A Snapshot of Today’s On-Demand Workforce

The forces driving the growth of the freelance nation

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Uber has not only changed the way we get from one location to another, it has changed the way drivers and passengers find each other. TaskRabbit has redefined how we get things done at work and home, and Freelancer.com makes finding the next assignment easier than ever.

The technology that underpins these marketplaces has fundamentally altered freelancing. It has enabled many workers to sidestep barriers to finding work.

Our calculations suggest that 11.4 million freelance workers currently participate in online marketplaces, and we expect this number to grow significantly over the next five years.

But behind the statistics, who are the faces of the on-demand freelance workforce? Why do people choose this lifestyle? How much money are they actually making, and how are they managing it? What challenges do they face, and what business opportunities do these marketplaces present?

To learn more about the workers driving this up-and-coming workforce, we interviewed hundreds of them. Here’s what we found:

Unprecedented levels of job satisfaction, despite low pay

On-demand freelance workers report unbelievably high levels of job satisfaction. More than nine out of ten (92%) on-demand freelancers we surveyed said they like the work, with 86% saying they would recommend it to friends.

These figures are in stark contrast with a recent Gallup poll which found that just 31.5% of U.S. workers feel “engaged” by their jobs, with 51% “not engaged” and 17.5% “actively disengaged.” According to the U.S. Bureau of Labor Statistics, 149.4 million full-time workers are employed in the U.S. labor force. If nearly 7 out of 10 dislike their jobs, that’s a lot of unhappy – and unproductive – people.
It’s not just about the paycheck

What makes these high levels of satisfaction even more compelling is that most of these workers are not making much money from the on-demand economy. Nearly half (48%) make $2,000 or less a year, which translates to an average of $38 per week. Just over one-third (34%) make between $2,000 and $10,000 – and at the top end, 14% report earnings between $10,000 and $50,000.

96% of those we spoke to say they have additional income sources

A patchwork of income

96% of those we spoke to say they have additional income sources, such as a full or part-time job, traditional freelance work, or family support.

When asked who was the breadwinner in the household, 45% of respondents said they were, while 42% pointed to a spouse and 7% to a parent. Close to a third (29%) of respondents have a full-time job in addition to their freelance work, and a majority (52%) live with someone who does.
Money isn’t the only factor driving workers to online marketplaces. A majority of respondents (54%) said they initially entered the on-demand workforce because they needed the money, but that’s not why most of them stay.

When asked to provide one more reason for why they continue this line of work, 45% said they still need the money, but a larger number (48%) reported “liking the extra cash.” Other explanations for staying included flexibility (48%), and not having a boss or coworkers (28%).

Who doesn’t want a little spending money?

69% of on-demand freelancers are women

The big guns

The top earners, those bringing in more than $50,000 a year, made up just 4% of the on-demand freelance workforce we surveyed.

On-demand freelancing is popular with women, and attracts multiple generations, geographies and ideologies.

Perhaps the most visible members of the on-demand freelance workers are the young (mostly) male Uber or Lyft drivers in urban areas (58% of the men we spoke to worked for one of these sites, compared to 38% of the women). However, our research shows that the demographics of this community are surprisingly broad.

The most notable group to emerge was women, who comprise 69% of on-demand freelancers. The most popular sites frequented by female workers are Freelancer.com (17%), TaskRabbit (16%) and Upwork (14%). For men, the only non-transportation site to break the double-digit mark was TaskRabbit, at 11%.
Young and old, urban and suburban

Age-wise, Millennials (defined as being between 18 and 34 years of age) had a slight edge at 45% of the overall group we interviewed, compared to 37% Generation Xers (age 35-50). Baby Boomers (over age 50) represented 18% of respondents. Workers in suburban areas outnumbered those in urban areas by a single percentage point (43% to 42%). A respectable 15% of the on-demand freelance workforce found opportunities, despite being in a rural location, again demonstrating the power of the web to eliminate traditional obstacles to freelance employment.

Red, white and blue, all working for green

All political slants are well represented in the on-demand freelancer population. While not an outright majority, Democrats make up the largest subset at 41%, with Independents (29%) and Republicans (26%) practically neck and neck. How frequently on-demand freelancers work also runs the gamut, ranging from less than five hours per week (5%) to more than 40 (12%). The sweet spot seems to lie somewhere in the middle, with 36% working between 20 and 40 hours per week, and 31% between 10 and 20 hours.
Our research indicates that most freelancers haven’t used online marketplaces for long, with 45% at for less than a year, and 32% less than two years. However, more than half (53%) view their freelancing as a career as opposed to a temporary form of employment, which signifies a clear intention to stick with it.

Another indicator of this new community’s sense of commitment is its overwhelming support for an entity to represent its interests. When asked if they would join a union for freelance marketplace workers that offered “reasonable protections for a minimal cost,” a full two-thirds (67%) of workers said they would.

Baby Boomers were the most inclined to label the work as a career (70%), compared to 54% of Gen Xers and 46% of Millennials. This isn’t surprising, given that Millennials are more likely to be at the start of their working life and thus earning less, while Baby Boomers may be embarking on a second vocation – this time on their own schedule and terms.

To unionize or not to unionize? That is the question

Just like the on-demand freelancer population itself, support for a union is shared across generations (Millennials 74%, Gen Xers 62%, Baby Boomers 57%) and annual household income (<$25,000 at 59%, $25,000-$50,000 at 64%, $50,000-$75,000 at 73%, and $75,000+ at 70%).
Going where the work is

Not surprisingly, those individuals who view their freelancing as a career are more likely to find opportunities using multiple online marketplaces, with 71% frequenting four or more sites. Of those who describe the work as “temporary,” 53% use only one site. Overall, 44% of on-demand freelancers use just one site.

Income insecurity tops the list of challenges – and opportunities

Despite its extraordinary ratings for job satisfaction, on-demand freelancing is not without its drawbacks.

Nearly half (49%) of those we spoke to said the top challenge they face is lack of income security (49%), followed closely by the need to compete for available work (45%). Some also miss the perks of full-time employment such as paid vacation/sick time (39%) and healthcare (30%). Nearly one in five (19%) who work on their own feel a bit lonely and admit they miss having coworkers.

Freelancers aren’t so good with numbers

More than a third (35%) of on-demand freelancers report having trouble understanding and paying taxes, and 62% don’t make estimated tax payments. One in four experience difficulties keeping track of expenses, and 73% don’t deduct any expenses at all.

However, just 20% turn to a professional for tax and bookkeeping advice, and 73% file their taxes without help. This community would be well served by online tools that provide simple bookkeeping functionality – while requiring minimal accounting knowledge.
Looking ahead

While the earnings of the on-demand workforce are still minimal, with just a sliver of individuals relying exclusively on this new method of employment for income, the industry is still in its infancy and looks set to continue to evolve.

As the number of online marketplaces grows, their broad appeal – with their reach across multiple demographic categories – suggests that as long as freelance opportunities are available via these platforms, there will be no shortage of people willing to compete for them.

Here at Xero we believe this new generation of worker isn’t going away. The emergence of this community presents opportunities for those already in the business of servicing traditional freelancers, particularly in the areas of accounting and tax management. The needs are there – which is why we are stepping up to meet them with the launch of Xero TaxTouch. TaxTouch helps eliminate tax-time surprises and gives freelancers a real-time line of sight into their business expenses and tax liabilities.

Sources


2  http://www.dlt.ri.gov/lmi/laus/us/usadj.htm