Actuaries Institute Podcast
Title: The Rise of the Gig Economy and its Impact on the Australian Workforce

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Interviewer: Anthony Lowe
Speakers: Donald Freudenstein
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Anthony Lowe: **Hello and welcome to the Actuaries Institute Podcast. My name is Anthony Lowe and I'm Convenor of the Public Policy Council Committee, and the PPCC sponsor of our latest Green Paper, the Rise of the Gig Economy and its Impact on the Australian Workforce. Today, I'm joined by the Paper's lead author, Donald Freudenstein from Quantium. Welcome, Don.**

Donald Freudenstein: Thanks, Anthony.

Anthony Lowe: **So, Don, my first question is why is this research important?**

Donald Freudenstein: Yeah, so the gig economy, it's an emerging trend around the world. So the digital platforms such as your Ubers or Deliveroo have been expanding their footprint around the world, and Australia is no exception. So it's a much talked about phenomenon, but I believe this research is important because the impact today really is unclear. There's a lot of talk about, is it a stimulant of economic activity or is it a cannibal? Is it a workforce displacer or what degree does it create jobs? And to what degree does it enable worker autonomy or limit worker entitlements? So particularly on the question around worker entitlements and risks to work as engaging in the gig economy, it's a very important topic to cover, particularly if the proportion of the workforce engaging in these gig economy activities continues to grow.

Anthony Lowe: **Thanks Don. What specific research questions did you set out to answer?**

Donald Freudenstein: There are really two key parts to the paper. So first of all, there was measuring the economic impact of the gig economy. And that includes both sides in the gig economy in Australia itself, but also quantifying the impact of the gig economy on associated industries. So in Australia, that's most notably on private transport, which includes your taxis and also meal delivery. The other part of the paper was around understanding the impact on the gig economy workforce. So that's understanding, who are the types of people that are engaging with the gig economy and what can we understand about their behaviours and attitudes that might indicate some unique risks apply to these groups.

Anthony Lowe:	**Thanks. And the approach you took to the research is novel in that you use de-identified transactional data. Can you describe that for us?**
Donald Freudenstein:	Yeah. So, working at Quantium, we're uniquely placed to analyse such emerging economic and worker trends using our proprietary data sets. And then this one we used here was the banking data set. It's very useful because it can deliver new, real time insights based on consumer spend trends by category. So, we could see trends in spending behaviour as of last week using this data set. Whereas with your publicly available data sets, you may have to wait a month or a quarter to see these emerging trends come to light. Also using the transaction data, we can report on some more hidden cohorts within the economy.
Donald Freudenstein:	So, the gig economy workforce itself, if you look into the traditional public data sets and your labour force or household survey data, they're not a cohort that's readily identifiable. Whereas using the transaction data, we can see this cohort. So the data we use from the transaction data was aggregated to a category level, and through that we can size the gig economy and also really see its growth over time and its impact on those associated sectors I mentioned before. And on the workforce side, we can see who these workers are in terms of their demographics and how they engage with the gig economy. So it was really fascinating activity to look at the gig economy using this novel data set.
Anthony Lowe:	**And what were your main findings?**
Donald Freudenstein:	Yeah. So, on the gig economy itself, we sized the gig economy at $6.3 billion in 2019. And we also tracked its growth from 2015 which we found was rapid. It grew nine-fold between 2015 and 2019. We found, in terms of its impact on other industries, there was some impact in terms of cannibalisation to your private transport sector. That includes your taxis, but we found the bigger impact there was really a stimulatory effect on that sector. And it really was a driving force behind the whole private transport sector grow 39% between 2015 and 2019.
Donald Freudenstein:	On the gig economy workers themselves, we confirmed what some prior survey research had shown in the gig economy workers are over-represented in some more vulnerable segments of the Australian workforce. So that's your younger age groups, students and formerly unemployed. We also did a piece of analysis on superannuation. So, gig economy workers themselves, being classified as independent contractors, they're not entitled to employer-paid superannuation. So if they were

going to offset that, you may expect them to actually make superannuation contributions themselves. But we found that only less than 1.5% of gig workers make personal superannuation contributions. And when they do make contributions, they're particularly small contributions relative to a comparable cohort.

Donald Freudenstein: We also ran a simulation which showed that if a worker spends five or 10 years in the gig economy working full time, then they could be between $40,000 and $100,000 worse off in accumulated superannuation at retirement compared with a minimum wage earner. However, we did find some evidence of short-term benefits to gig economy workers joining the gig economy workforce. There was an uplift in discretionary spend levels, and that was particularly pronounced from gig workers in low affluence bands.

Anthony Lowe: **So back to the point you made earlier about the currency of the data, how up-to-date it is, your findings related to the period of COVID-19 restrictions I thought were fascinating. Can you take us through those?**

Donald Freudenstein: Yeah, you're definitely right there. So it goes back to a real strength of the transaction data, being able to get a really up-to-date view of what's happening in the economy. So we're able to track what was happening with gig economy consumer spend from the period of pre-lockdown in February of this year, throughout the periods of subsequent lockdowns in Australia wide and even in Victoria. So what we found was in the initial lockdown period in early March, that the gig economy spend was impacted quite severely and went down. And that was really driven by the private transport sector. So, your Ubers and all of the spend really declining in that area, which makes sense, given restrictions on population mobility.

Donald Freudenstein: But we did say that soon after the gig economy, consumer spend actually recovered. By April, the economy spend on a weekly basis was higher than it was in the pre-lockdown period of February. That was really driven by a rapid increase in meal delivery spend. So, Uber Eats and Deliveroo clearly taking off during lockdown. And what we found was between August and October this year, gig economy spend itself was up 40% higher than the pre-lockdown period. And if we looked into the meal delivery sector, that was up over a hundred percent over that same period. So there's been some real significant growth and raises some interesting questions about how much of this gig economy growth will stick after this experience. And also what will it mean for the gig economy workforce?

Anthony Lowe: **There are, of course, some limitations to the transactional data approach. Be interesting if you could just sort of explain**

those to us and also whether there's additional transactional data that could be extracted to further refine our understanding of the gig economy.

Donald Freudenstein: I think the key limitation that came up was while we could identify a cohort of gig economy workers, we couldn't understand from the transaction data in this cohort, which of these workers are actually full-time engaged in the gig economy as a worker versus those that just use the gig economy as a supplementary form of income and maybe just do a few hours here and there. And that difference is really important because it means that the workers that are fully engaged in the gig economy, they're exposed to the full risks of that. They're not accumulating any superannuation. They may be earning below minimum wage. They're not covered by workers' compensation and so forth.

Donald Freudenstein: Whereas your other group that is partially engaged will have coverage of those risks from their primary form of employment. So that's a limitation, certainly. In terms of what else we could pull out of the transaction data for this analysis, I think the main thing that comes to mind is just kind of monitoring the gig economy over time, seeing after this COVID-19 period, how much of that growth will stick, and has it really changed the type of workers that are attracted to the gig economy workforce, or is that cohort starting to shift in terms of their demographics?

Anthony Lowe: I mean, you mentioned the growth of the gig economy. It's still relatively small compared to other sectors of the economy, of course. We shouldn't forget that. And so, I think we do have to sort of see the public policy responses in context of casualisation of the workforce generally. What do you see as the next steps for the Institute to develop public policy responses in superannuation and insurance?

Donald Freudenstein: Yeah, I think there's an important piece around stimulating further research in this area. We made some recommendations in the paper about other data sources that could be brought to bear on this area and complementing the analysis that was done with the transaction data. In particular, accessing and using the integrated government data sets could address the limitation of not being able to understand which workers are full-time gig economy, versus which are partial.

Donald Freudenstein: That'd be important to understand the size of those cohorts that are exposed to some of those risks of being in the gig economy workforce. So I think that's an important one that will shape out the policy interventions and how important they will be. And then also, as I mentioned earlier, just monitoring over time, the evolution of the gig economy. And like you say, it may be a smaller portion of the economy based on size right now, but given the trajectory of growth, that may change over time.

Anthony Lowe: **When I first saw Quantium's proposal, I thought "This is really interesting. It's a novel approach using the transactional data." I really liked it. Do you think there are other public policy issues where the use of transactional data could help guide policy makers?**

Donald Freudenstein: Yeah, so I think you're right there. I think this gig economy analysis really hit a sweet spot of the strengths of the transaction data. And I think where we see emerging trends, whether it be something like a workforce trend like the gig economy, the transaction data will be really well suited. Something that does come to mind to this end is the policy issue around the economic impacts of the job seeker, job keeper payments that are set to cease around March next year, I believe. There's been talk about how economic activity has been propped up by this level of stimulus and what the impact will be when it's taken away.

Donald Freudenstein: So, I think it will be able to answer questions around, to what extent is economic activity impacted? We'll give you quite a quick appraisal of what that impact will be. We'll be able to dig into what type of industries or sub-sectors have the greatest impact, and also what population segments, whether age groups or regions that the population are from most impacted. And we’ll even be able to dig into some of the things we're able to see in the paper, around how is private health insurance coverage affected? How has generally levels of insurance will be impacted? So yeah, it would be a very interesting analysis to do.

Anthony Lowe: **Thanks, Don. So that's all we have time for today and thanks for joining us. Great to hear about the research.**

Donald Freudenstein: Great. Thank you.

Anthony Lowe: **To find out more about the research paper, visit the Thought Leadership section of The Actor's Institute website. You can see the link in our show notes in the podcast description and as always, write in with your questions and comments on the show. We appreciate hearing from you. I'm Anthony Lowe. Goodbye for now.**