%	38%
New York	92	29%	37%
Texas	81	25%	54%
Florida	67	30%	33%
Pennsylvania	51	27%	45%
Georgia	34	44%	26%
Ohio	34	29%	44%
New Jersey	33	33%	48%
Illinois	32	16%	31%
Missouri	28	25%	46%
North Carolina	27	33%	48%
Colorado	26	19%	50%

Source: Legal & General

For U.S. gig workers, the pandemic represented more continuity than departure

Our research leads us to believe that the gig economy, already in place well before Covid-19, represents a new work paradigm that can continue to thrive in the face of future economic disruptions. The pandemic did not appear to be a major driver away from the traditional workplace, as only 4 percent of the gig workers we spoke with said that "Covid accelerated the move" to independent work. Among the worst things about gig work, 29 percent reported feeling isolated, not "in the game." Though the pandemic likely made this a widespread sentiment even beyond gig workers, they especially seem to suffer a lack of confidence in the long-term stability of their work and income—44 percent weren't confident that they could continue to support their family financially if they were no longer able to work.

On the other hand, although more gig workers reported a loss of income than improvement in their earnings during Covid, overall the pandemic may have netted out as a strangely positive force for the Gig Economy: "Having a pandemic-ready work life already in place before March 2020" was cited by 13% as among the best things about gig work. Only 6% of gig workers reported that freelancing was the only work available during Covid.

This report from our U.S. Gig Economy research took a closer look at whether the estimated 73 million freelancers currently working in America benefited or were harmed by the sudden suspension of onsite work, shuttered retail businesses, and slow climb back from the difficulties of Covid-19. Here's a quick recap of our prior reports. Our study looked at many facets of the gig economy, including, in Part 1, its apparent staying power; in Part 2, the vast range of industries and pay scales represented; the overwhelming choice to take on independent work, versus from necessity, in Part 3; in Part 4, gig workers' lagging health and life insurance coverage compared with their W2-employed peers; and their fierce independent mindedness, in Part 5. We issued a Flash Report on tech gig workers in response to mass layoffs in the U.S. technology sector; and we looked at the wage gap and other gender issues in our Special Report for International Women's Day 2023. Part 6 looked at the difficulties gig workers have planning and saving for retirement.

While the longer-term economic and physical effects of the pandemic remain to be seen, for gig workers and employees alike, one factor resonates consistently through our research and what we are coming to understand about the U.S. gig economy: it's not going away. This mode of working represents a changing employment model that companies, policymakers, consumers—everyone engaging with the marketplace—will need to grapple with. The pandemic caused such societal upheaval that those who had already figured out how to adapt to alternative work formats, spaces, schedules and modes of payment—in other words, gig workers—may have positioned themselves well for such shocks. And if the past is any indication of future patterns, they could also exhibit more resilience during any future economic disruption.

The final report in our study will examine what the new worker mindset might mean in terms of employers attracting gig workers back into regular full-time employment. Flexibility and benefits are only part of the equation.

Methodology

The data was collected via online survey fielded to individuals sample sourced from YouGov's US panel. The survey scripted and hosted on Gryphon, YouGov's proprietary survey scripting platform and the field work took place between August 19 and 31, 2022. 1,044 surveys of freelancers and self-employed workers between 18 and 60 years old, non-student/non retired drawing 60% or more of their income from gig work were completed. Key demographics such as age, gender and region were allowed to fall out naturally. 20 questions were designed to understand facts about earnings, drivers of and barriers to gig working, financial product ownership & financial capacity when coming across adverse situations, and future expectations of being involved in the gig economy. Verbatim comments were captured by Legal & General in research carried out in June 2022 among 100 U.S. respondents.

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Sir Nigel Wilson was knighted in the Queen's New Year's Honours list 2022 and has served on the UK government's Levelling Up Council. He has been a member of the Prime Minister's Business Advisory Group for two Prime Ministers and has chaired and served on a variety of UK government commissions. He was appointed Group Chief Executive of Legal & General in 2012 and holds a PhD in Economics from Massachusetts Institute of Technology (MIT).

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