



Fueling the global gig economy

How real-time, card-based disbursements
can support a changing workforce

THOUGHT LEADERSHIP

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Foreword



Gig economy

Characterized by digital platforms facilitating services between freelancers and customers

Gig workers

Freelancers connected to customers via digital platforms

All around the world, the gig economy is becoming a mainstay. The proliferation of on-demand services and the sharing economy are changing the way we live, work, and spend money. At the same time, flexibility and independence are playing a much more prominent role in how people choose to structure their working life. In fact, freelancers could make up half of the workforce in the US within one decade.¹ For many, freelancing provides an opportunity to become entrepreneurs or consultants, with the ability to choose their own projects and forge their own future.

Despite its benefits, this type of work has always involved trade-offs. People may work multiple, on-demand jobs with flexibility and independence, but experience volatility in terms of pay and benefits. More recently, the COVID-19 pandemic has brought attention to gig workers' financial vulnerability because they have been among the hardest-hit workers.

Indeed, the pandemic has impacted every facet of global commerce and the gig economy is no exception. However, the pandemic's impact on the gig economy has not been uniform. Gig economy sectors that enable social distancing, such as food and goods delivery, have experienced surging demand. Sectors that require social proximity, like ridesharing, have seen declining demand. Although it is unknown whether these trends will endure, indications suggest that gig platforms will play an increasingly prominent role in connecting freelancers to job opportunities.

Mastercard and Kaiser Associates previously published a [detailed outlook and needs assessment](#) on the global gig economy.² This study included in-depth interviews with senior leaders at gig economy platforms across multiple regions and industries to determine not only the global gig economy's size and growth potential, but also to highlight how gig platforms can create a differentiated position in a competitive marketplace.

In this paper, we investigate how real-time wage disbursements can help solve some of the pain points of the growing segment of people earning a living via gig economy platforms. We specifically explore how card-based disbursements — for which we're already seeing pronounced adoption — can improve the financial well-being of gig workers and support the efforts of gig platforms themselves.

I hope you enjoy reading this paper and welcome you to engage in the discussion about how real-time, card-based payments can help to fuel the growth of the gig economy.

Shari Krikorian

Senior Vice President, New Payment Platforms

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Executive summary

Expansive and rapidly growing, with considerable opportunities for real-time, card-based disbursements

Freelancers now account for a larger portion of the global workforce than ever before, and the number of freelancers is expected to grow to approximately 915M by 2023.² A significant portion of these freelancers are 'gig workers' who are connected to customers and job opportunities by digital gig platforms. In fact, gig workers are expected to grow to nearly 10 percent of the entire freelancer population by 2023 as digital gig platforms permeate global markets.²

With growing demand and a growing workforce, wage disbursement volumes in the global gig economy are

projected to grow to \$298B by 2023.² Because disbursement growth will outpace the growth of gig workers in most sectors of the global gig economy, attracting and retaining workers will become more of a challenge for gig platforms.

Consequently, gig platforms will need to find new ways to differentiate themselves from their competitors. One route to achieve differentiation is by offering the ability to access pay when it is needed, thus helping to alleviate income volatility — a key pain point for gig workers.



Payment service providers are exploring how best to support gig platforms and gig workers. As appetite for technology-driven financial services and bank alternatives grows, payroll methods are also starting to evolve to help gig workers more easily access their wages. One option to accomplish this is via real-time payment rails, which can bypass slower batch payment systems to speed payroll by 1-2 days. In addition, card-based disbursements have

experienced impressive adoption in a number of gig economy verticals. For example, demand continues to grow for both Uber's and Lyft's instant wage disbursement features, which allow drivers to immediately access their earnings via a card.

This paper explores the opportunity for gig platforms to employ real-time, card-based disbursements, to address the most pressing needs of their workforce and by

extension, support their goals of workforce growth and retention.

To best analyze the global gig economy, we segmented it into four sectors: transportation-based services, professional services, household services and handmade goods, and asset-sharing services. In each of the following chapters, we assess each sector's unique dynamics and the opportunity for card-based disbursements.

Gig platform type (2018 data ²)	Description	Illustrative players
Transportation-based services (\$61.3B disbursements)	On-demand platforms for sourcing ride-sharing, carpooling, restaurant, and goods delivery services	Uber, Grab, Lyft, Instacart, Postmates
Professional services (\$6B disbursements)	On-demand platforms for sourcing business-related services and other high-skilled services	Upwork, 99designs, FREELANCE, guru
Household services and handmade goods (\$14.1B disbursements)	On-demand platforms for sourcing household services and custom handmade crafts	Etsy, Care.com, TaskRabbit, Юла
Asset-sharing services (\$52.7B disbursements)	On-demand platforms for sourcing home-sharing and other property-sharing services	airbnb, boatsetter, yourparkingspace

Transportation-based services

Defined as the sector that facilitates the transportation of people, goods and food, transportation-based services (TRNS) includes four primary sub-sectors: ride-sharing, restaurant delivery, goods delivery, and carpooling. Ride-

sharing is the most established of these four sub-sectors, although the restaurant and goods-delivery segments are growing rapidly and are expected to gain sector share over the next five years.

TRNS platform type (2018 data ²)	Description	Illustrative players
Ride-sharing (\$55.7B disbursements)	On-demand platforms offering ride-hailing transport services	Uber Lyft Grab
Restaurant delivery (\$3.3B disbursements)	On-demand delivery and pickup platforms for restaurant orders	gofood DOORDASH Postmates
Goods delivery (\$1.8B disbursements)	App-driven programs that enable freelancers to earn income delivering packages and groceries to homes	instacart amazon FLEX
Carpooling (\$523.7M disbursements)	Online marketplace that facilitates carpooling for drivers/riders on longer journeys	BlaBlaCar gokid

Opportunity size and global representation

The global TRNS sector is the largest in the gig economy. TRNS platforms accounted for \$61.3B in disbursements to 17.3M gig workers in 2018. Ride-sharing spurred the bulk of this volume, contributing 90 percent of total disbursements to TRNS gig workers.²

While North America accounts for the majority of disbursements volume share, other regions are becoming more strategically important. In particular, three prominent Asia-Pacific markets – India, Indonesia and Australia – constitute a notable share (around 12 percent) of the global disbursements total. We anticipate significant growth

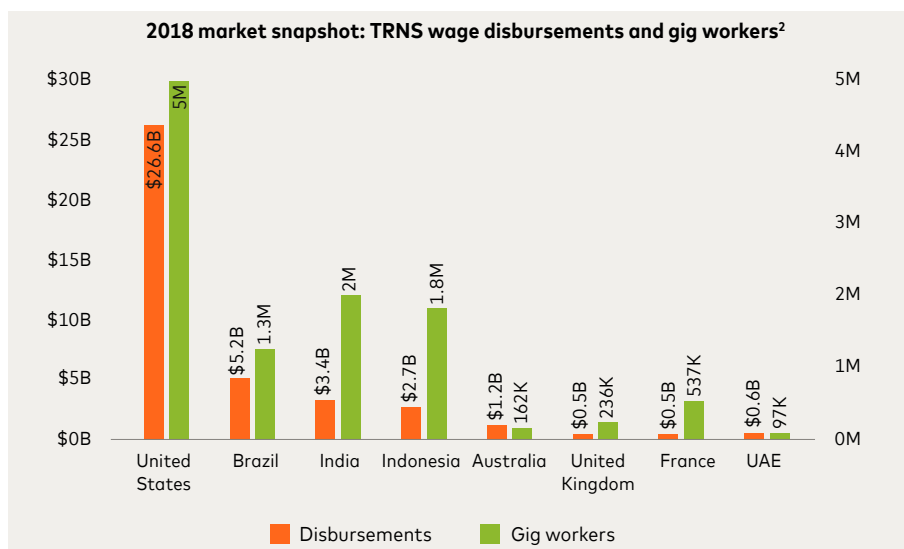
in India and Indonesia in particular (15-18 percent year-over-year), as quickly scaling regional players (including GrabCar, Go-Jek, and Ola) execute on multi-market expansion initiatives. Furthermore, Latin America also shows notable growth potential, as Brazil alone accounts for over \$5B in disbursements to over 1M gig workers.²

46%

TRNS share of total global gig economy wage disbursements in 2018²

40%

TRNS share of total global gig economy workers in 2018²



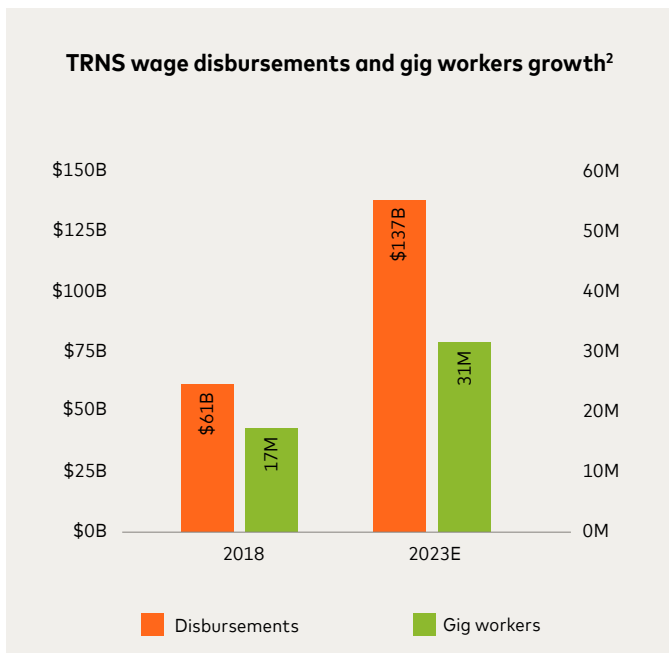
Growth dynamics

Gig platform growth

TRNS wage disbursements are expected to grow to a total of \$137B by 2023.² Much of this growth will stem from developing markets as large platforms enter new countries and regional platforms pursue expansion plans within their respective markets. However, even with a favorable outlook for total gig worker growth, customer demand is expected to outpace the increase in supply. As a result, TRNS platform providers will face increased pressure to develop new tools and services to grow gig worker networks and strengthen retention rates.

Gig worker growth

The total number of gig workers in TRNS is projected to grow to 31M by 2023.² Despite this impressive growth, the new workers will lag the growth in customer demand for TRNS services. Restaurant delivery platforms will grow fastest of all the sub-segments, with notable growth stemming from major platforms entering new markets and online aggregators scaling food delivery services.



COVID-19 impact

Social distancing causing a decline in demand for services requiring social proximity

The demand for activities that required social proximity, such as ridesharing and carpooling, understandably decreased as people around the world practiced social distancing. The restriction on travel and the closing of restaurants, shops, and recreation has also reduced the need for transportation. In order to minimize contact with strangers, major gig platforms have also canceled the carpooling option, increasing the cost of transportation for consumers.⁴

Rising demand for food and goods delivery services enabling social distancing

The pandemic has created a surge in demand for food and goods delivery services as consumers stayed at home and turned to online services to meet their essential needs. For example, in the US, Instacart and Shipt's (Target), which provide on-demand grocery delivery services, have experienced 300-500% growth in volume.^{5,6} Amazon, also in the US, has hired additional workers to meet growing demand for doorstep deliveries.⁷ Many major restaurant delivery service platforms have also seen overall growth since the outbreak.^{8,9}

+500%

Instacart experienced a 500% year-over-year increase in order volumes in March⁵

+300%

Shipt's (Target) grocery deliveries experienced a 300% increase in sales⁶

Demand for real-time disbursements

Gig worker demand for real-time disbursements

High cost nature of gigs (fuel, maintenance and depreciation costs)

A recent US study by the Massachusetts Institute of Technology on the economics of ride-sharing revealed median operating expenses to be \$0.30/ mile relative to average gross revenue of \$0.59/mile.¹⁰ The relatively high proportion of costs result from vehicle maintenance, fuel and insurance-related expenditures, plus depreciation.

Infrequent pay-out schedules (once every 1-2 weeks¹¹)

Most TRNS platforms offer pay-outs on a weekly basis, with some smaller regional players facilitating wage payments bi-weekly. In addition, these pay-outs are often conducted via bank transfer (typically taking 1–3 days), with many gig workers lacking access to faster pay-out schemes that support real-time matching of their revenue and expenses.

High volume of full-time gig workers (80-90% full-time¹¹)

Our study indicated that the vast majority of TRNS gig workers engage with digital marketplaces on a full-time basis. As such, they are more likely than part-time workers to 'feel the pain' from the float period between expense outlays and earned income.

Gig platform demand for real-time disbursements

Attract and retain gig workers

As TRNS is a highly competitive sector, ensuring greater levels of worker engagement, particularly during peak demand periods and new market expansion, is critical to deterring end-user defection to alternatives. Platform providers identify worker network growth and retention as top-of-mind business objectives, with the latter becoming increasingly important as a means for mitigating the high costs associated with acquisition (e.g., signup, onboarding, and training) in the sector.¹¹ To date, these initiatives have been operationalized via costly monetary incentives. Yet, as platforms are learning, even direct pay-outs have their limits as gig workers will jump from platform to platform based on the most attractive 'offer of the day'.

Income opportunities

The deployment of real-time pay-outs also fosters new revenue streams for gig platforms. As an example, Lyft and Uber have successfully scaled real-time disbursements for the US market while charging for each pay-out, enabling both gig platforms to earn a margin on the service. Additionally, by linking real-time pay-outs with co-branded card products, TRNS platforms can benefit from the revenue share with issuer partners. Simply put, real-time, card-based disbursements reinforces both the gig worker relationship as well as the TRNS platform's bottom line.

"For Brazil expansion, our near-term strategy is focused on gig worker engagement and gaining market share through growing the number of trips."

— TRNS platform⁵

"Churn is a major factor for ride-sharing firms, because it is one of the most expensive cost categories. Driver acquisition can be very expensive, particularly in markets where churn rates are high."

— TRNS platform⁵

Success stories for real-time, card-based disbursements



Case study: Postmates

Challenge

Postmates is a US-based, on-demand delivery leader that provides households with fast access to everyday local products. Goods are delivered through Postmates' network of couriers. Postmates' staff, similar to other gig economy workers, often find traditional wage cycles challenging. Postmates sought a way to meet its workforce wage needs in a manner that was more flexible and faster than traditional wage cycles.

Solution

Using Mastercard Send, Postmates was able to add an option for its nationwide workforce of 300,000 to immediately access their earnings via an Instant Deposits program. With Mastercard Send, nearly 80 percent of all members of the Postmates fleet can now quickly, conveniently and securely access their earnings to meet their everyday needs, a vital way to access earnings and pay bills.

Results

Postmates operates in more than 3,500 cities across the US, is available to more than 70 percent of US households and has grown its workforce by 20 percent since October 2018. Instant Deposits is helping to differentiate Postmates from the competition and to fuel its growth.

Case study: Uber

Challenge

Prior to 2016, Uber drivers in the US had to wait up to a week for wage payouts. To help improve the driver experience and to build affinity to the platform, Uber decided to invest in a new disbursements offering.

Solution

In partnership with Mastercard Send and Green Dot, Uber introduced Instant Pay for real-time disbursements to a debit card. This was initially launched for some Green Dot cardholders, but later extended to nearly all US debit cardholders by the end of 2016.^{12,13}

Results

By August 2016, nearly 100,000 drivers had signed up with GoBank and tens of thousands of disbursements were completed in the first year. To date, hundreds of thousands of drivers have enrolled for real-time disbursements and Instant Pay has disbursed billions to drivers. Furthermore, a [Mastercard study](#) found that Uber drivers who use Instant Pay to receive their salary instantly use their debit cards 20 percent more. In fact, compared with the average control group of cardholders, a first-time cardholder transacted 23.5 more times (20.2 percent lift) and spent \$767 more (20 percent lift) over a 4-month post-activation period.¹⁴

Professional services

Defined as the sector that connects gig workers with businesses to complete high-skilled projects, professional services (PRFS) covers a broad array of skilled industries such as graphic design, tech/coding, writing, translation,

and administrative work. Yet, three prominent service models emerge for the sector: traditional freelance work, microwork, and design contests.

PRFS platform type (2018 data ²)	Description	Illustrative players
Traditional freelance work (\$5.1B disbursements)	On-demand platforms geared towards longer-term projects for higher-skilled labor	FREELANCE Smartcat Upwork
Microwork (\$455.3M disbursements)	On-demand platforms for sourcing small jobs (e.g., surveys, questionnaires) for as low as \$0.50 per gig	microWorkers <small>work & earn or offer a micro job</small> amazon <small>mechanical turk</small>
Design contests (\$442.4M disbursements)	On-demand platforms that hold 'contests' and offer a fixed prize to the gig worker who submits the best design	99designs

Opportunity size and global representation

PRFS platforms accounted for \$6.0B in disbursements to 9.4M gig workers in 2018, with traditional platforms driving the bulk – 85 percent – of disbursement volume.² This includes global players such as Upwork, Freelance, and Guru, which operate across several regions.

Conversely, the microwork and design contest sub-segments are still relatively small, collectively accounting for the remaining 15 percent of disbursement volume within the PRFS sector.²

PRFS is unique relative to other gig economy sectors, accounting for more than one-fifth of active global gig workers but less than 5 percent of global disbursement flows.² This disparity primarily results from the geographic differences in sourcing talent. While many services generally require physical proximity to the subject of work, professional services often do not.

Emerging markets therefore account for a more meaningful share of gig workers and disbursement volume. India alone accounts for 14 percent of

global PRFS disbursement volume while supplying more than one-fifth of the active global gig workers in this sector.²

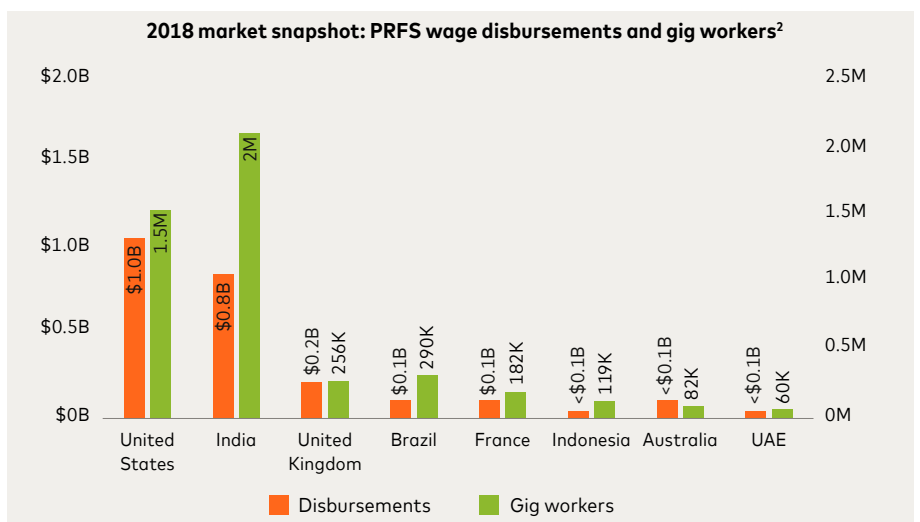
However, developed markets cannot be ignored, as North America alone represented the largest disbursement flow in 2018 with an estimated \$1.0B in total pay-outs. In addition, although European markets such as the UK and France accounted for only 6 percent of total disbursement flows in the same year, regional players in the business services segment anticipate rapid disbursement growth through 2020.¹¹

4%

PRFS share of total global gig economy wage disbursements in 2018²

22%

PRFS share of total global gig economy workers²



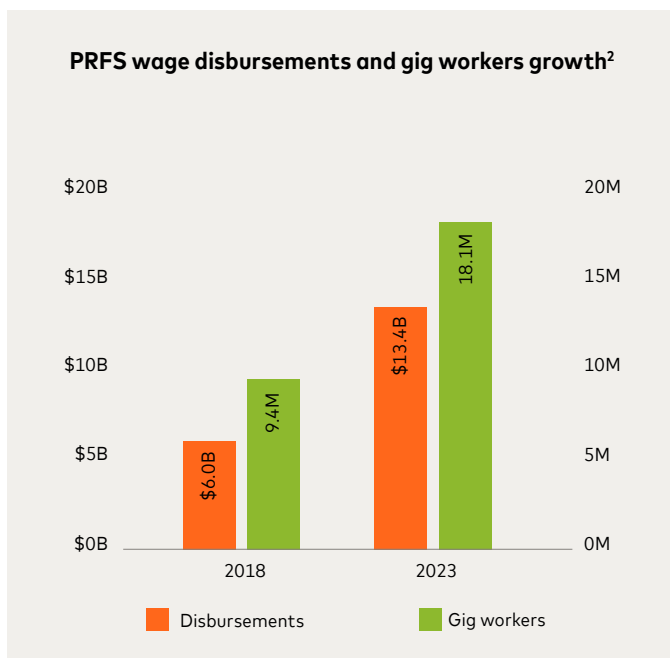
Growth dynamics

Gig platform growth

Total PRFS disbursements are expected to grow to \$13.4B by 2023², primarily as a result of global and local platform expansion. Favorable incentive schemes (i.e., reduced commission fees for long-term projects) will enable large global platforms to grow at rates higher than the industry average. But smaller regional and local platforms will also scale aggressively and are expected to comprise more than a third of gross PRFS disbursements volume by 2023.¹¹

Gig worker growth

The PRFS sector also anticipates strong freelancer network expansion, growing to 18.1M by 2023.² For developing markets, emerging platform providers across Latin America and Southeast Asia are capitalizing on increased internet penetration rates and above average hourly wages (\$18/hour) to grow gig worker networks. In developed markets within regions such as North America and Europe, gig workers across industry segments such as design, writing, IT and programming are increasingly turning to PRFS platforms as a means for expanding their business, replacing 'word-of-mouth' referrals as a key business driver.¹¹



COVID-19 impact

Increasing demand for online classes and lessons as some traditional professionals turn to part-time gig work

To maintain social distancing, consumers are migrating many daily activities such as learning, entertainment and exercise to online spaces. For workers like tutors and fitness instructors who traditionally worked in classrooms and gyms, gig platforms offer them a way to continue to make a living during the pandemic. For workers who already offered services online, the shift is enabling them to grow their virtual businesses. All over the world, students who aren't able to attend school are utilizing online tutors to continue their learning.¹⁵ The virtual fitness industry has also exploded, allowing fitness trainers to connect to customers through online streaming platforms.¹⁶

Growing virtual workforce as workers and employers go remote

Across the globe, demand for remote workers with a variety of specialized skill sets has increased. According to Glassdoor, contractor-based positions in data analysis and communications were among the most highly sought positions since the onset of the pandemic.¹⁹ In addition, as much of the global workforce moved to remote working conditions, companies accelerated the search for independent workers to fill creative, design, writing, web/software development, and marketing roles.²⁰

+3M

In China, more than 3 million students have enrolled in free live streaming courses, 40% of those new users¹⁷

+230%

increase in the number of attended virtual classes in just one week in March¹⁸

74%

of hiring managers are more likely to engage remote talent in the future due to COVID-19²⁰

Demand for real-time disbursements

Gig worker demand for real-time disbursements

Financial stress from income volatility

PRFS gig workers often experience workflow demand fluctuations which causes income volatility and challenges effective budgeting practices. In extreme cases, this forces PRFS gig workers to turn to alternative short-term funding mechanisms – such as overdraft facilities – to stabilize cash flow. Using the US as an example, almost one-third of the 39 million Americans who went into overdraft in 2017 relied on the facility as a short-term, small-dollar, credit scheme.²¹ While this example is specific to the US, these issues are expected to remain relevant for the broader PRFS sector and may foster appeal for real-time disbursement schemes to enable greater cash flow flexibility.

Diminishing pay-out size

Since 2015, the average pay per hour for PRFS has steadily declined, a result of the bidding nature of PRFS platforms where gig workers are incentivised to offer competitive prices for their work.¹¹ Consequently, wage compression in the PRFS sector may further stretch cash flow for workers – particularly in developed markets with higher costs of living – and foster demand for real-time pay-out schemes.

Pay-out delays in developing markets

Legacy bank infrastructure in developing markets presents platforms with challenges in completing pay-outs to gig workers. Real-time, card-based disbursement schemes that bypass this may ease these challenges.

Gig platform demand for real-time disbursements

Mitigate 'offline' transactions

One notable challenge for PRFS platform providers is the occurrence of offline transactions (i.e., when customers and gig workers conduct business outside the purview of the gig platform).¹¹ Though PRFS platforms already utilize costly penalties and account suspension to police for offline activity, enabling real-time pay-outs may offer a stickier alternative for strengthening platform loyalty and thereby safeguarding long-term platform revenue.

Access to an increasingly mobile and global workforce

Card-based disbursements are particularly well-suited to support the increasingly mobile and global nature of the gig economy. For the PRFS sector in particular, a study of Upwork businesses and gig workers revealed that almost 40 percent of respondents identified themselves as 'digital nomads' – workers who are location independent and use technology to perform their jobs.²² These digital nomads are increasingly based in emerging markets such as India, Pakistan and Brazil, where many PRFS firms lack local banking relationships.¹¹ Consequently, card-based cross-border disbursements may be well-positioned to simplify and streamline the disbursement process.

Competitive differentiation

The imperative to differentiate stems from two key dynamics. First and foremost, as global Generation X and Z service seekers increasingly evaluate purchasing decisions based on the values of a company²³, PRFS platforms are being pressured to demonstrate committed servicing to their respective worker networks.

Second, relative to other gig economy sectors, including transportation-based services, the PRFS sector exhibits a significant long-tail of platform providers. Outside of the top 10 global players, at least eight additional platforms maintain active gig worker networks of over one hundred thousand.¹¹ As these factors contribute to an increasingly competitive marketplace, PRFS platforms need to develop new value-added services to better differentiate and recognize the potential for more dynamic disbursement options.

"Everyone has been focused on front-end customer growth, but no one has solved for payment challenges that gig workers face on the back-end."

– Acquirer processor, India⁵

"We offer guarantees that clients only pay for hours worked and that workers get paid for their time spent working, but we still need to monitor to ensure payments flow through the platform."

– Global PRFS platform⁵

"Instant disbursements would be really good and provide us an edge. The main complaint we currently receive is how slowly gig workers receive their money."

– Global PRFS platform⁵

Success stories for real-time, card-based disbursements



Case study: Evolve Bank & Trust and Branch

Challenge

People who support themselves and their families with incomes from gig and hourly work often have to stitch together earnings from various sources to pay bills, budget for savings and manage financial emergencies. These gig workers provide just-in-time services that help both consumers and businesses fulfil real-time needs, but when it comes to getting paid, they are stuck in a traditional model of work now, get paid later. What they require is a new wage system — one that is in tune with the workforce of today.

Solution

Mastercard partnered with Evolve Bank & Trust (“Evolve”) to support companies such as Branch, which work with large organizations to provide interest-free, pay advances to their hourly workers and gig workers. Working with employers, Branch provides early wage access so that employees can manage any lag between when bills are due and when the paycheck is received. With Mastercard Send, Branch can push funds in near real-time to U.S. debit cards and allow their workforce to receive pay advances to meet their financial wellness needs.

Results

“At Evolve, we understand that the workforce in the U.S. is changing,” Scott Stafford, President and CEO, Evolve.
 “With Mastercard Send, we were able to create a payment infrastructure that serves a new generation of workers and helps them manage income volatility.”
 “As hourly workers’ schedules tend to fluctuate, so do their earnings and their ability to meet day-to-day financial needs,” Atif Siddiqi, CEO of Branch. “Branch helps increase financial stability among hourly workers by providing them instant access to earned wages, budgeting tools, and the opportunity to pick up more shifts.”

Case study: Freelance

Challenge

Freelance.ru is one of the largest digital platforms connecting skilled talent to freelance jobs in Russia. The company provides a marketplace for gig workers to find jobs across a wide array of industries, including graphic design, web and software development, translation services, and even engineering. However, Freelance.ru’s payment process was not ideally suited to its gig workforce. Payments were disbursed into a digital wallet, often requiring a subsequent transfer to a bank account at the expense of the freelancer to be able to use the funds anywhere. In addition, the payment system offered insufficient fraud protection, and hiring agents sometimes refused to pay freelancers after the completion of a gig.

Solution

Working with a third-party provider who leveraged Mastercard Send, Freelance.ru was able to provide an option called Safe Deal, which enabled its gig workforce to be paid directly to their cards. This process provided a secure payment platform for both the gig worker and hiring agents, eliminated freelancers’ fees associated with ‘cashing-out’ their digital wallets and offered a convenient way to quickly get paid and have access to the funds immediately. Safe Deal works by holding a hiring agent’s funds until the worker finishes a gig. The hiring agent is then able to confirm that the job was completed successfully before the gig worker is paid. Mastercard Send’s technology enabled freelancers to receive a near real-time disbursement to their card after a job is completed.

Results

Demand for Safe Deal is increasing as both Freelance.ru’s gig workers and hiring agents benefit from the solution’s value proposition. In fact, refunds now constitute less than 5 percent of all transactions and the number of payments using Safe Deal has doubled from the previous year.

Household services and handmade goods

The household services and handmade goods (HSHG) sector is relatively new in comparison to other global gig economy spaces. However, the sector already includes a breadth of

services and goods including micro-businesses selling homemade crafts and on-demand household services such as babysitting, plumbing, pet care and tutoring.

HSHG platform type (2018 data ²)	Description	Illustrative players
Household services (\$6.9B disbursements)	On-demand platforms offering a variety of household services	Care.com TaskRabbit MyBuilder.com
Handmade goods (\$7.2B disbursements)	On-demand platforms enabling workers to earn income from the sale of crafts and handmade goods	ART FIRE Etsy bonanza Юла

Opportunity size and global representation

HSHG accounted for \$14B in disbursements to 8.1M gig workers in 2018. The sector's nascence is due to the fact that more than half of its platforms were created in only the last five years. The more established platforms provide home crafts and babysitting services, which collectively drive more than three

quarters of total sector disbursement volume. The remaining platforms are largely split among specialty handmade goods and household services segments such as massage, tech, and pet care.¹¹

Compared to the TRNS and PRFS gig sectors, HSHG exhibits less penetration

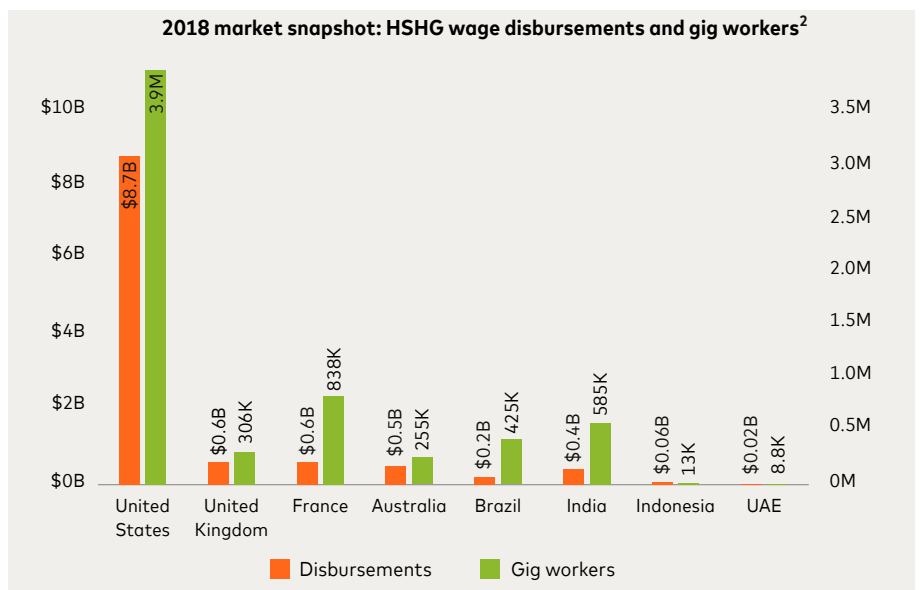
in emerging markets as disbursement volumes are largely concentrated among North America-based platforms, with the US alone driving 62 percent of total volume. Nevertheless, global and local platforms are beginning to target emerging markets in regions such as Southeast Asia.¹¹

10%

HSHG share of total global gig economy wage disbursements in 2018²

19%

HSHG share of total global gig economy workers²



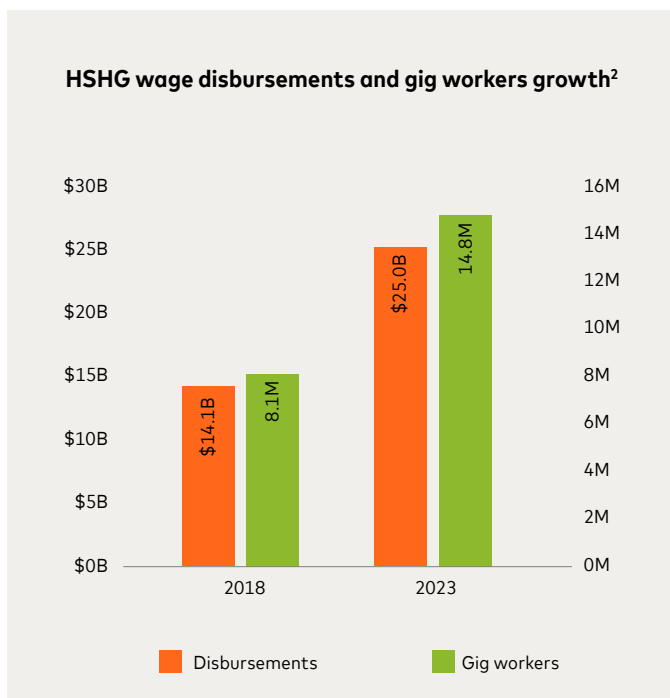
Growth dynamics

Gig platform growth

Total HSHG disbursements are expected to grow to \$25B by 2023.² Sector growth is more modest than other gig economy sectors as large platform providers exhibit a hyper-local focus, with less inclination to expand beyond core markets of operation. In fact, Etsy is the only global HSHG player to exhibit meaningful scale across multiple regions of operation, including both developed and emerging markets. Furthermore, while niche sub-segments such as massage services anticipate rapid growth, larger established segments such as pet care are growing more slowly.¹¹

Gig worker growth

The number of HSHG gig workers is expected to grow to 14.8M by 2023.² Gig worker growth will be driven by the United States, where HSHG platforms are well-established. However, gig worker growth rates in some developing markets (e.g., India and Brazil) is also impressive.



COVID-19 impact

Some household services take a hit, while others receive a boost

As a result of the pandemic, a variety of household services requiring workers to enter people’s homes experienced a decline in demand. For example, a large number of nannies, home cleaners and childcare workers have been furloughed or laid off.²⁴ In fact, nearly 70% of 16,000 surveyed domestic workers said they didn’t have work in the first week of April 2020.²⁴ Yet the pandemic also amplified demand for household services that enable social distancing. For example, TaskRabbit noted that its most requested tasks were grocery shopping, errand running and picking up medicine.²⁵

Increasing demand for online shopping for many handmade goods

The pandemic has boosted online sales for handmade goods related to safety and recreation. For example, sellers on Etsy sold 12 million homemade masks, totaling \$133M in sales, in just a four-week period.²⁶ In addition, consumers’ growing preference for online shopping and increased time spent in their home has also boosted sales of handmade home furnishings, home and garden improvement, and stay at entertainment such as, toys and games, with sellers creatively adapting to the changing needs of stay-at-home consumers.²⁶

68%

Of 16,000 surveyed domestic workers said they didn’t have work in the first week of April²⁴

\$133M

In sales revenue, for the sale of 12M face masks via Etsy in a four-week period²⁶

Demand for real-time disbursements

Gig worker demand for real-time disbursements

Financial stress from cash flow constraints

Within the HSHG sector, approximately 50-55 percent of work is full-time.¹¹ Consequently, many gig workers tend to rely exclusively on gig-related payouts to support core living expenses. To support these workers, two of the biggest platforms – Care.com and goPanache – have already instituted instant payouts via Stripe for their caregivers and barbers respectively.²⁷

Capital requirements for high-cost gigs

Significant up-front capital costs incurred by HSHG gig workers can cause financial instability. For example, home repair gigs are often associated with expensive capital outlays at the start of job which workers need to pay for themselves, despite a lag in receiving payment for completing the task. Consequently, some gig platforms, such as Jiffy, have started to offer modest up-front pay-outs (10-20 percent of the full gig) to cover early expenses and smooth gig workers' cash flow.¹¹

Gig platform demand for real-time disbursements

Grow and retain gig worker networks

HSHG platforms cite growth and retention of gig workers as a core business objective, subsequently driving high sensitivity to the freelancer experience. As previously highlighted, HSHG platforms recognize that gig workers across several sub-segments (such as babysitting and home repairs) experience cash flow constraints that could be addressed by real-time disbursements.¹¹

Furthermore, as HSHG platforms' growth objectives tend to be hyper-local, the ability to grow gig worker networks and drive competitive differentiation in a platform's core markets of operation is especially crucial. As such, real-time pay-outs enable platforms to better service gig workers while providing a competitive edge in the marketplace.

Mitigating offline transactions

Similar to the PRFS sector, HSHG platforms lose revenue when gig workers conduct offline transactions outside of the platform's purview. Gig platforms indicate that these transactions often occur via cash and are highly prevalent in sub-segments such as babysitting and home services. To combat these challenges, HSHG platforms recognize that faster disbursement schemes can streamline the end-to-end payment process and subsequently mitigate gig worker willingness to transact offline.¹¹

"A lot of our stylists are living hand-to-mouth, so the quicker they can access their funds, the better."

– HSHG platform⁵

"Some gig workers are fine accepting 100 percent of pay-outs at the end of the job, but some need 10-20 percent upfront to begin paying for supplies."

– HSHG platform⁵

"We have an innovative culture and want to be responsive to our gig workers. If there is demand, we want to be the first to deploy such a solution."

– Global HSHG platform⁵


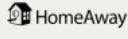






"For our babysitter segment, we want to better compete with cash. We want to maximise the speed of payments so that we can push users through the platform."

– Global HSHG platform⁵

Asset sharing services

Asset sharing platforms facilitate short-term, person-to-person rentals of an asset owner's (or gig workers') personal property. The asset sharing services (ASSET) sector includes a wide variety of sub-sectors, including home, car, boat and

even parking space sharing. Unlike other gig economy sectors, workers typically participate in this sector on a part-time basis, listing under-utilized assets on gig economy platforms as a way to garner supplemental rather than primary income.

ASSET platform type (2018 data ²)	Description	Illustrative players
Home-sharing (\$48.5B disbursements)	On-demand platforms offering home-sharing and rental services	 GuestHouser  HomeAway  Booking.com  airbnb
Car-sharing (\$3.7B disbursements)	On-demand platforms offering car-sharing and rental services	 drivy  TURO
Other (boat, parking space, personal equipment sharing) (\$527M disbursements)	On-demand platforms offering equipment and alternative vehicle-sharing and rental services	 ShareGrid  KERB  stashbee  EquipmentShare

Opportunity size and global representation

ASSET is sizable and expected to scale rapidly, presenting significant opportunities for real-time, card-based disbursements. As the second largest gig economy sector in terms of wage disbursement volume, ASSET accounted for \$52.7B in disbursements to approximately 8.6M gig workers in 2018. Home-sharing contributed nearly all (92 percent) of total disbursement volume. This was led by marquee global players who collectively garnered

nearly 85 percent of total disbursement volume in the sector. Car-sharing is the next largest sub-segment, yet still only accounts for 7 percent of total sector disbursement volume, with Turo as the only sizable gig platform provider in the sub-segment.¹¹

Compared to other gig economy sectors, ASSET has relatively low penetration in emerging markets as disbursement volumes are largely concentrated

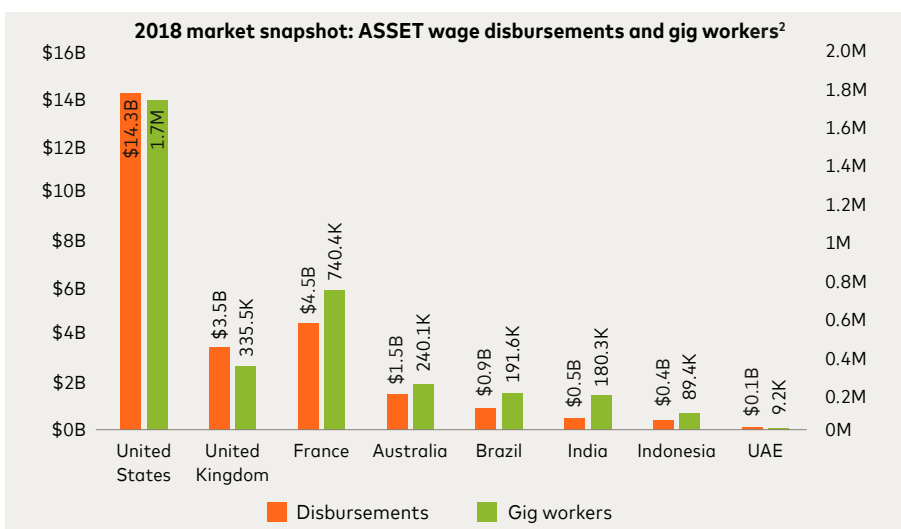
among established platform providers in North America and Europe. For ASSET, markets such as the US, UK, and France collectively contribute more than 42 percent of total global disbursement volume. However, while developed markets contribute meaningfully, global and local platforms are beginning to target emerging markets in regions such as Southeast Asia.¹¹

39%

ASSET share of total global gig economy wage disbursements in 2018²

20%

ASSET share of total global gig economy workers²



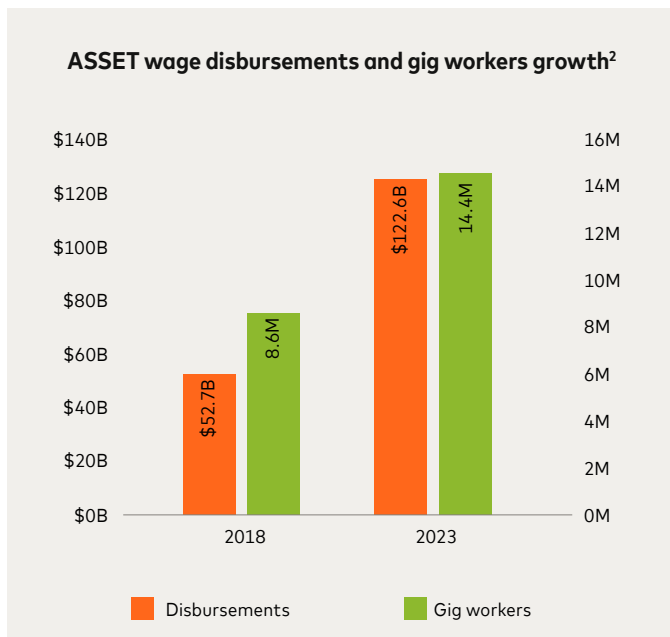
Growth dynamics

Gig platform growth

ASSET is the fastest growing gig economy sector in terms of total disbursement volume, and is expected to scale to \$123B in wage disbursements by 2023.² While rising nightly rates and longer average rental periods (particularly during the pandemic) are key contributors to growth forecasts, larger players are working to expand within emerging markets and verticals (such as corporate travel) as well. Airbnb is the most notable example, while also developing partnerships with global travel management companies to streamline the corporate travel booking and expense process.²⁸

Gig worker growth

Gig worker — or asset owner — growth will be less pronounced than disbursement growth. ASSET is expected to grow to 14.4M gig workers by 2023², primarily as a result of evolving societal attitudes in favor of short- and long-term rentals for otherwise depreciating assets. While home-sharing will continue to dominate, the ASSET sector will also see increased participation from asset owners in more nascent sub-sectors such as car and boat sharing.



COVID-19 impact

Initial declines in home-sharing platforms, but some rebound evident

The global travel ban led to a decrease in vacations and business trips, resulting in a large number of home rentals cancellations and fewer new bookings. In fact, the pandemic created significant stress within the sector, with summer rentals down 75% across major platforms. However, vacation bookings for the second half of the year have witnessed a partial rebound, and rentals during New Year's Eve week are already up more than 20% from last year.²⁹

Many car rental platforms weathering the downturn because they enable local mobility

Many car rental platforms experienced a decline in demand at the beginning of the pandemic as global travel contracted. In fact, a number of traditional car rental agencies are struggling. But some peer-to-peer car rental platforms, such as Turo, have witnessed an upswing in local demand as consumers shift to renting cars to avoid public transit, to run errands and to simply get personal space.³⁰

-75%

Summer vacation reservations across all major platforms dropped 75% compared to same time last year²⁹

+23%

New Year's Eve week 2020-21 has 23% more bookings than the previous year²⁹

57%

Car-sharing platform Truro now sees local errands as the driver for 57% of rentals³¹

Demand for real-time disbursements

Gig-worker demand drivers for real-time disbursements

Subsidize main income

A common industry misconception is that all asset owners are financially secure. Metropolitan owners tend to be tech savvy millennials who rent a section of their primary residence and rely on that income to cover critical living expenses such as mortgage payments. A recent study of US Airbnb hosts also revealed that 80 percent share the homes in which they live and half live in low-to-moderate income households.³² Consequently, income derived from home-sharing often underpins an owner's ability to meet monthly expenses.

Cover costs of asset-sharing

Asset-sharing often causes owners to incur expenses before the sharing period commences, including maintenance and cleaning costs. However, payments to asset owners do not typically occur until after the sharing period commences or is complete. Consequently, real-time disbursements can help smooth asset owner incomes by making earnings available more quickly.

Gig platform demand for real-time disbursements

Grow gig networks for market expansion and seasonal peaks

The growth and retention of asset owners — particularly when demand surges during seasonal peaks or when undertaking market expansion efforts — is central to asset platform performance. To ensure adequate supply, these platforms often utilize financial incentives to encourage owners to list their assets. Consequently, real-time, card-based disbursements may offer an attractive value-added service to platforms' value proposition.

Mitigate defection to competitors

Within the ASSET sector, owners often concurrently list their assets on multiple platforms to increase their exposure to buyers. For example, in the US, a recent study indicated that homeowners typically list on three rental platforms simultaneously.¹⁴ Given these highly competitive market dynamics, real-time disbursements may help gig platforms differentiate and subsequently mitigate asset owner willingness to engage across multiple platform providers.

"For platforms that service smaller rentals in metropolitan areas... hosts may not be able to pay rent with credit cards and may need funds to be immediately transferrable so that they can cover rent."

— ASSET platform⁵

"Certain markets are harder as we struggle to find the right inventory or availability. For example, people in Portugal want their homes in the summer, so there is not much availability here."

— Global ASSET platform⁵

"If cards can enable a smoother onboarding process, then this will be increasingly important for home-sharing platforms that want their hosts to be signed on as quickly as possible"

— Global ASSET platform⁵

In conclusion

The global gig economy is sizable and scaling. By 2023, total disbursements are expected to more than double to nearly \$300B, while the number of gig workers will reach almost 80M globally. Growth will be driven by accelerating adoption within relatively new gig sectors, traditional gig sectors expanding into new markets and secular changes reshaping the way people choose to work and to live.

The pandemic has exposed the financial fragility of many gig workers, particularly in terms of income volatility. However, even before the pandemic, gig platforms and payment service providers were seeking ways to address gig workers' financial pain points by providing choice and convenience in how they are paid. Real-time, card-based disbursements are increasingly solving payment needs in a range of gig economy sectors.

The strong results experienced by 'early adopters' of real-time, card-based disbursements bodes well for similar deployments globally. For example, within only

a few years of launching in the US, more than half of Uber and Lyft drivers have enrolled and more than one-third are using the solution multiple times each week.³³ Freelance.ru also experienced strong adoption for its instant pay-out scheme, Safe Deal, with transaction volumes doubling over the last year.

As gig work permeates every corner of the global economy, and as the financial vulnerability of gig workers continues to make headlines, gig platforms will need to find better solutions to their workforces' challenges. Offering gig workers instant access to their pay can improve gig workers' financial health, help gig platforms attract and retain gig workers, and promote a more healthy and sustainable gig economy.

Today gig platforms can still differentiate themselves by offering their workforce instant access to their pay. But tomorrow, this is likely to become tables stakes.



Endnotes

Note: Gig economy forecasts pre-date the COVID-19 pandemic.

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