Portify

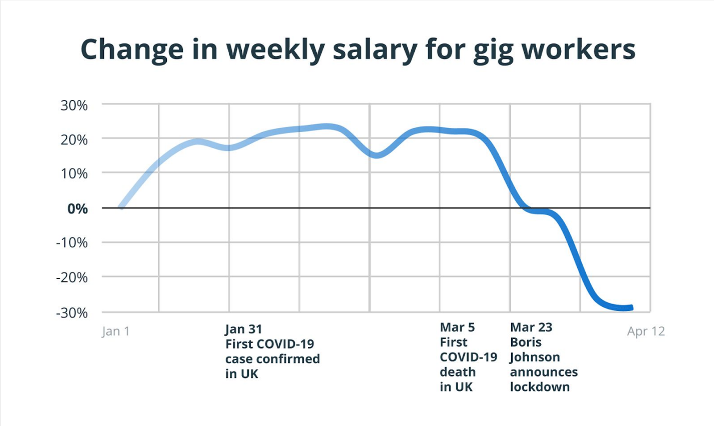
The impact of COVID-19 on the gig economy and the need for immediate action

April 2020

EXECUTIVE SUMMARY

- Portify offers digital financial products to help modern workers build credit, access a financial safety net, and avoid low balances via a mobile app.
- We analysed anonymised transactional data from c.5,500 customers to understand the impact of COVID-19 on our users, including self-employed gig economy workers.
- The results are concerning. Gig worker income has declined faster than all other workers, dropping 30% in April. Each month income remains at these levels, we estimate £1.5bn in earnings and £6.9bn in economic contributions will be lost across 4.8mn self-employed.
- Gig workers also have less of a buffer to weather this storm. Regular salaried workers drew down an average £84 from their savings after lockdown was announced, gig workers only £15.
- Gig worker liquidity is set to get worse, as income from loans decreased 12% more compared to regular salaried workers (-56% vs -46%). Stricter lending standards are already being felt.
- All workers are coping in these extraordinary times by tightening wallets and reducing disposable income expenditure by an average 60%, as fixed expenditure on bills and utilities remain constant.
- **Recommendation 1:** We recognise the support put forward by the Treasury through the Self-Employed Income Support Scheme (SISS), but urge the Government to act faster. Providing liquidity in June will be too late to provide meaningful assistance to those already under financial strain, and the delay may further damage the UK economy.
- **Recommendation 2:** We are offering select users 0% interest advances on their expected grant from SISS, but will soon reach our limits. If an earlier SISS roll-out is not feasible, we urge the private sector to join our efforts in raising a temporary relief fund to finance these advances, and recommend that the Government guarantee these to enable liquidity to be provided to the self-employed faster.
- **Recommendation 3:** Similar to 2008, the self-employed will likely be a major driver of economic activity and a recovery that follows any COVID-19 induced recession. For this reason, we urge the Government to think forward and support the proliferation of self-employment in the wake of COVID-19, in addition to providing immediate liquidity today.

EXHIBIT A



Portify

CONTEXT

Portify offers digital financial products to help modern workers build credit, access a financial safety net, and avoid low balances via a mobile app that securely connects to their bank account.

Portify has over 20,000 members, and has partnered with major gig economy platforms to help modern workers take control of their finances.

To power our services, we use the UK's Open Banking infrastructure that connects to a user's preferred bank account. We looked at transactional data from these accounts to construct this report.

Our primary audience are the 4.8M self-employed, and those who combine part-time self-employment with income from regular salaries. We combine these two groups together and refer to our overall target market as 'modern workers'.

Our estimates suggest there are 5-10M such modern workers in the UK. This is one of the fastest growing segments of the workforce, and a growing contributor to our economy.

ANALYSING THE IMPACT OF COVID-19

We took income and expenditure data for a sample of c.5,500 users[1] between 3rd June 2019 and 12th April 2020, and focused on changes since COVID related events became more prominent in the UK.

We divided these users into three groups, gig workers, regular salaried workers, and mixed income workers (those with income from gig work and regular salaries)[2].

For the bank accounts workers had connected to Portify, the average total weekly income over the past 10 months was £237 for gig workers, £301 for regular salaried workers, and £149 for mixed income workers.

INCOME ANALYSIS

In March, gig worker income declined slower than regular salaried workers. Perhaps delivery services being classified as essential work allowed many to work longer after lockdown.

However, gig worker income has now declined beyond all other workers, and is already 30% lower for April[3] (Exhibit A).

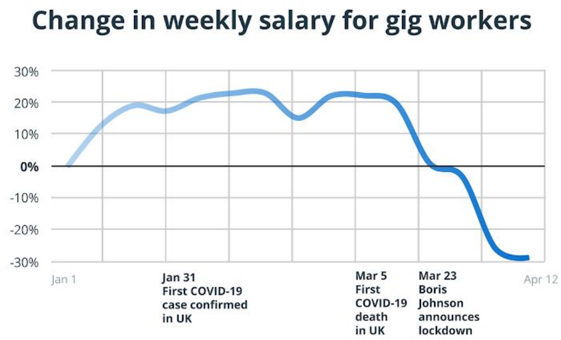
A high level extrapolation of this figure on the entire UK self-employed workforce suggests this is a monthly loss of £1.5bn[4] in earnings and £6.9bn[5] in economic contributions across 4.8M self-employed

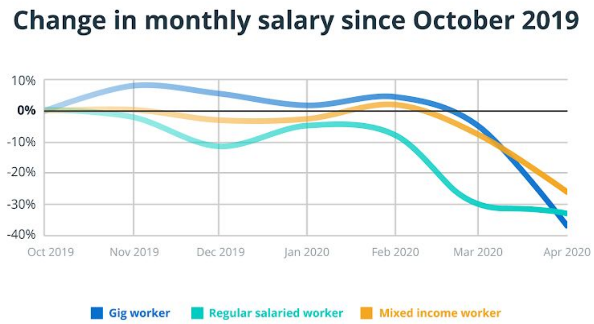
[1] Approximately a quarter of our users were based in London, with the remaining users distributed fairly evenly across other Metropolitan areas (e.g. Manchester, Liverpool, Birmingham, Newcastle, Glasgow).
[2] We defined those with more than 70% of their income coming from a sample of gig or temp firms, including Uber, UberEats, Syft, Kapten, Deliveroo, Bolt, Ola, Stuart, TaskRabbit, Gophr, JustEat, Hermes, DPD, CitySprint, Catapult, Temp Staff, Coople, Urban Massage, Job & Talent, Cordant, Addison Lee, Reed, Helping, and ViaVan, as gig workers. If more than 80% of their income was coming from non gig work, we categorised these workers as 'regular salaried workers'. All other users were categorised as 'mixed income' workers.
[3] We saw a broad decline in income across both B2B and B2C gig economy sectors.
[4] High-level estimate: UK self-employed average earnings for 2016/17 of £12,300 x 30% income decline.
[5] High-level estimate: self-employed contribution to the UK economy in 2018 of £275bn x 30% income decline.

workers. We emphasise that this is a high-level calculation, as earnings will vary significantly across different types of self-employed workers, and our sample will not be fully representative of this variance.

We saw a decline of 31% in average weekly income for regular salaried workers, and a decline of 26% for mixed income workers in April, compared to October 2019 (Exhibit B).

EXHIBIT A, B





We saw regular salaried workers supplement this decrease in their income by drawing down on savings during the week beginning on the 23rd of March, which coincides with the Government's UK-wide lockdown announcement. These workers drew down £83 on average from savings, which was a 146% increase compared to January (Exhibit C).

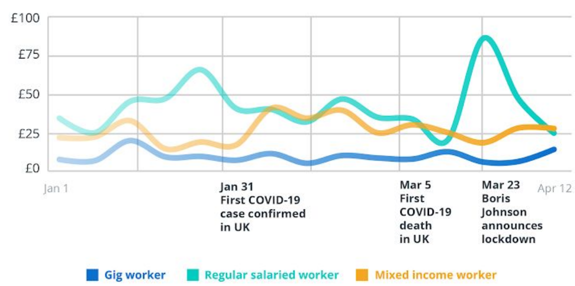
Notably, we did not see similar savings drawdown behaviour for gig workers during the first week of lockdown. Gig workers did drawdown on savings in the second week of April, but only by £15 on average; implying less availability of cash reserves.

This potential lack of liquidity may have further been exacerbated by less availability of credit, as lending standards tighten. Gig worker income from loans decreased 12% more compared to regular salaried workers (-56% vs -44%) in the second week of April (Exhibit D).

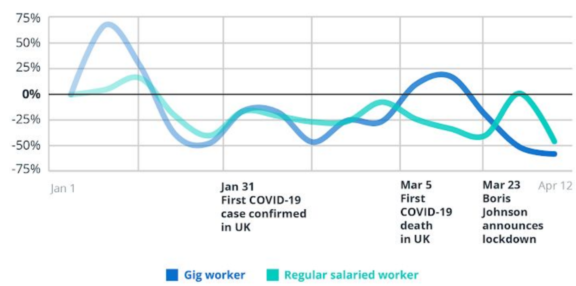
All workers are feeling a credit crunch, but especially gig workers.

EXHIBIT C, D

Change in average weekly drawdowns on savings



Change in weekly income from loans



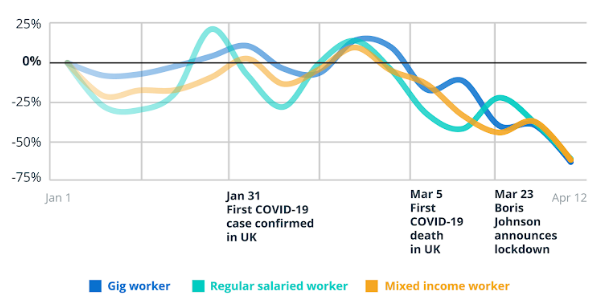
EXPENSE ANALYSIS

Across the three worker groups, disposable income expenditure[6] declined by an average 60% in the second week of April, suggesting that workers are tightening their spend in light of COVID-19 developments (Exhibit E). They may also have had less opportunities to spend given the lockdown.

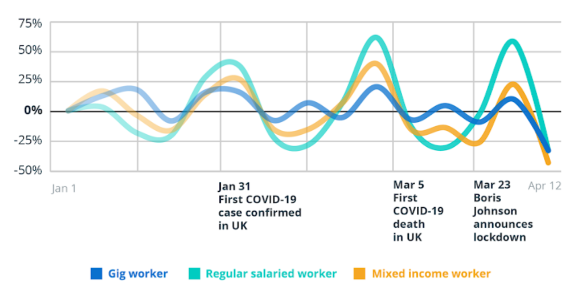
Expenditure on bills and utilities may also be showing early signs of decline for gig workers and mixed income workers, although we require further weeks of data to be sure of this point (Exhibit F). This could be an early sign of payment relief provided by utilities providers taking effect, or more pessimistically, indications that workers are starting to miss payments on such essential bills.

EXHIBIT E, F

Change in weekly disposable income expenditure



Change in weekly spend on bills and utilities



ADDITIONAL OBSERVATIONS

On the 22nd of March, we proactively contacted all of our existing members to ask if COVID-19 had impacted their financial situation to see how we might be able to support them.

[6] We define disposable expenditure as expenditure in the following categories: Education, Entertainment, Auto & Transport, Food & Dining, Gifts & Donations, Health & Fitness, Personal Care.

Approximately 10% of our users responded to us asking for support including repayment deferrals, which were immediately granted.

Out of those requesting deferrals, 65% said they had either lost their jobs or suffered a significant decrease in work hours. 35% said that their income had declined due to having to self-isolate because of ill health. Health concerns are top of mind for many gig delivery workers who remain in direct contact with a large section of the population.

Anecdotally, we also spoke with a delivery gig worker from Liverpool, who typically does 30 deliveries per day. He has already halved his deliveries so he can keep paying his fixed expenditures, while reducing his exposure to health risks. As key workers, delivery gig workers are not only risking their livelihoods to make ends meet, but also helping distribute essential goods amidst the public lockdown.

RECOMMENDATIONS

We put forward three recommendations based on our findings.

Recommendation 1

We recognise the immense efforts and unprecedented monetary support being put forward by the Chancellor to support the UK economy at this challenging time.

However, it is clear from our analysis that the self-employed are already facing a liquidity crisis, and disbursing SISS grants in June will be too late. This also assumes that grants can be disbursed immediately, when in reality it will take many months for applications to be processed, and grants to be received.

An additional two months of waiting for income relief could have severe effects on the livelihoods of millions of self-employed and the UK economy. The self-employed contributed c.£275Bn to the UK Economy in 2018. Our high-level extrapolation suggests that each month income remains at these suppressed levels, £6.9bn in economic contribution is lost.

In the first instance, we urge HMRC and Treasury to provide this much needed liquidity earlier than June for the self-employed.

Recommendation 2

At Portify, we are offering selected users a 0% interest advance on their expected grant from SISS. We are doing this at our own cost and risk, with an initial £50k allocated from our own balance sheet.

While we would like to support many more workers than this £50k allows, we are constrained by our own liquidity from going further, and actively seeking partners capable of providing liquidity to dramatically expand this offering.

If an earlier roll-out of SISS is not feasible, we urge the private sector to join our efforts in raising a temporary relief fund to finance the advances on SISS grants, and recommend that the Government guarantee these advances to enable liquidity to be provided to the self-employed faster.

Recommendation 3

Self-employment and the gig economy grew rapidly following the financial crisis of 2008, contributing 83% of new jobs created in the UK between 2008 and 2014.

It is likely that the self-employed will be a major driver of economic activity and the eventual recovery that follows any COVID-19 induced recession.

In many cases, self-employment can provide income smoothing in volatile economic climates. As the 2008 recession showed, self-employment opportunities tend to appear faster during economic recovery than regular salaried work.

Such income smoothing may prove important, if the containment of COVID-19 requires multiple waves of restrictions on economic activity that create sustained volatility.

For these reasons, we urge the Government to think forward and support the proliferation of self-employment in the wake of COVID-19, in addition to providing immediate liquidity support today.

Proactive policies to support the newly self-employed, but also for those looking to expand their entrepreneurial pursuits are likely key to a quick and sustainable economic recovery.