Pay Advances: The Gig Economy's New Normal, a PYMNTS and Mastercard collaboration, is a quarterly publication that examines the state of ad hoc workers' payment trends. This edition focuses on pay advances — full or partial payments received before a job is completed — including how gig workers currently use them and their potential for future adoption.

THE GIG ECONOMY REPRESENTS

$1.4 TRILLION IN U.S. INCOME.

PAY ADVANCES

THE GIG ECONOMY'S NEW NORMAL

JULY 2019

Pay advance usage is highest in skilled professions.

Architecture	Management	Construction
77%	67%	66%

PYMNTS.com

PAY ADVANCES

THE GIG ECONOMY'S NEW NORMAL

Pay Advances: The Gig Economy's New Normal was done in collaboration with Mastercard, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

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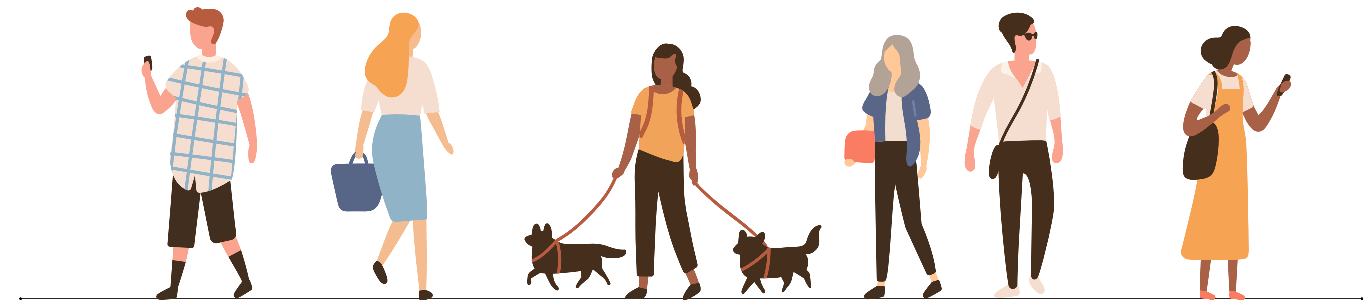
WILL EARLY PAY BECOME A GIG ECONOMY GAME-CHANGER?



Early is becoming the new fast when it comes to paying workers in the gig economy.

Employers disbursed $236 billion in pay advances — full or partial payments received before jobs are completed — to 43.8 percent of United States-based gig workers last year. That statistic is bound to surprise, but represents a practice that has been common in certain industries for decades. Architects, engineers, management consultants and other workers in more highly skilled segments have long received retainers or deposits to cover costs and time spent producing deliverables, after all. The convenience of today's at-our-fingertips connectivity and technology means these same professionals can now be considered gig workers.

For the purpose of this report, we define "gig workers" as individuals who are hired to perform professional duties that fall outside traditional, contractual employer-employee relationships. They are further categorized as "skilled" or "unskilled" based on the professional segments in which they work. Pay advances not only allow gig workers to save money, but also help tide them over until their next payouts.

The option could have even more of an impact on gig workers who primarily work in unskilled market segments, including rideshare drivers, food delivery workers, tutors, nurses and movers, among others. There is ample evidence that they both want upfront payments for their work and are willing to pay for early access, as PYMNTS and Mastercard found that 64.4 percent of gig workers would be willing to pay fees to access pay advances. In fact, those who currently receive early access pay approximately $2.4 billion in annual fees, and enabling access for U.S. gig workers who are interested in receiving pay advances has the potential to unlock another $1.8 billion in annual fee payments.

These findings might help employers and gig platforms retain talent, too, as firms that offer pay advances appear to hold a competitive edge. Platforms extending the option today significantly improve workers' experiences by accelerating compensation processes and making them more efficient. Gig workers who operate in both skilled and unskilled segments indicate they would prefer that platforms provide early access to pay, with 65.9 percent and 59.1 percent, respectively, of those who use digital marketplaces without such offerings saying they would consider switching to services that do. Those offering ACH, push-to-card services and other faster payment solutions could thus win over a significant share of gig employees who are interested in receiving pay advances.

There may be strong demand for pay advances in the gig workforce, but there are also several adoption roadblocks. A combined 81.9 percent of those who did not receive them say they either did not have access to pay advances or did not know they were available. Making early access more easily accessible could be the first step toward helping larger numbers of gig workers find financial stability.

Pay Advances: The Gig Economy's New Normal, a PYMNTS and Mastercard collaboration, was created to explore who currently uses pay advances or would if the option were made available. We surveyed more than 2,200 gig workers to assess whether they have early access to funds, how they use their pay advances, who wants access to them and how greater availability could affect the broader gig economy.

Our research resulted in several key findings:

01

The gig economy is a paycheck-to-paycheck business.

The U.S. gig economy currently employs 96 million people — 38.7 percent of the country's entire workforce — and represents $1.4 trillion in income. The accompanying lifestyle forces many gig workers into paycheck-to-paycheck living, however, and sees 35.2 percent of them waiting one week or longer for their wages. This means many workers must stretch their dollars between unpredictable gig assignments.

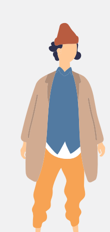
02

Paycheck-to-paycheck personas differ more than one might think.

Not all paycheck-to-paycheck workers fall under one blanket definition. In fact, 41.9 percent of gig workers live paycheck to paycheck and have savings built up for emergencies that can cushion them while they wait for their next payouts. Other gig workers are on shakier financial footing, and 13.3 percent live paycheck to paycheck without savings in case of emergencies, though they do not struggle to pay bills. Another 16.3 percent live paycheck to paycheck, have no savings in case of emergencies but do struggle to pay their bills.

41.9%
- Living paycheck to paycheck
- Have savings for emergencies

13.3%
- Living paycheck to paycheck
- No savings
- Not struggling to pay bills



16.3%
- Living paycheck to paycheck
- No savings
- Struggling to pay bills

03

Pay advances could change the game.

Early access to earned funds could alleviate common financial stresses and provide a lifeline for gig workers. The service is already employed by approximately one-third of those in the U.S., and amounted to $236 billion received from pay advances in 2018. An additional 31.8 million gig workers would be interested in using the option if it were available to them, potentially contributing another $178 billion to the market.

04

Early access empowers gig workers to plan for the future.

How would gig workers spend their wages if they had early access? Many of them say they would use pay advances to pursue pathways to financial stability. Our research found 39.7 percent would save for emergencies, while others would pay their personal bills (37.6 percent) or purchase gas for their vehicles (35.6 percent).

05

Gig workers are willing to pay fees for pay advances.

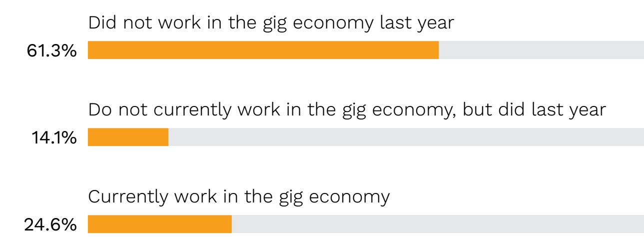
Pay advances' availability could help many workers achieve greater financial security, keeping them from worrying about falling behind on bill payments and helping them plan for unexpected expenses. Many of those who fit the paycheck-to-paycheck profile are willing to pay fees for the peace of mind that comes from receiving funds early. Gig workers currently pay $2.35 billion in annual fees, but expanding access to those who want to use pay advances could unlock an additional $1.8 billion in annual payments.

THE DEMAND FOR PAY ADVANCES

The U.S. gig economy now employs some 96 million workers — accounting for 38.7 percent of the nation's workforce — 12.1 percent of whom perform ad hoc jobs on a full-time basis. Traditional full-time employees are typically paid on set schedules, but gig workers do not always see their pay-checks until they complete their jobs.

FIGURE 1:

Gig economy participation
How frequently Q1 2019 respondents participated in the gig economy, by timeframe

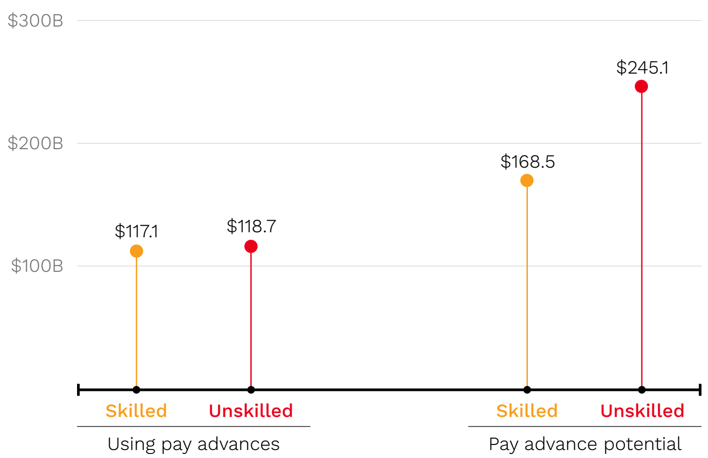


Of these 96 million workers who completed gigs, 43.8 percent received pay advances for their work. This group collected $236 billion in payments in 2018, a figure that made up 37.3 percent of their collective income. Workers in unskilled market segments received $118.7 billion in pay advances, with workers in skilled market segments following at $117.1 billion.

43.8%
of gig workers collected roughly **$236 billion in pay advances** for their work in 2018.

FIGURE 2:

Gig workers' pay advance usage
Current and projected markets for pay advances, by skill segment



Many modern gig economy workers still do not have access to pay advances, however. Most say they do not use the option because it is not available (52.4 percent) while a smaller share of workers say they are unaware it exists (29.5 percent). Removing these barriers could significantly increase the market's value, especially for workers in unskilled segments who would more than double their pay advance usage.

$245.1B

in pay advances could be issued for workers in unskilled segments **if the option were more readily available.**

Our research found certain professions are considerably more likely to receive pay advances for their work than others. Architects and engineers lead in collecting them, for example, with 77.4 percent of gig workers in this field indicating they received pay advances. In comparison, 66.8 percent of workers in management, 66.2 percent in construction and contracting and 62.9 percent of those in manufacturing said the same.

FIGURE 3:

Pay advance usage
Share of gig workers who received pay advances, by industry

Top 10

Industry (rest of sample)	Usage
Physical and social sciences	50.8%
Arts and entertainment	47.0%
Computers and mathematics	46.0%
Food preparation services	44.3%
Legal	43.8%
Healthcare	42.4%
Sales	37.4%
Building maintenance	35.3%
Education and training	35.1%
Administrative support	34.6%
Personal care services	33.9%
Agriculture	29.3%
Retail	26.5%
Transportation	24.6%

Gig workers in the architecture and engineering industry appear to be the most likely to receive pay advances. However, this group represents just 0.8 percent of the broader gig economy.

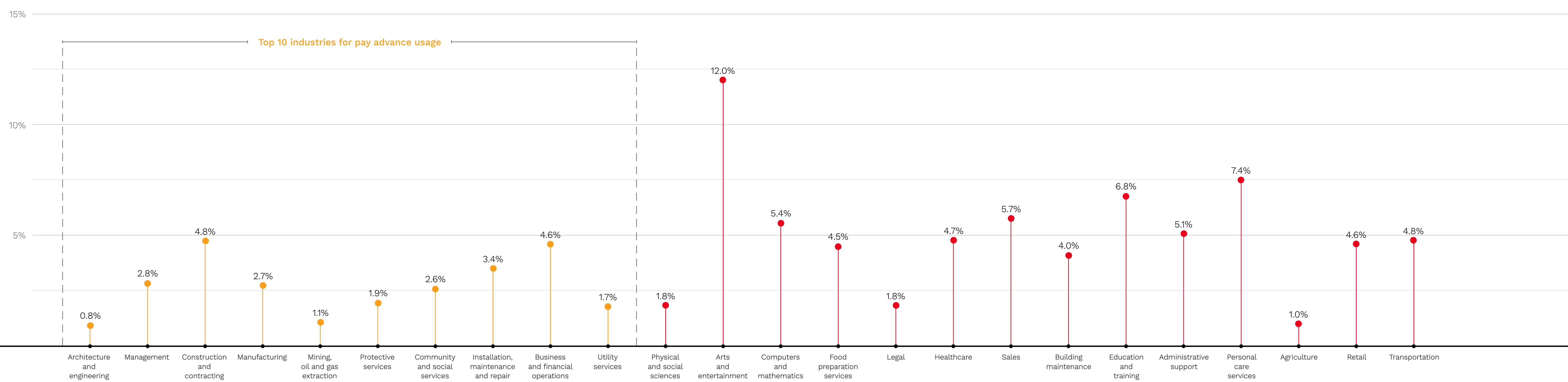
Arts industry gig workers, meanwhile, represent 12 percent of the gig economy and are less likely to receive pay advances. Forty-seven percent of those who work art-related gigs say they receive pay advances, which points to a notable disparity between usage and availability. The pay advance practice is somewhat common in the gig economy, but less likely to be used by the market that employs the highest share of workers.

There are also significant gaps in how workers in skilled and unskilled segments use pay advances. Those in the latter group represent a larger share of the gig economy, but are less likely to receive early access to pay than their skilled counterparts. This ultimately forces many workers to live paycheck to paycheck.

77.4%
of gig workers in the **architecture and engineering** industry receive pay advances — more than those in any other profession.

FIGURE 4:

Gig economy participation
Share of workers in different sectors, by industry



THE PAY ADVANCE SKILLS DIVIDE

Gig workers in unskilled segments include roles like cooks, retail associates and personal caregivers, among other professions, and represent 64.4 percent of the gig economy. Workers in these industries far outnumber those in our sample's skilled segments, which total 35.6 percent and include — but are not limited to — architects, managers, lawyers and construction professionals.

Just 36.6 percent of workers in unskilled segments report receiving pay advances for their work, according to our findings, making workers in skilled segments much more likely to receive them (56.8 percent). This significant disparity appears to highlight how common the pay advance practice has become for certain skilled professions.

Workers in skilled segments are more likely to receive higher pay advance amounts than their counterparts in unskilled ones, too, with the former's average coming in at $6,024.27 compared to $5,230.70 for the latter. They also pay higher fees, with their average for pay advances coming in at $71.80, or approximately 1.2 percent of their paychecks. Workers in unskilled segments pay an average fee of $27.28, or 0.8 percent of their paychecks.

56.8%

of gig workers in skilled segments report receiving pay advances for their work, **compared to 36.6 percent of those in unskilled segments.**

FIGURE 5:

Skilled vs. unskilled gig segments[1]
How pay advances are distributed among both groups

	GIG WORKERS		PAY ADVANCES RECEIVED				
Industry (rest of sample)	Gig workers by industry	U.S. Census	Percentage of respondents	Receiving pay advances	Total amount received	Percentage of income paid via pay advances	Estimated amount of pay advances received[2]
SKILLED	**35.6%**	**34.2M**	**56.8%**	**19.4M**	**$512.8B**	**40.2%**	**$117.1B**
Computers and mathematics	5.4%	5.2M	46.0%	2.4M	$78.6B	47.6%	$17.3B
Legal	1.8%	1.7M	43.8%	0.8M	$25.9B	48.2%	$5.5B
Architecture and engineering	0.8%	0.8M	77.4%	0.6M	$12.2B	43.8%	$4.2B
Management	2.8%	2.7M	66.8%	1.8M	$40.3B	45.5%	$12.4B
Construction and contracting	4.8%	4.6M	66.2%	3.0M	$68.6B	30.1%	$13.8B
Manufacturing	2.7%	2.6M	62.9%	1.6M	$39.0B	30.7%	$7.6B
Mining, oil and gas extraction	1.1%	1.1M	61.8%	0.7M	$15.9B	54.7%	$5.4B
Protective services	1.9%	1.8M	58.9%	1.1M	$27.5B	29.5%	$4.8B
Community and social services	2.6%	2.5M	58.1%	1.5M	$37.8B	48.3%	$10.7B
Installation, maintenance and repair	3.4%	3.3M	55.3%	1.8M	$49.5B	40.1%	$11.1B
Business and financial operations	4.6%	4.4M	54.4%	2.4M	$66.2B	39.4%	$14.3B
Utility services	1.7%	1.7M	51.0%	0.9M	$25.2B	34.8%	$4.5B
Physical and social sciences	1.8%	1.7M	50.8%	0.9M	$26.2B	41.9%	$5.6B
UNSKILLED	**64.4%**	**62.0M**	**36.6%**	**22.7M**	**$929.4B**	**34.8%**	**$118.7B**
Arts and entertainment	12.0%	11.5M	47.0%	5.4M	$172.7B	27.4%	$22.4B
Food preparation services	4.5%	4.3M	44.3%	1.9M	$65.0B	27.7%	$8.0B
Healthcare	4.7%	4.6M	42.4%	1.9M	$68.3B	40.0%	$11.7B
Sales	5.7%	5.4M	37.4%	2.0M	$81.6B	39.1%	$12.0B
Building maintenance	4.0%	3.9M	35.3%	1.4M	$58.4B	35.7%	$7.4B
Education and training	6.8%	6.5M	35.1%	2.3M	$97.5B	36.9%	$12.7B
Administrative support	5.1%	4.9M	34.6%	1.7M	$73.5B	45.8%	$11.7B
Personal care services	7.4%	7.1M	33.9%	2.4M	$107.0B	34.7%	$12.7B
Agriculture	1.0%	0.9M	29.3%	0.3M	$13.8B	50.4%	$2.0B
Retail	4.6%	4.4M	26.5%	1.2M	$66.0B	40.5%	$7.1B
Transportation	4.8%	4.6M	24.6%	1.1M	$69.1B	30.1%	$5.2B
Other	3.9%	3.8M	27.7%	1.0M	$56.5B	37.8%	$6.0B
TOTAL		**96.2M**	**43.8%**	**42.1M**	**$1.4T**	**37.3%**	**$235.8B**

[1] Professional industries have been classified as "skilled" and "unskilled" based on the typical nature of work in this segment.

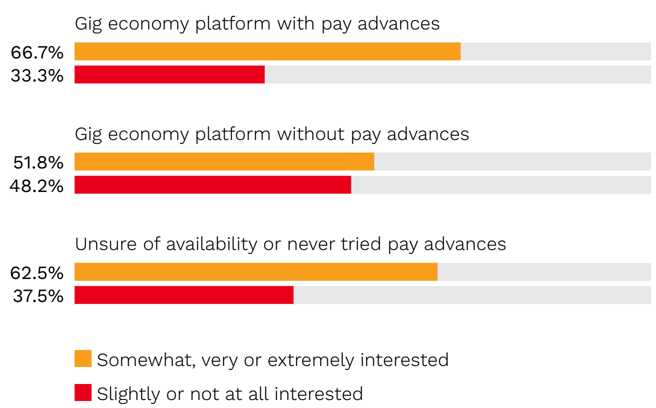
[2] We calculated that number by multiplying total pay received by percentage of income paid via pay advances by percentage receiving pay advances.

Workers in skilled segments appear more willing to pay fees to gain early access to their earnings. They shelled out $1.4 billion in 2018, compared to workers in unskilled segments, who paid $958 million, and average fees worked out to $71.80 and $27.28 per year, respectively. This could be because gig workers in unskilled segments are more likely to need their earned funds for immediate expenses than their counterparts in skilled segments.

Pay advances could play a significant role in talent retention, though, regardless of the market's skill level. Our research found that 51.8 percent of gig workers who use platforms that do not offer pay advances indicate they would consider switching to those that do.

FIGURE 6:

How pay advances affect talent retention
Interest in switching services based on pay advance availability



51.8%
of gig workers who use platforms that do not offer pay advances would consider **switching to those that do.**

65.9%

of workers in skilled segments are **"somewhat," "very" or "extremely" likely to switch** to platforms that offer pay advances.

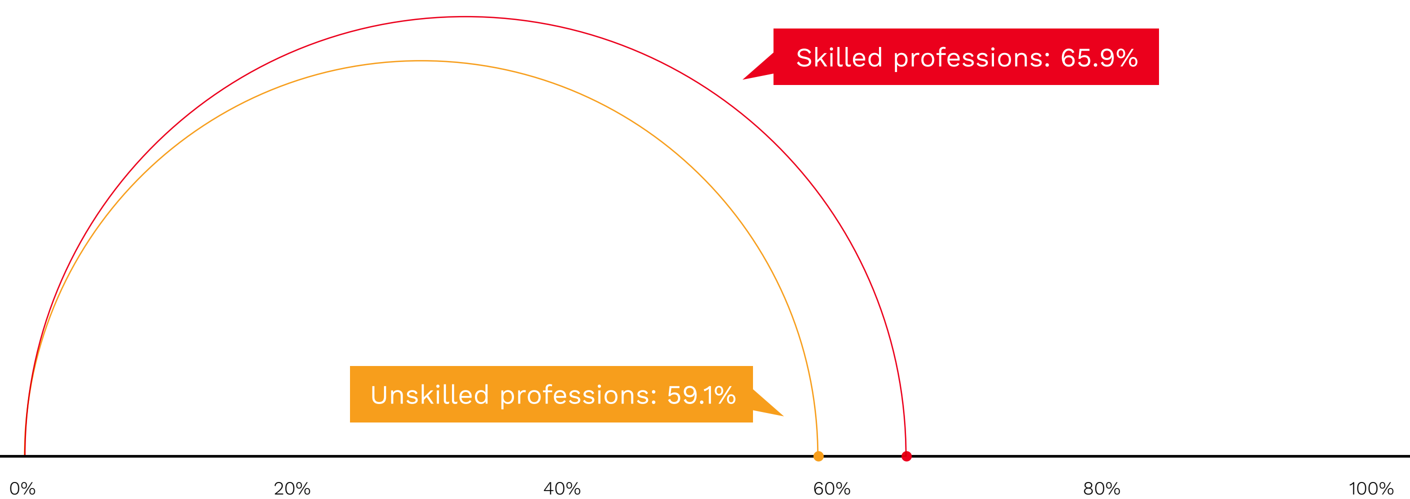
The risk of platforms losing talent over pay advance availability is even higher for gig workers in skilled segments. Our survey found that 65.9 percent of gig workers in skilled segments who use platforms that do not offer pay advances would be "somewhat," "very" or "extremely" likely to switch to those that do. The risk is lower but still significant for gig workers in unskilled professions, with 59.1 percent indicating they would be "somewhat," "very" or "extremely" likely to switch to do the same.

Given the high risks of abandonment for gig workers in both skilled and unskilled segments, it appears offering pay advances could differentiate employers and platform operators from their competition.

FIGURE 7:

Likelihood that workers will switch platforms

How likely it is that a lack of pay advances could cause gig workers to switch



Paycheck-to-paycheck gig worker personas

Gig workers' financial situations become increasingly unpredictable without pay advances. These workers depend on gig work to make ends meet and are paid only upon jobs' completion, meaning they often must stretch their wages in between gigs.

Many of those surveyed for our report live paycheck to paycheck, and our analysis uncovered five distinct personas of varying financial stability. The following pages delve deeper into these workers' circumstances.

	Financially stable	Financially stable — for now	Waiting for payday	Anxiously waiting for payday	Payday dependent
Living paycheck to paycheck			✓	✓	✓
No savings for emergencies		✓		✓	✓
Struggling to pay bills					✓

WHICH GIG WORKERS LIVE PAYCHECK TO PAYCHECK?

Many workers live paycheck to paycheck because they are only compensated upon job completion. It is worth noting that not all paycheck-to-paycheck workers are exactly alike, however. Some have savings built up to cover emergencies, but others do not and also struggle to pay their bills between gigs.

The largest share of gig workers who live paycheck to paycheck (41.9 percent) have savings to cover expenses, but pay advances would provide significant windfalls for the rest. Our research found 29.6 percent do not have savings for emergencies, and that 16.3 percent do not have savings for emergencies and also struggle to pay their bills.

Pay advances can offer a pathway to financial stability amid the wide range of financial circumstances into which the paycheck-to-paycheck crowd falls. Many of these workers are in the arts, working as graphic designers, musicians, writers and in other creative positions. Our research found 14.9 percent of those who work arts-related gigs live paycheck to paycheck, have no savings for emergencies and struggle to pay bills, and that 14.1 percent do not have enough saved to cover unplanned expenses but do not struggle to pay their bills.

FIGURE 8:

Gig worker personas
Share of workers with select financial situations

Live paycheck to paycheck, have savings	41.9%
Live paycheck to paycheck, no savings	29.6%
Do not live paycheck to paycheck, have savings	25.3%
Live paycheck to paycheck, no savings, struggle to pay bills	16.3%
Do not live paycheck to paycheck, no savings	3.2%

FIGURE 9:

Gig worker personas' pay advance usage
Share who use pay advances, by financial status

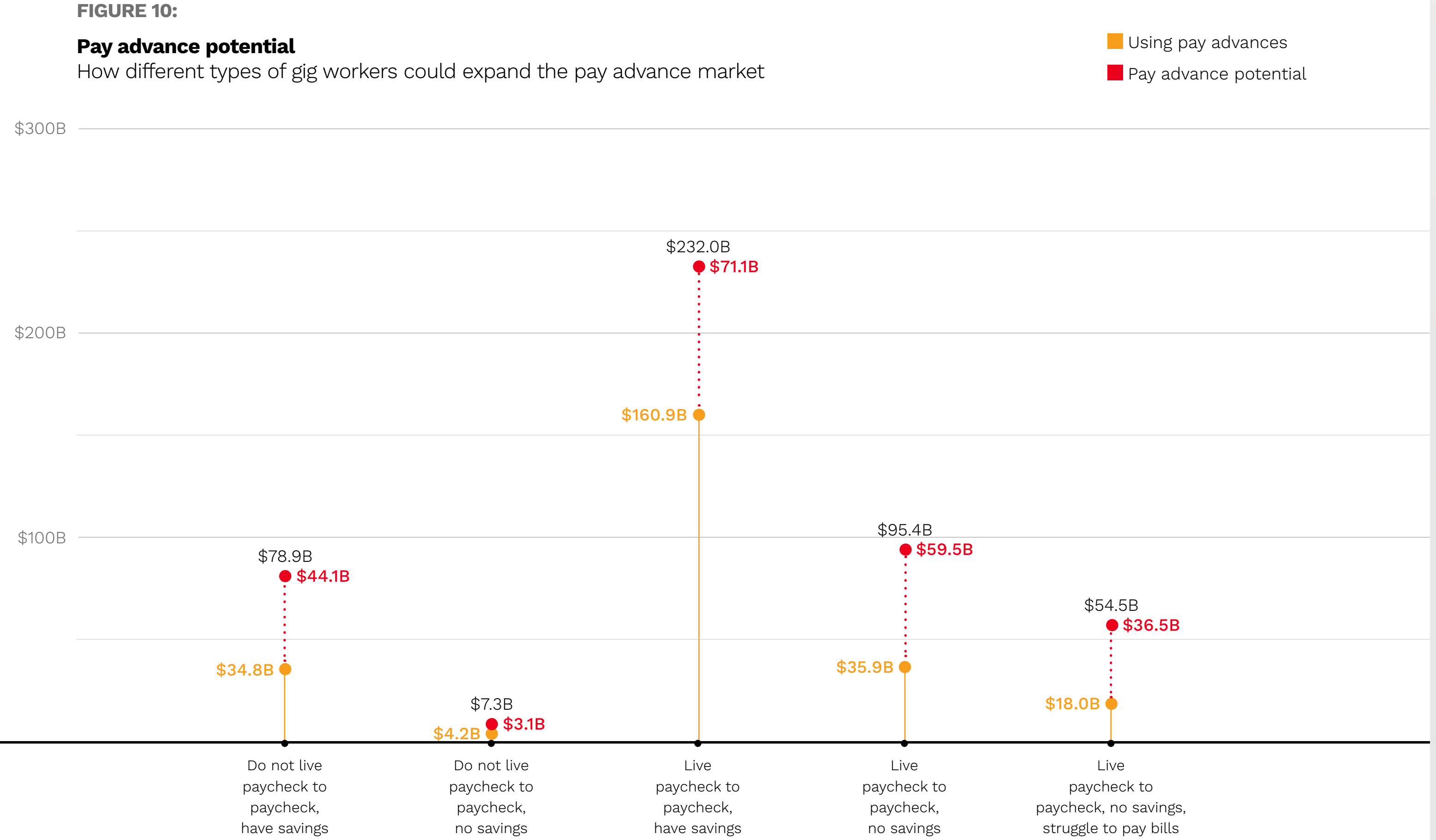
Live paycheck to paycheck, have savings	59.5%
Do not live paycheck to paycheck, no savings	45.9%
Do not live paycheck to paycheck, have savings	33.5%
Live paycheck to paycheck, no savings	30.1%
Live paycheck to paycheck, no savings, struggle to pay bills	26.6%

Workers living paycheck to paycheck with savings built up to cover emergencies are more likely to use pay advances than other paycheck-to-paycheck workers. As outlined in Figure 9, 59.5 percent of this group uses them compared to 30.1 percent of workers living paycheck to paycheck with no savings to cover emergencies and 26.6 percent of those living paycheck to paycheck and struggling to pay bills with no savings.

Workers living paycheck to paycheck with savings built up for emergencies also tend to take home larger pay advances than others. The group receives an average pay advance of $6,704 and collects $161 billion each year, according to our survey. This is considerably higher than the average received by workers who are living paycheck to paycheck, struggling to pay bills and have no savings for emergencies ($4,311) and those living paycheck to paycheck with no savings to cover emergencies ($4,189).

FIGURE 10:

Pay advance potential
How different types of gig workers could expand the pay advance market



Pay advance usage could increase significantly if these groups could more easily access the early wage functionality. This is especially true for those living paycheck to paycheck with savings built up, with the potential to receive an additional $71.1 billion in pay advances each year, and would bring the market's total value to $232 billion.

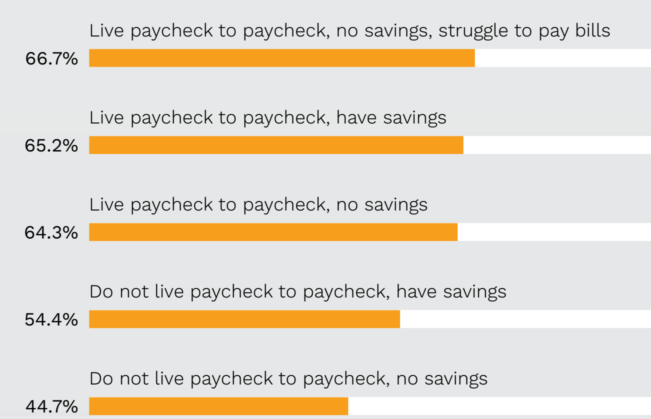
For other paycheck-to-paycheck workers, pay advance usage could roughly double. Those living paycheck to paycheck with no savings could access an additional $59.5 billion in pay advances, while those living paycheck to paycheck and struggling to pay bills with no savings could be issued an additional $36.5 billion.

Gig platforms that do not offer pay advances could risk alienating the workers they seek to service. Those who are living paycheck to paycheck, struggling to pay bills and have no savings face the highest risk of switching marketplaces, cited by 66.7 percent of workers who would consider abandoning gig services that do not offer pay advances. The risk is almost as high among those living paycheck to paycheck with savings (65.2 percent) as those living paycheck to paycheck with no savings (64.3 percent).

Based on their current usage rates, willingness to pay fees for early access and high likelihood of abandoning services that do not offer pay advances, it is clear that gig workers living paycheck to paycheck have come to expect pay advance access. This is especially true for those living paycheck to paycheck with savings, as this group would likely build up its savings or stabilize its finances if it had early access to earned funds.

FIGURE 11:

Willingness to switch providers for access to pay advance services
Gig worker personas that would consider switching services



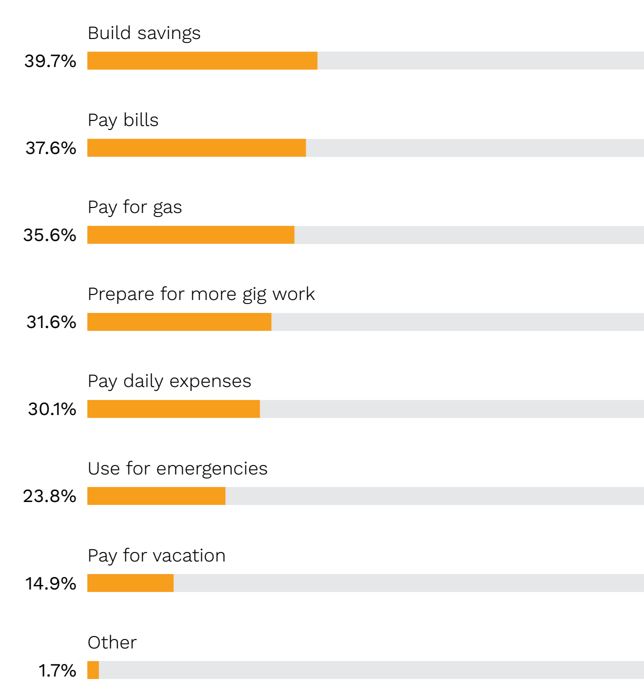
PAY ADVANCES HELP GIG WORKERS PLAN FOR THE FUTURE

So, how do gig workers spend their earnings after gaining early access to them? Our survey found 39.7 percent put their pay advances into their savings accounts to build financial stability.

Other gig workers spend their money on personal expenses that directly or indirectly affect their ability to participate in the gig economy, with 37.6 percent identifying paying personal bills and 35.6 percent saying they purchased gas for their vehicles.

FIGURE 12:

How gig workers use pay advance funds
Use cases for early access to earned wages



41.5% of workers living paycheck to paycheck with savings say they would use pay advances **to pay personal bills.**

Paycheck-to-paycheck workers with savings demonstrate the highest pay advance usage, with 41.5 percent reporting being more likely to pay personal bills with their pay advances and 39.5 percent saying they would save the money. This makes sense, as this group already has savings and is therefore more focused on paying for routine expenses like personal bills and buying gas.

The group most likely to use pay advances for savings includes those who do not

FIGURE 13:

How gig worker personas use pay advance funds
Share of gig workers utilizing pay advances for different use cases, by persona

Spending type	Live paycheck to paycheck, no savings, struggle to pay bills	Live paycheck to paycheck, no savings	Live paycheck to paycheck, have savings	Do not live paycheck to paycheck, have savings	Do not live paycheck to paycheck, no savings
Build savings	26.7%	31.9%	39.5%	51.7%	21.5%
Pay bills	46.4%	40.0%	41.5%	25.9%	26.5%
Pay for gas	35.0%	37.4%	37.6%	28.9%	28.4%
Prepare for more gig work	35.5%	33.7%	28.8%	38.4%	27.8%
Pay daily expenses	41.5%	34.2%	30.3%	23.3%	41.3%
Use for emergencies	19.7%	22.8%	26.0%	19.8%	16.2%
Pay for vacation	7.3%	9.1%	16.0%	15.7%	27.1%
Other	0.8%	1.8%	0.4%	5.7%	0.0%

46.4%

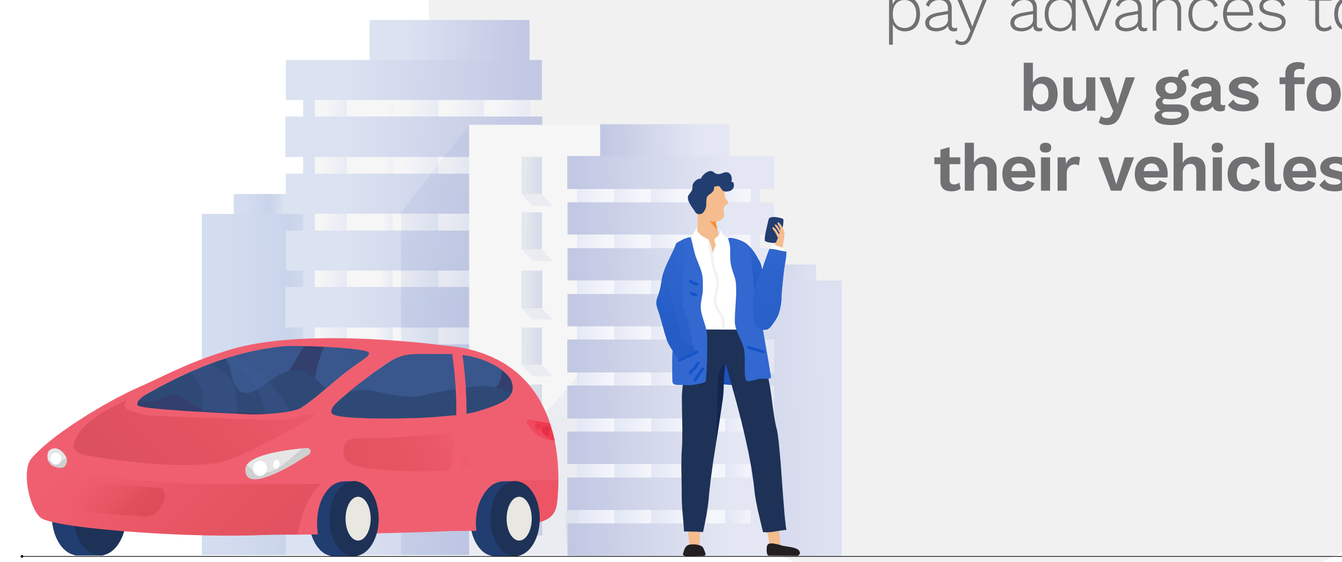
of gig workers living paycheck to paycheck who have no savings and struggle to pay bills would use pay advances **to pay their personal bills.**

live paycheck to paycheck and who already have savings for emergencies. Our research found 51.7 percent of these gig workers are more likely than others to put their advances into savings to add to the funds they already have built up.

Keeping vehicles on the road is important for workers living paycheck to paycheck with no savings, with 37.4 percent of those in this group saying they use their pay advances to buy gas. Another 31.9 percent report having saved the money, a sign that they want to have funds on hand as they wait for their next paychecks to arrive.

37.4%

of gig workers living paycheck to paycheck who have no savings would use pay advances to **buy gas for their vehicles.**



Perhaps unsurprisingly, the highest share (46.4 percent) of the gig workers who are living paycheck to paycheck, struggling to pay bills and have no savings indicate they would use their pay advances to pay their personal bills. This group is also more likely to use its early funds access for everyday spending (41.5 percent).

Pay advances' availability is key for gig workers who want to stay afloat between pay periods. Early access to funds could go a long way toward helping them do so — especially those living paycheck to paycheck — but efforts to expand pay advance usage still face significant roadblocks.

EXPANDING PAY ADVANCE ACCESS

The largest obstacles keeping gig workers from accessing pay advances include lack of awareness and overall availability. A significant share of those who did not receive pay advances say the feature is either unavailable (52.4 percent) or that they were not aware they could use it (29.5 percent).

Our research indicates that gig workers in unskilled segments are more likely to encounter obstacles when accessing pay advances than workers in skilled segments: 83.6 percent say they did not receive early access to pay because the service was unavailable or they were unaware that it existed, compared to 77.5 percent of gig workers in skilled professions. This indicates that workers in unskilled segments are more likely to face barriers to using pay advances.

FIGURE 14:

Why gig workers do not receive pay advances
Share who said pay advances were unavailable or that they did not know they were

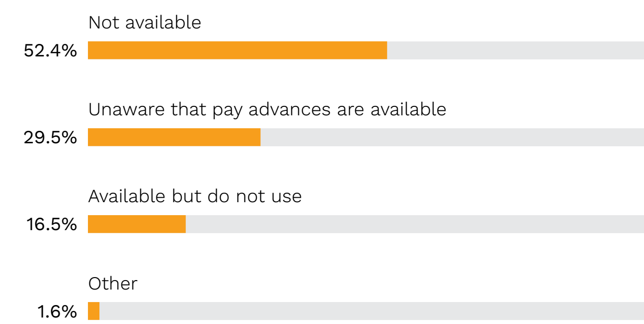
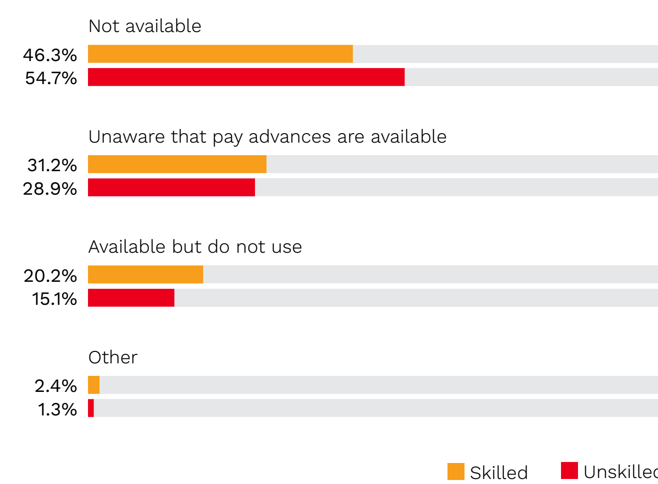


FIGURE 15:

Why gig workers do not receive pay advances
Reasons workers in skilled and unskilled segments did not receive early access to funds



54.7%
of gig workers in unskilled segments say they did not receive pay advances **because the option was not available.**

39.5%

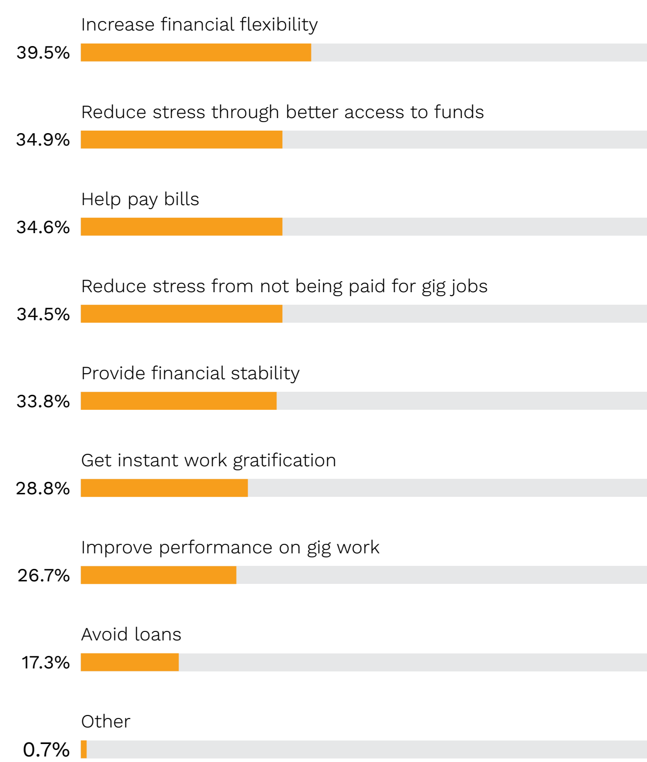
of gig workers say they want to have access to pay advances **to enjoy greater financial flexibility.**

Pay advance access could open new financial stability doors among gig workers, but it's worth exploring how they would use them if they were available. The highest share (39.5 percent) say they want early funds access for financial flexibility, which is followed by reducing stress (34.9 percent), paying monthly bills (34.6 percent), reducing anxiety while waiting for customer payments (34.5 percent) and peace of mind (33.8 percent).

These workers — especially those who currently receive pay advances and use them to boost their savings, and those who would like to receive pay advances to reduce their stress levels — are also willing to pay 1 percent to 2 percent fees for early access to their pay. Interest in paying fees declines as they become more costly, however.

FIGURE 16:

How gig workers would use pay advances if available
What respondents who do not use pay advances value most



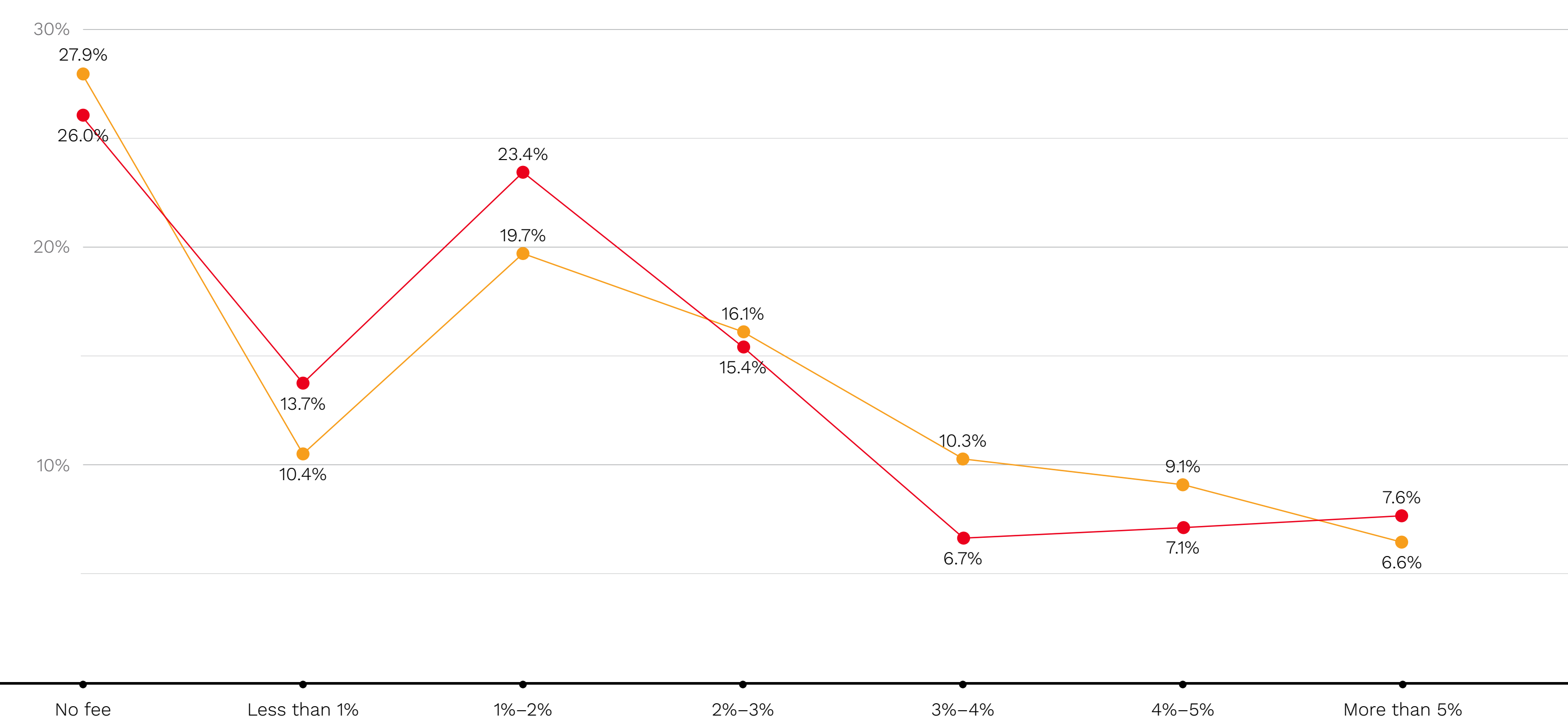
Addressing these roadblocks could lead to widespread adoption, with 79.5 percent of gig workers saying they would use them if they were available. Interest is highest among younger generations, including Generation Z, aged 18 to 21 (88.8 percent); millennials, aged 22 to 37 (85.1 percent) and Bridge Millennials — a subset of millennials who are between 30 and 40 years of age, more educated and earn higher incomes than their contemporaries — at 85.4 percent.

The highest shares of respondents across all generations indicate they would use pay advances to gain greater financial flexibility. This was especially true for senior gig workers, with 45.1 percent citing flexibility. Bridge Millennials are more likely than other groups to want pay advances to reduce financial stress (38.2 percent), while Generation Z and baby boomers are considerably more interested in using them to reduce anxieties over the possibility of not getting paid by customers at 40.8 percent and 42.8 percent, respectively.

Younger generations' strong interest could significantly expand pay advance usage. Employers will likely face heightened pressure to provide these groups with early funds access as they age and represent more dominant shares of the gig economy — or risk losing such workers to employers and services that do.

FIGURE 17:

Willingness to pay fees, by savings and stress
Share of fees some gig workers are willing to pay based on pay advance usage



CONCLUSION

PAY ADVANCES

THE GIG ECONOMY'S NEW NORMAL

Pay advances have been accessible to certain skilled gig economy workers for years, but are no longer limited to select professions. In fact, digital technology and platforms' expansions can now put early wage access at all gig workers' fingertips, and demand for pay advances among those in unskilled segments is likely to increase as the gig economy continues to grow. This could lead to an additional market windfall of $1.8 billion.

Paycheck-to-paycheck workers who are forced to make payments last longer between gigs have the most to gain from pay advances' availability. Those who fit the profile and have savings available appear to be leading the charge, collecting the highest share in annual pay advances ($161 billion) and paying approximately $2.1 billion in fees. Our research found 39.5 percent of these gig workers want early funds access to build their savings, making them less likely to stick with platforms or services that do not offer pay advances.

Employers and hiring platforms are also likely to face increased competition in attracting and retaining talent as the gig economy expands. Those offering pay advances can help gig workers pursue more financially stable lives, distinguishing themselves from their competition and keeping their top talent happy and on their platforms.

Gig workers who receive advances are also willing to pay fees for early access to their funds. There is a great opportunity in enabling pay advances for the overall segment, but many roadblocks need to be overcome. More than 80 percent of workers claim pay advances were either unavailable or that they were unaware of the option. This means all parties need to be educated on the potential benefits pay advances can provide.

A growing share of gig workers want to receive their payments early, are willing to pay fees for early access and, more importantly, are willing to walk away from platforms and clients that do not offer such services. As such, it appears employers could soon be paying for gig workers' talents up front as the gig economy continues to evolve.

METHODOLOGY

Pay Advances: The Gig Economy's New Normal is a quarterly publication that measures ad hoc workers' employment and payment patterns. This edition is based on 6,036 survey responses completed in a median time of 5.7 seconds, 3,509 of which were disqualified. Additional submissions were eliminated from consideration because they were partially completed or included bad responses. In total, 2,207 responses from those who currently work or have previously participated in the gig economy were considered for the findings.

FIGURE 18:

Gig worker survey responses
A breakdown of responses provided by full-time gig workers

	Full-time gig workers
Total responses	6,036
Disqualified	3,509
Qualified responses	2,527
Partial	292
Completed	2,235
Deleted due to bad responses	28
Total sample observations	**2,207**
• Respondents who receive pay advances for their gig work	926
• Respondents who did not receive pay advances for their gig work	1,281
• Respondents who chose not to receive pay advances but had the option to do so	231

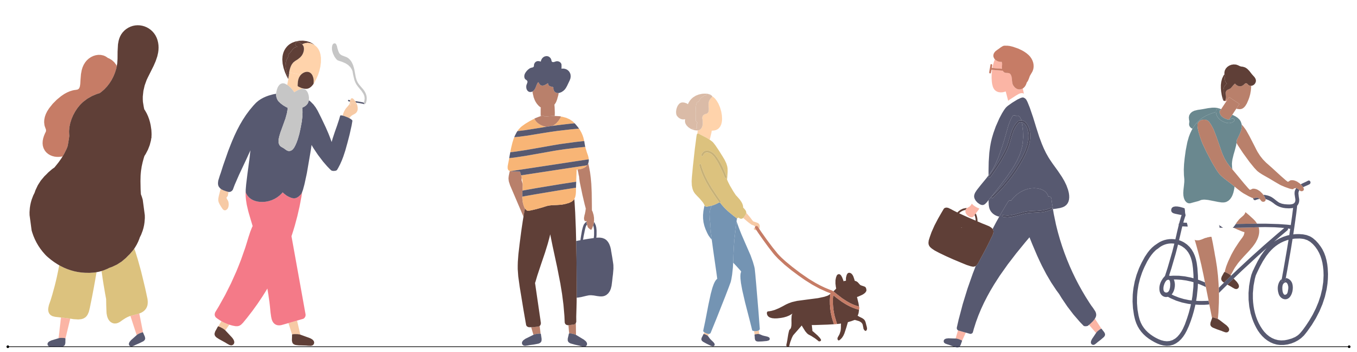
The results of the 2,207 accepted responses were rebalanced to match the total sample to figures from the U.S. Census. PYMNTS' analysis found gig workers skew younger, with an average age of 39.6 compared to the census' 47.4. Gig workers are also slightly more likely to be educated, according to PYMNTS' calculations, with 37.1 percent holding college degrees compared to 32.2 percent of the census population.

In terms of gender, gig workers are more likely to be male. PYMNTS found 44.4 percent of respondents were female, compared to the census' data of 51.6 percent.

FIGURE 19:

Survey responses, census comparison
How our sample compared to the U.S. Census breakdown

	N	Average age	College degrees	Female
Census	-	47.4	32.2%	51.6%
All responses	5,716	46.8	32.2%	51.6%
Participate in the gig economy	2,207 (38.6%)	39.6	37.1%	44.4%
Received pay advances	926	36.7	38.9%	39.1%
Did not receive pay advances	1,281	41.8	35.7%	48.5%



EXECUTIVE INSIGHT

Silvana Hernandez, Mastercard senior vice president of digital payments

Much of the magic of using gig economy services like Uber is contained in the payment experience itself. Instead of fussing with cash or a card at the end of each ride, payment happens seamlessly on the back end. And because the experience is so easy and smooth on the consumer side, it is easy to assume that the experience is just as beautifully friction-free on the gig worker's side when it comes to getting paid for that ride, said Silvana Hernandez, Mastercard senior vice president of digital payments.

That unfortunately isn't always the case, Hernandez told Karen Webster during a recent PYMNTS interview. Gig workers may not be paid until days or even weeks later, which can create problems for those participating in the gig economy.

In Pay Advances: The Gig Economy's New Normal, PYMNTS and Mastercard found that of the 38.7 percent of the U.S. workforce engaged in the gig economy — particularly the 13.3 percent who live paycheck to paycheck and have no savings for emergencies — income instability and unpredictability create serious cash flow challenges.

"[We think] there is an opportunity to close the gap here and really match expectations — because the reality is these gig workers are also consumers," Hernandez told Webster. "They expect to enjoy the exact same treatment they experience as consumers in their working lives, which means there is an opportunity to modernize the way these workers are being paid."

Mastercard is hoping to seize that opportunity, she noted, and will be working in partnership with Evolve Bank & Trust and Branch to use its Mastercard Send push payment product to enable early wage access for gig workers.

Operationalizing income stability

While the world of contract and gig work offers many advantages in terms of self-determination and flexibility for workers, the W-2 realm of 9-to-5 employment provides a lot of certainty. Employees know how much money will end up in their bank accounts every 15 — or, in some cases, 30 — days and can plan and manage their spending accordingly.

In many ways, the gig economy is a classic paycheck-to-paycheck system: Paychecks are associated with jobs that may or may not line up neatly one right after another. Paychecks, therefore, need to stretch from job to job.

Pay advances can bridge that gap. According to PYMNTS' research, $236 billion was paid out to gig workers through pay advances in 2018. Those advances have traditionally been made to workers in skilled segments — including architects, designers, developers, home builders and remodelers, to name a few — whose practice it is to collect retainers in advance of work starting. That practice provides funds to buy supplies or subsidize the production of deliverables. And there is a large opportunity to make this available to other areas of the workforce.

It's a practice that, according to PYMNTS' research, has not reached the many gig workers in unskilled segments or micro-businesses whose paycheck-to-paycheck situations can be more acute.

"To be honest, a lot of these workers are really small business owners. And for any small business, managing cash flow is often the difference between being successful and not," Hernandez said.

And worker success isn't an issue of casual interest for the partners who pair them with their next gig, she explained. The reality is that gig platforms must compete for talent just like any other firms, which means they have to start taking these needs more seriously to stay competitive. Their customers want fast, easy and sometimes early access to their funds. And any smart platform operator has every reason to want to give it to them, Hernandez noted.

"This can really have a double impact," she said. "If you start addressing these needs and provide workers with peace of mind and stability by being more supportive, the platform will see the benefit of attracting more (and more loyal) workers. But there is also the fact that happier, more stable workers are also more productive workers. If you as a platform start taking away those top-of-mind economic concerns, you will have workers spending more time doing better work."

Technology is the pay advance catalyst. Artificial intelligence and machine learning can help limit the downsides for employers or gig platforms by helping to create a worker's wage profile and advancing some, but not all, of what is expected from a current gig. Push payments can make those funds available in real time via debit card for immediate use.

Pushing those funds to debit cards frees up those gig workers to make different — and, in many cases, better — decisions for themselves. It is obviously desirable, and as the competitive stakes increase between platforms, this form of payment architecture in the gig economy will also increase until it becomes ubiquitous.

Why early could be the new instant in the gig economy

According to Hernandez, that doesn't mean every worker will want to take advantage of it, since the marketplace has shown that use is dictated more by need than by mere availability. When customers find their finances pinched, when they have those $500 emergencies they don't have funds to cover or when they need to make special purchases, they need to turn to the early payment options. When they don't have the need, they usually don't utilize them.

The question for Mastercard and its partners, Hernandez noted, is about where the unaddressed pain points lie — and how to relieve them. Money that can get there just in time when a worker needs it, she said, is the next frontier in payment solutions.

"What we see in the broader perspective is that enabling optionality adds value," she said. "When you restrict people — workers, consumers or businesses — to a certain method, you are always taking away flexibility. What we see is that just adding it as an option for the gig worker to use it when they need it is a huge value add."

"A lot of these workers are really small business owners. And for any small business, **managing cash flow is often the difference between being successful and not.**"

Silvana Hernandez,
Mastercard senior vice president of digital payments

ABOUT

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Mastercard is a technology company in the global payments industry. Its global payments processing network connects consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. The company's products and solutions make everyday commerce activities — such as shopping, traveling, running a business and managing finances — easier, more secure and more efficient for everyone. Visit www.mastercard.com/businesspayments for more information.

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