i3 PROGRAM
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The Gig Economy and Financial Health

A snapshot of Malaysia and China

MetLife Foundation

UNCDF Unlocking Public and Private Finance for the Poor

In this report by the Centre for Financial Health, we explore the landscape of the gig economy in Malaysia and China, focusing on gig workers and their financial health. This report is funded by MetLife Foundation through the i3 Program.

What is the Gig Economy?

The COVID-19 pandemic has brought home the extent to which our economies – and our industries – are being reshaped by technology. One such industry is 'the gig economy,' a labor economy of sorts where speed and convenience are the norm, characterized by temporary or short-term work contracts which are sometimes over in a matter of minutes.

Asia cemented its status as a gig economy hub in the last year, with the region emerging as a hotspot for freelance work in both the formal and informal economy. Examples of workers in the gig economy in Asia include an Uber, Grab or a Didi driver transporting riders across town, a foodpanda partner delivering food to people at home or their office, or a cleaner hired off of an app to clean a house for a few hours.

At a glance, this popular trend brings benefits and new earning opportunities. However, there are trade-offs: while folks participating in gig work are exempt from traditional workplace restrictions, the nature of gig work where gig workers earn based on each "short-term" gig means that they could face unpredictable incomes and have difficulties accessing relevant financial services that meet their needs..

The allure of the gig economy

The gig economy boomed within the past decade, largely because of the ubiquitous usage of smartphones, a surging demand for on-demand services, and the billions of dollars of venture capital money invested in companies within this industry. The question the gig economy faces in the coming years isn't whether it will grow, but by how much it will grow as the world rebounds from COVID-19.

The gig economy, at least in its modern 21st-century iteration, exists because of technology both in Asia and around the world. There are countless advantages to a tech-powered gig economy. It drives market efficiencies in record time, allowing gig workers to make an income while enjoying the flexibility of hours and increased autonomy. Gig workers are also able to take on gigs from different platforms depending on where gigs might be available and which ones offer a compelling mix of compensation and work experience.

Furthermore, many gig workers have jobs or businesses elsewhere and are able to supplement their primary source of income through gig work. The gig economy is also inherently inclusive, allowing the participation of groups that traditional economies might leave out such as women, youth, and the elderly.

For all its perks, the nature of labour and income in the gig economy poses trade-offs for gig workers. While the whole world is reeling under the force of the pandemic, with many of them losing their jobs and seeing their savings erode, gig workers could face unique challenges. This would require tailored and innovative solutions that may not currently exist in order to improve gig workers' financial health and overall financial goals.

Read more about the gig economy here.

UNCDF conducted research across five gig platforms in Malaysia and China to examine the financial health of gig workers.

> *Financial health encompasses three important aspects of an individual's financial life: financial security, financial control and financial freedom. It is a model for determining how well individuals are equipped to withstand financial shocks while creating the preconditions for building financial resilience or wealth.*
>
> Read more about financial health here.

Grab	Grab is a technology platform offering a range of everyday services including ride-hailing, on-demand food, package and grocery delivery, and payments and financial services on a single superapp across eight countries in Southeast Asia
foodpanda	foodpanda is a mobile food delivery marketplace operating in over 200 cities globally
FASTJOBS	FastJobs in Malaysia is a job platform facilitating both long-term and short-term gig employment.
GO GET	GoGet Malaysia is an on-demand workforce technology that matches verified GoGetters with organizations seeking short-term or gig labor.
狮桥 为商用车而生	Lionbridge Group is a logistics and fleet-management company in China that contracts self-employed long-haul truck drivers.

UNCDF's research

UNCDF fielded a survey between February and August 2020 and received a total of 16,166 responses across these platforms. The FastJobs sample, in particular, includes responses from non-gig workers as well. Also, since the surveys with FastJobs, Grab, and foodpanda were fielded between May and August of 2020, questions related to COVID-19 were included. The survey sought to gauge:

1	Why do workers choose the gig economy? What are their experiences in the gig economy?
2	What is their financial health status? What are the key financial behaviors they demonstrate?
3	How do they navigate their finances—what products and channels do they use? What barriers do they face?
4	How has COVID-19 impacted them and how are they coping? (FastJobs, Grab, and foodpanda samples only)

Figure 2: Research questions

Sample responses from Grab and foodpanda have been aggregated to represent the ride-hailing and food delivery sector and weighted against the Grab and foodpanda drivers / riders / delivery partners population to produce more representative estimates.

Read more about our research design here.

Here are our top key findings concerning the financial health of gig workers:

1 Flexibility and additional income are top reasons for participation in the gig economy, while uncertainty of future income is a concern.

Gig workers choose to work in the gig economy for a variety of reasons. While the flexibility of hours and extra source of funds are top reasons in the Malaysia sample, the lack of traditional jobs coupled with familial responsibilities emerge as top reasons in the China sample. However, gig workers in both countries indicated that an uncertain income outlook is their primary concern about being a gig worker. This is not surprising given the nature of gig work—gig workers earn based on each "short term" gig. That accords flexibility but also means that income will vary depending on the type and availability of "short-term" gigs. Meanwhile, the lack of social security benefits was a concern for less than a quarter of the sample. This finding suggests that when earning a primary income becomes a challenge, social security benefits—also an important component of job security—might take a backseat

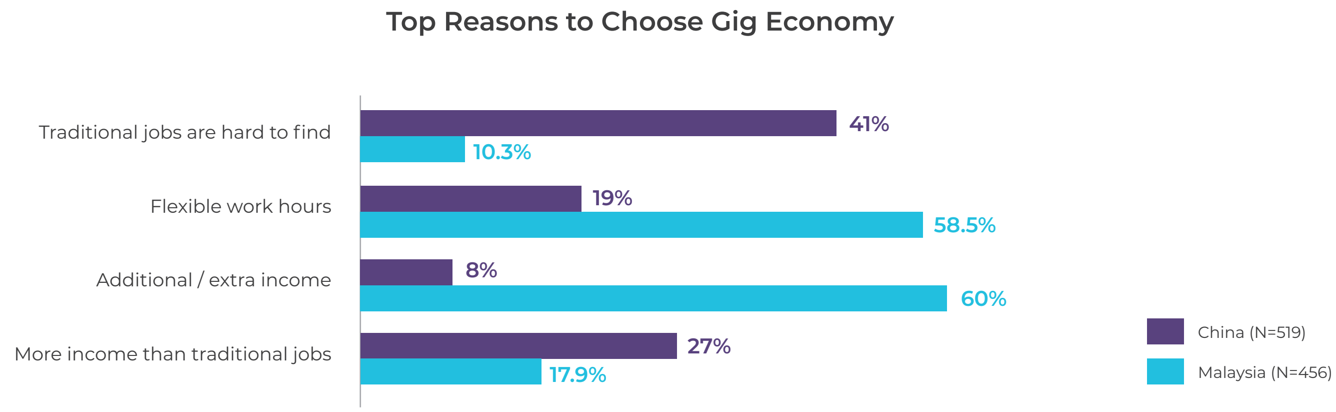

Figure 3: Reasons gig workers choose the gig economy in the China (n = 519) and FastJobs Malaysia (n = 456) samples

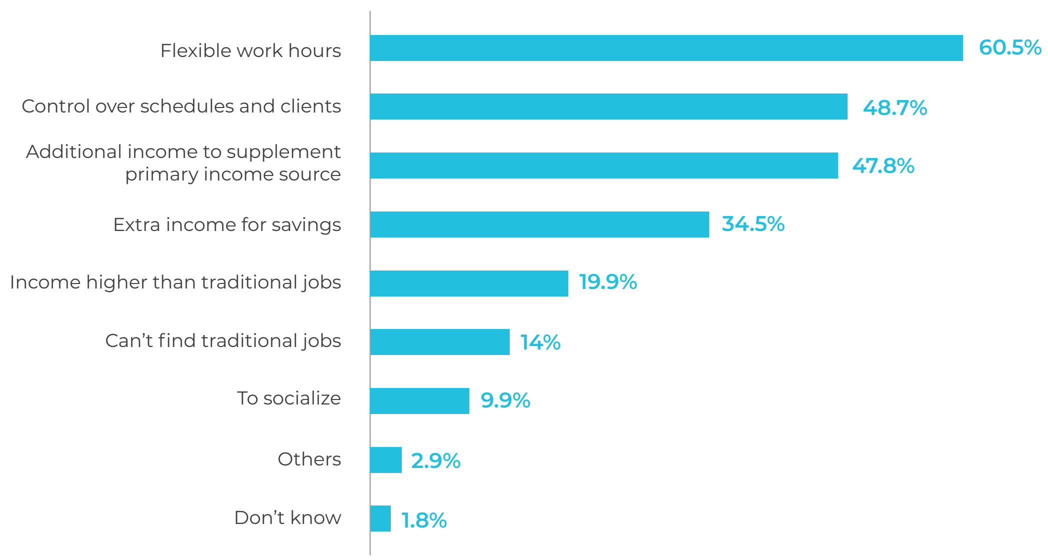

Figure 4: Reasons gig workers choose the gig economy in the ride-hailing/food-delivery industry in Malaysia (weighted analysis using data from the Grab and foodpanda surveys, n = 15,079)

2 Gig workers across the board are somewhat able to meet daily commitments but more can be done to enhance their financial resilience and financial freedom.

Less than half of the gig workers sampled in Malaysia are able to meet their daily commitments, including making debt payments in full and on time. However, most of them struggle to meet financial emergencies. In China, only 22% of the sample has money left over after meeting essential expenses and about 77% of the sample indicated that they needed to borrow to cover essential expenses in the past year. Only 36% felt comfortable with responding to a financial shock.

In regard to financial freedom, gig workers have little wiggle room to do things they enjoy. In China, only 37% of the truck drivers we sampled indicated that they have the financial freedom to enjoy life. In the ride-hailing/food-delivery sample in Malaysia, 13.5 % stated that their income allows them to do things they enjoy. Those with lower incomes and more dependents in China are worse off in regards to financial freedom. In the FastJobs sample, gig workers who also have traditional jobs and/or a business seemed to enjoy more financial freedom.

Gig workers might have experienced lack of financial resilience and freedom even before joining the gig economy, and it could be the case that through "short-term" gigs they are able to better manage their financial lives than before. Our survey results suggest that more can be done though to help gig workers build financial resilience and eventually achieve financial freedom.

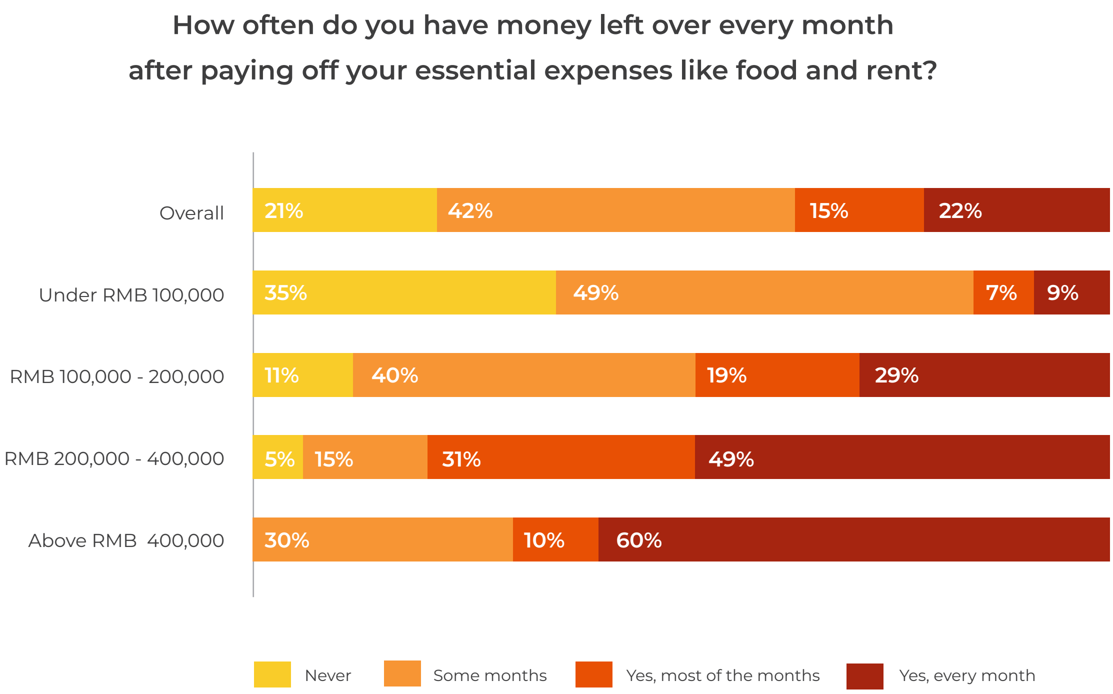

Figure 5: Income sufficiency in the China sample (n = 519)

Consistent savings is associated with good financial health outcomes.

Across the five platforms, those that save frequently are a minority. A quarter of those in the ride-hailing/food-delivery sample save frequently. In the FastJobs sample, 51.8% of respondents have a liquid savings balance of under RM 500 (USD 120) and in the China sample, only 22% had money left over every month. In Malaysia's case, this finding mimics the declining household savings rate for Malaysian working adults as a whole.

Although the level of savings is linked to income, we noticed that the frequency of savings is not. Indeed, in the ride-hailing and food delivery sample, youth under 25 years-old who tend to have lower incomes seemed to save more often relative to the rest of the group.

Gig workers that save frequently do well on all outcomes of financial health: financial security/resilience, financial control, and financial freedom. In the GoGet sample, where a micro-savings product called Pod is being piloted, users of Pod outshone non-users in meeting their daily commitments and coping with financial emergencies. Pod users also worry less about their finances.

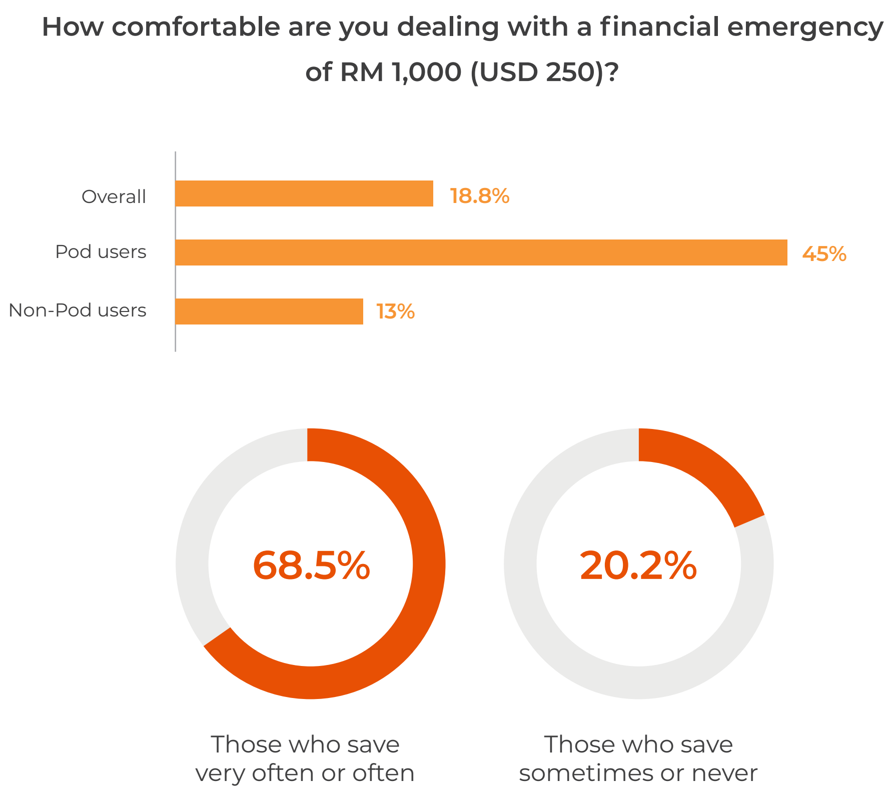

Figure 6: Proportion of users who are comfortable dealing with a financial emergency of RM 1,000 (USD 240). Pod users and those who save often are comfortable more so than the rest. (GoGet sample, n = 112)

3	A majority of gig workers use first-level financial services such as savings accounts and basic insurance, but wide use of a range of financial products is rather limited.

Savings accounts and debit cards are ubiquitously used across the Malaysia sample, but less so in the China sample. About 60% of the China sample had borrowed and most of the respondents had an insurance policy. These figures resonate with the nature of the long-haul truck industry in China, where costs to transport freight are high and risks to truck drivers from accidents and illnesses are substantial. In Malaysia, slightly over a quarter of the ride-hailing/food-delivery sample indicated they use digital wallets, and the use of more sophisticated financial products such as investments, insurance, and credit cards is more prevalent among those earning higher incomes. In China too, the use of a wide range of insurance products (life, health and personal accident) and the amount of coverage are linked to income.

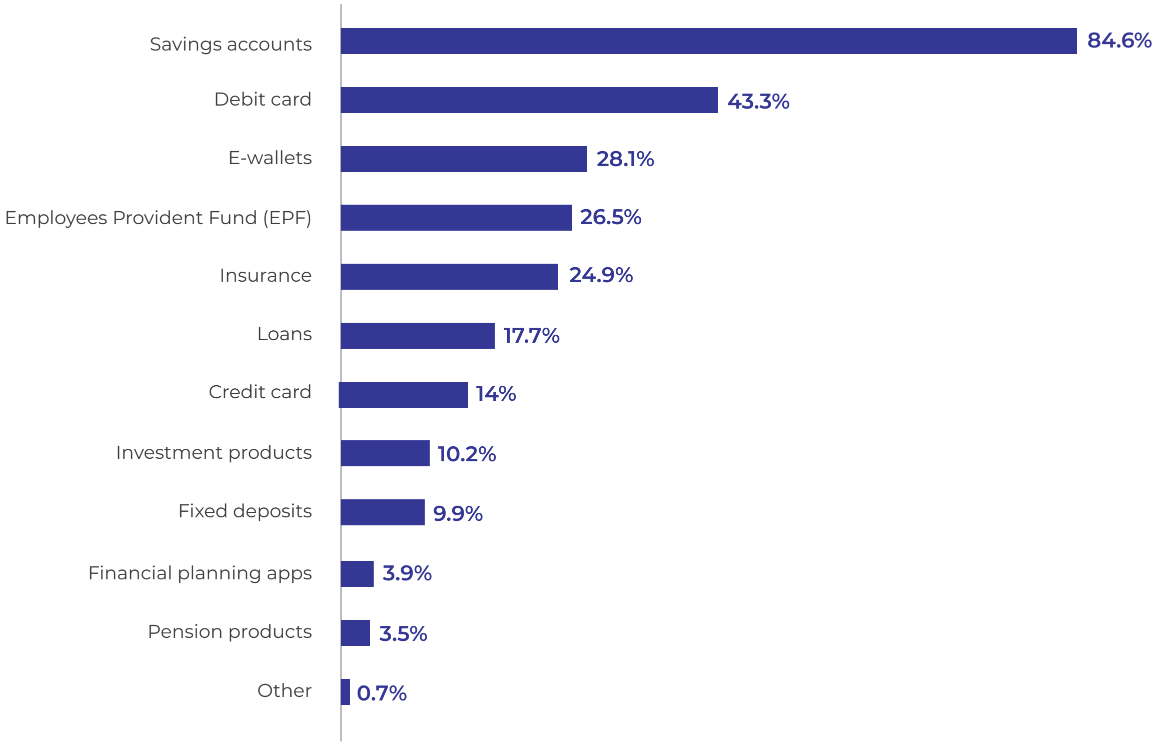

Figure 7: Users of financial services in the ride-hailing and food-delivery sample in Malaysia (weighted analysis using data from the Grab and foodpanda surveys, n = 15,079)

The use of digital financial services (DFS) is mixed. While more than half of the sample in both countries use digital financial services, more than a third indicated that they do not know how DFS work but are willing to learn. The prevalence of cash or over-the-counter methods is a factor. Half of the ride-hailing/food-delivery sample in Malaysia and 39% of the China sample are comfortable with carrying out financial transactions in cash.

The impact of COVID-19 on the financial health of gig workers was only studied in the FastJobs, Grab, and foodpanda samples from Malaysia, as these surveys were fielded from May to August 2020. More than three quarters of these samples experienced reductions in income and felt a strain on financing basic needs, similar to non-gig workers in various sectors. Income stability, stage of life, having multiple income sources, and financial behaviors are important factors here. Those without a stable income and other income sources struggled the most, and those that do not have a financial plan, spend within their means or have a regular savings habit found it harder to meet their basic needs during COVID-19.

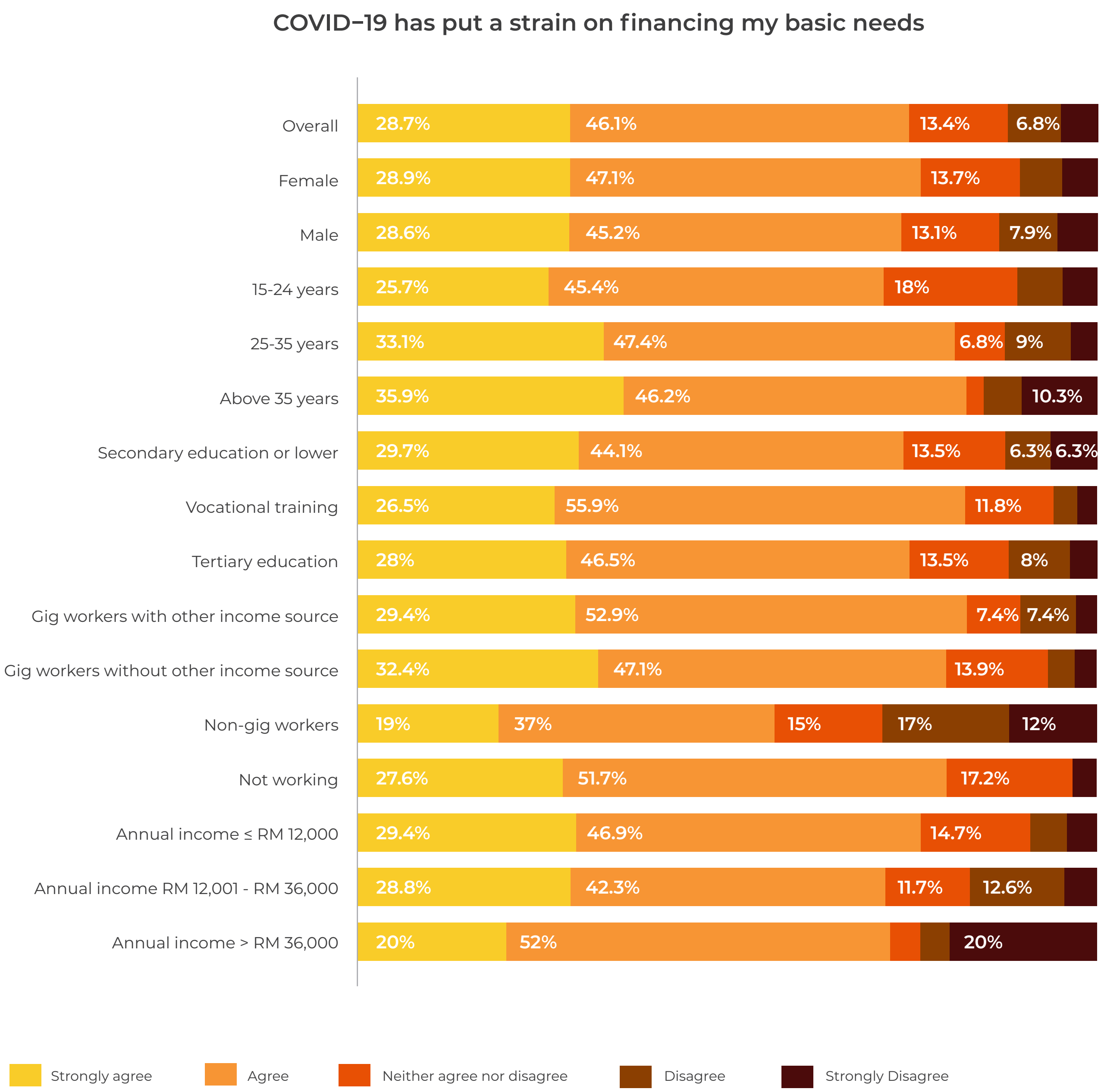

Figure 8: Responses to the statement, "COVID-19 has put a strain on financing my basic needs", segregated by gender, age, education, type of employment and income. (FastJobs sample, n = 456)

A little over 80% of the respondents experienced financial anxiety as a result of the pandemic. Since the FastJobs sample included non-gig workers, we found that gig workers reported financial anxiety more so than non-gig workers. Lack of a regular savings habit predicted financial anxiety significantly, in addition to stage of life and income reductions.

Majority of respondents coped with COVID-19's impacts by tapping into their own savings, followed by paring down non-essential and essential expenses. About 41.4% in the FastJobs sample and 33.7% in the ride-hailing and food-delivery sample depended on aid received from the government.

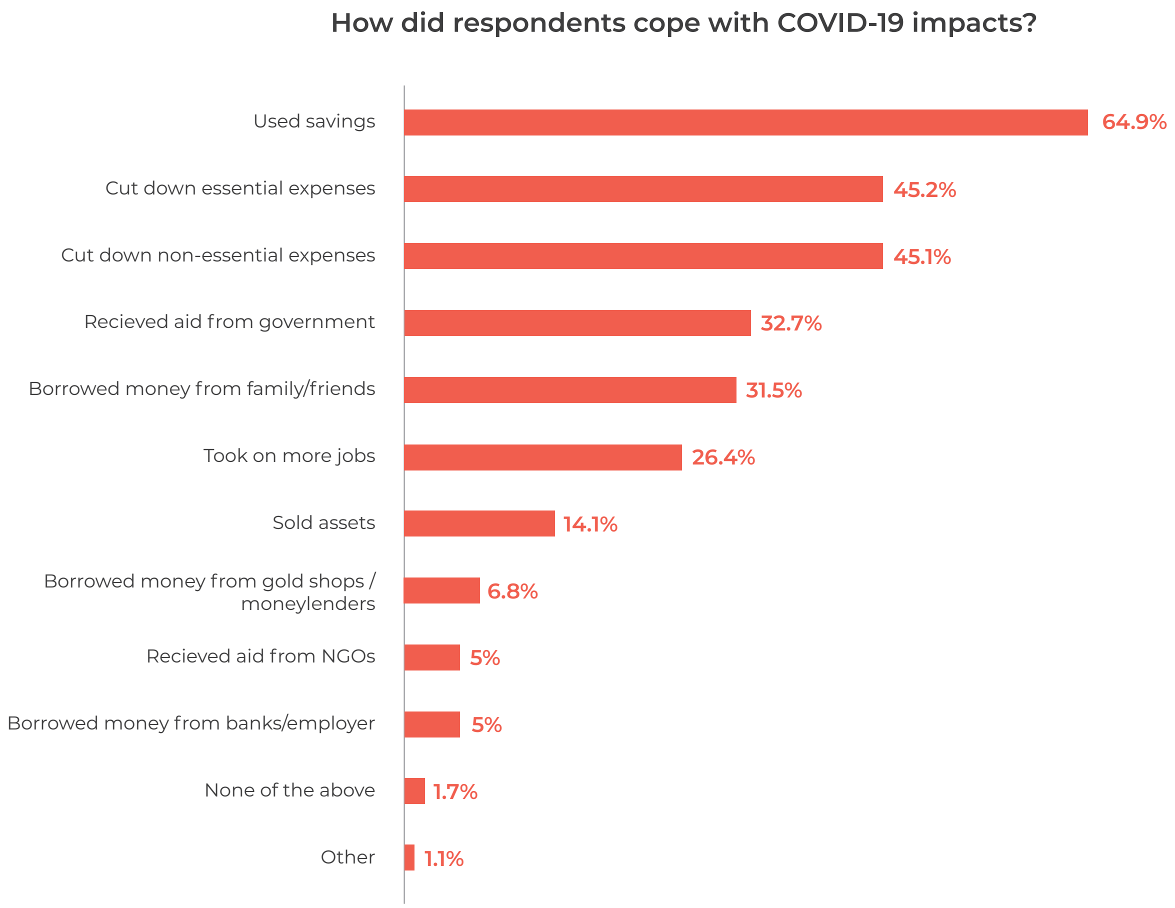

Figure 9: How did respondents cope with COVID-19 impacts? (weighted analysis using data from the Grab and foodpanda surveys, n = 15,079)

Among the respondents who received financial aid from the government, those who do not possess high education levels had the most difficulty accessing Bantuan Prihatin Nasional (BPN) and withdrawing funds after being approved for BPN.

In terms of future plans, most of the respondents indicated that they would take on more jobs to increase their income followed by spending within their means, planning their finances better, and putting more money aside in savings.

These findings shed light on the financial health of gig workers, and what factors affect their financial well-being. More data is available in our report decks, available for download below:

- Financial Health of Gig Workers: Introduction and Research Design
- Financial Health of Gig Workers: A Case Study of Lionbridge Group in China
- Financial Health of Gig Workers: A Case Study of GoGet in Malaysia
- Gig Economy, Financial Health, and COVID-19: A Case Study of FastJobs in Malaysia
- Gig Economy, Financial Health and COVID-19: A Case Study of foodpanda in Malaysia

Note to the Industry

Platforms and organizations facilitating short-term or gig work are creating job opportunities for a wide range of people like never before. Some trade-offs remain such as the lack of social protection and other financial benefits. The below are our key messages for the industry to improve the financial health of gig workers.

At the outset, the financial sector and policymakers need to **revisit the tenets that underlie the financial ecosystem**. These tenets or core assumptions apply to most financial products including credit, savings, and insurance. They relate to the notion of steady income streams at set intervals, or in other words stable salaries or business income. Following from this rule of thumb, credit assessments are based on steady income; commitment savings accounts are predominantly tied to monthly salaries, and insurance products tend to be long-term policies with annual premiums. Yet, the future of work represented by the gig economy is radically different, with multiple possibilities—more frequent income than just monthly intervals, income from multiple streams, and windfall income in some months. For the financial sector to serve the gig worker segment effectively, new rules need to be made that are commensurate with the nature of labor and income in the gig economy.

Second, as the financial sector establishes these new rules, **segmentation of the gig worker group cannot be overstated**. Gig workers are not a homogenous group. They represent a wide gamut of sub-segments who choose to participate in the gig economy in varied ways. For example, in our Grab sample, we found that youth – those in the 15-24-year range – participate in the gig economy primarily to make additional income. They have specific financial goals such as saving up for their wedding, or toward the purchase of a car or a house. Grab partners who work full-time are another archetype although full-time gig workers can also exhibit diverse characteristics. They also differ from part-time gig workers in many respects such as their financial behaviors, for example. Therefore, a cookie-cutter approach to the design as well as delivery of financial products and services can do more harm than good. Gig workers just like anybody else must be offered bespoke products and services, catered to their unique aspirations, needs and challenges.

The following are a few specific recommendations and examples of financial interventions that could advance the financial health of gig workers.

1 Strengthen social protection in the gig economy by offering a suite of products and services

Our study shows that instability of income flow is a top source of worry for gig workers. The financial sector, policymakers, and platforms facilitating gig employment should work closely together to promote financial products and services that enable gig workers to manage their income flows effectively. For example, an income protection insurance – specifically, considering COVID-19 induced job changes – that covers loss of income when a gig worker is unable to continue working could provide much-needed financial security.

2 Some gig platforms offer a bouquet of financial services to their gig workers on the same platform where they access gigs

GoGet Malaysia offers savings, insurance and financial management tools to their GoGetters who are also sent timely reminders to save their earnings through the Pod app. Grab offers an entire suite of financial services, including micro-credit, personal accident insurance and insurance against critical illness to its drivers and delivery partners. Through its BonusLink points and pit stop options, Grab drivers and partners can also save on recurring expenses such as fuel and take free coffee breaks between rides. These features help gig workers' financial security by easing their expenditures.

3 Redefine lending to gig workers

Gig workers that do borrow do so informally – through family and friends – to cover essential expenses. This points to lack of access to formal finance, notably due to an inability to demonstrate employment history and income. Financial institutions that often do not consider lending to gig workers due to a lack of information about their earnings can partner with gig platforms to help determine the employment history of a gig worker. In Southeast Asia, Grab introduced microloans for its drivers and delivery partners, wherein the credit assessment derives from historical earnings and driving patterns, and informs suitable financing options. Grab estimates that 1 in 4 of the recipients of Grab microloans might have been turned down by the traditional financial sector due to lack of accurate earning information.

PAY:WATCH, a winner in UNCDF's Gig Economy Challenge functions like a HR payroll service and partners with gig platforms to consolidate employment histories for gig workers. These employment histories serve as important information for financial institutions to provide credit and wage advances to gig workers. Mobymoney, another fintech start-up intends to provide a similar service. They are teaming up with FastJobs to provide an interest-free credit line that gig workers on the FastJobs platform can use to purchase products from a closed network of merchants. They also aim to offer a financial well-being hub that provides gig workers services like a free credit score and financial tools, guides and tips to improve their financial health.

Policymakers also have a role in helping create a favourable financial environment that supports lending to gig workers. For example, the Ministry of Housing and Local Government in Malaysia has developed the "Online Lending Guidelines for Community Credit", and granted conditional approval to several fintechs including Grab to operate a lending business in Malaysia. The license approval will allow fintechs to responsibly offer new products and services to meet the financial needs of microentrepreneurs including gig workers through transparent and convenient credit.

4 Promote savings behavior

Savings behavior emerged as a predictor of positive financial health outcomes in our research study. Those who saved regularly, regardless of their income were able to weather financial emergencies and meet daily commitments more comfortably. Among those who are never able to save or those that save occasionally, "not having enough money to save" emerged as a dominant reason. However, in a study with Pod – a micro-savings app – UNCDF found that the time of saving matters. Saving right after receiving one's paycheck, rather than attempting to save after paying off essential expenses, enabled more consistent saving, and is associated with reaching savings goals. Often small tweaks do the job: savings apps can influence savings of small change; timed nudges can enable savings right after a payout and incentives such as small top-ups when savers meet their savings goals can encourage a regular savings habit. Pod in partnership with GoGet deployed these techniques to help its users save for a rainy day, as well as toward other savings goals.

5 Introduce affordable and convenient products for those with a lower income

Our research found that the use of more sophisticated financial products such as insurance and investments is rather limited among gig workers and is most prevalent among the higher-income group. A solution could be to meet low-income gig workers where they are in ways that are familiar to them. For example, micro- and on-demand insurance products and micro-investment products could be made available on job platforms so they are affordable and accessible as well as relevant to gig workers. .

On-demand insurance offers gig workers the flexibility to obtain an insurance cover for a single workday, week or even on a per-use basis through regular premiums. An example is motor insurance that allows vehicle owners to switch their motor insurance either "on" or "off" based on usage. This type of insurance can also cover multiple vehicles under one single policy.

A few insuretech firms in Malaysia and Indonesia such as Senang and Qoala play a bridging role between gig platforms and underwriters in sourcing the right insurance products for gig workers in addition to offering the technology needed for safe and effective data sharing between gig platforms and underwriters. These firms are able to offer affordable premiums, diverse payment options and efficient claims handling, making the whole process of procuring and claiming an insurance policy convenient and relevant for the gig worker.

While insurance products help gig workers mitigate risks on the job and outside, investment products could help them grow their money and achieve their financial goals in life. Investment products which allow small installments of contribution as well as liquidity can be game-changing for gig workers. Versa, another winner of UNCDF's Gig Economy Challenge offers a digital cash management platform (fractional investing) that helps gig workers get the best out of their idle cash. Versa makes micro-investments on behalf of gig workers – these micro-investments earn better interest than conventional savings and offer high liquidity.

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The UN Capital Development Fund offers "last mile" finance models that unlock the public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels:
(1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

Centre For Financial Health

The Centre for Financial Health acts as a convener, providing a platform to bring together global, regional and local actors committed to using financial and digital solutions to improve the financial lives of low-income families—helping them climb – and stay – out of poverty. The Centre creates space for thought leadership where best financial health practices and models are exchanged and lead to concrete action with governments and the private sector.

The Centre is implementing programmes in different countries called Living Labs, in-country platforms which support players with a combination of high quality financial, advisory and networking support to design, test and scale financial health solutions.

For more information on the Centre, contact:

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For more information, please visit: *www.uncdf.org/gfh*

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