

Financial Health of Gig Workers: A Case Study of Lionbridge Group in China

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The United Nations Capital Development Fund offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

The Centre for Financial Health acts as a convener, providing a platform to bring together global, regional and local actors committed to using financial and digital solutions to improve the financial lives of low-income families—helping them climb – and stay – out of poverty.

For more information, visit uncdf.org/gfh or email financial.health@uncdf.org

The Research Partner: Lionbridge Group



Lionbridge Capital Co. provides commercial-vehicle financing and truck-leasing services in China. It employs individual truck operators or drivers that own their own vehicles.



Auto
Financing



Truck



Logistics



Used Car



Automotive
Aftermarket



Bus

Find out more about Lionbridge [here](#).

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Research Design

Research Objectives

To examine long-haul truck drivers' preferences and concerns with the gig economy

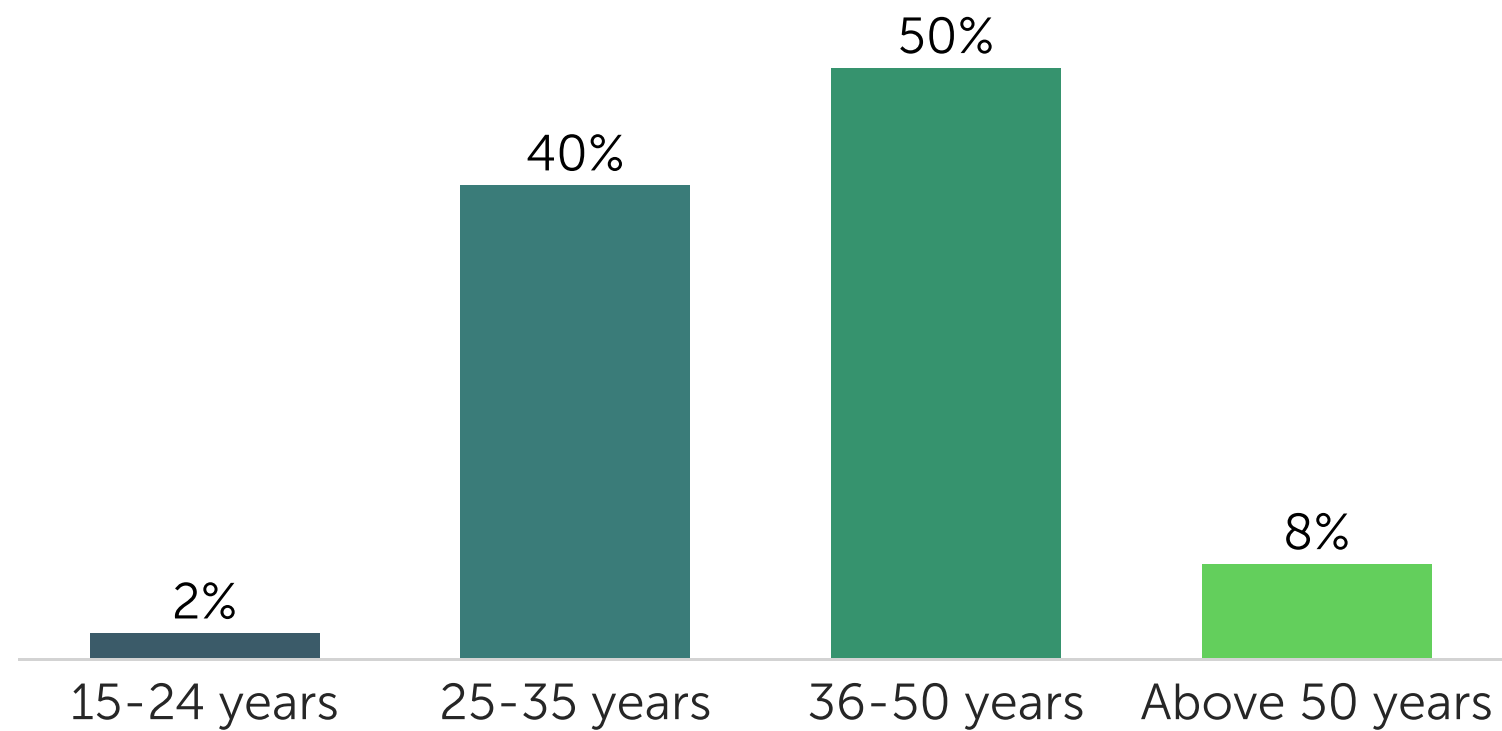
To understand their financial health status and behaviors and their usage of financial products

Methodology

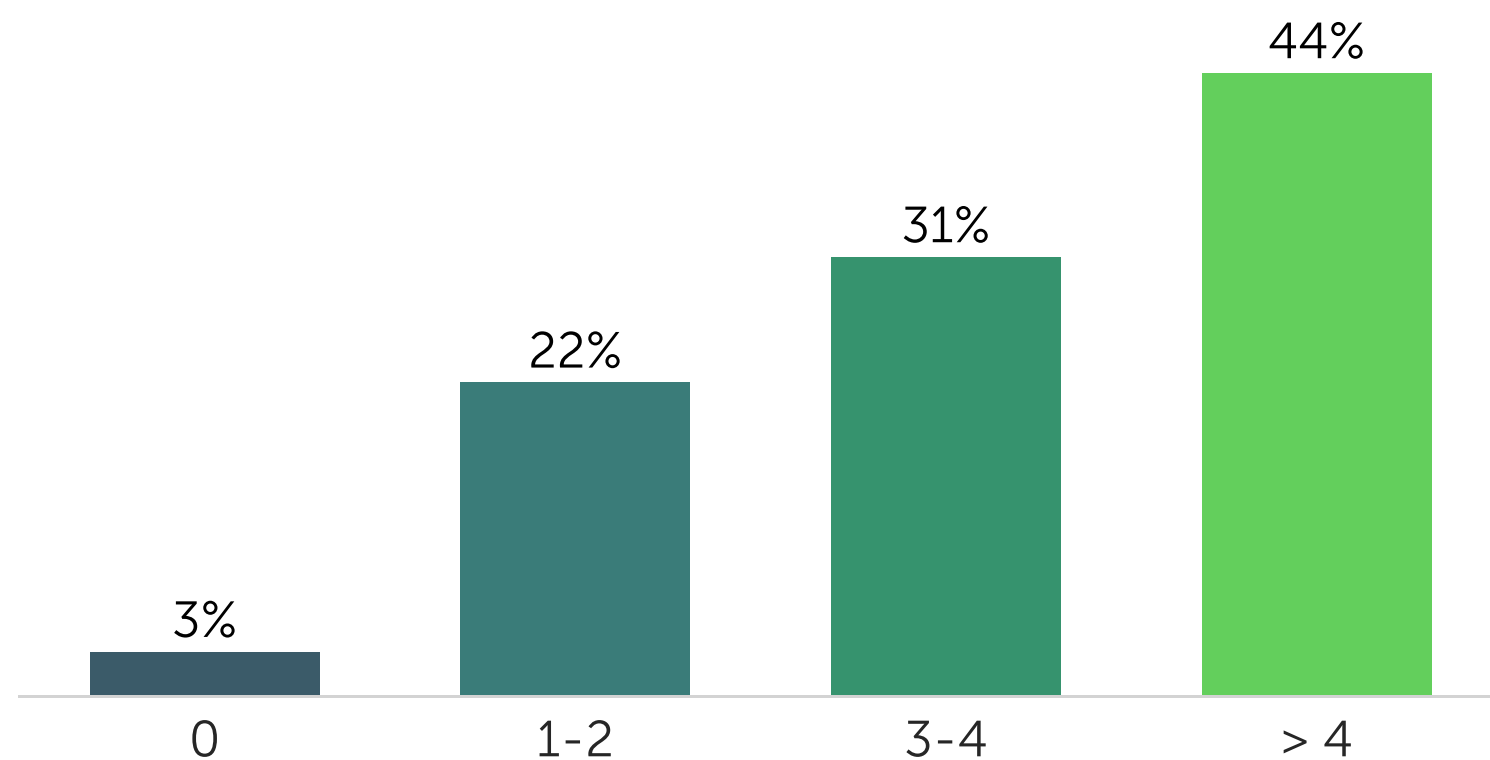
- A quantitative survey fielded on WeChat by Lionbridge Group and UNCDF.
- Qualitative interviews with the Lionbridge team and experts in China
- The survey comprised of 27 questions that were divided into: Profile and Employment; Financial Health and Behaviors & Financial Product Usage

Survey Findings: Profile of Respondents

Age Group



Number of Dependents

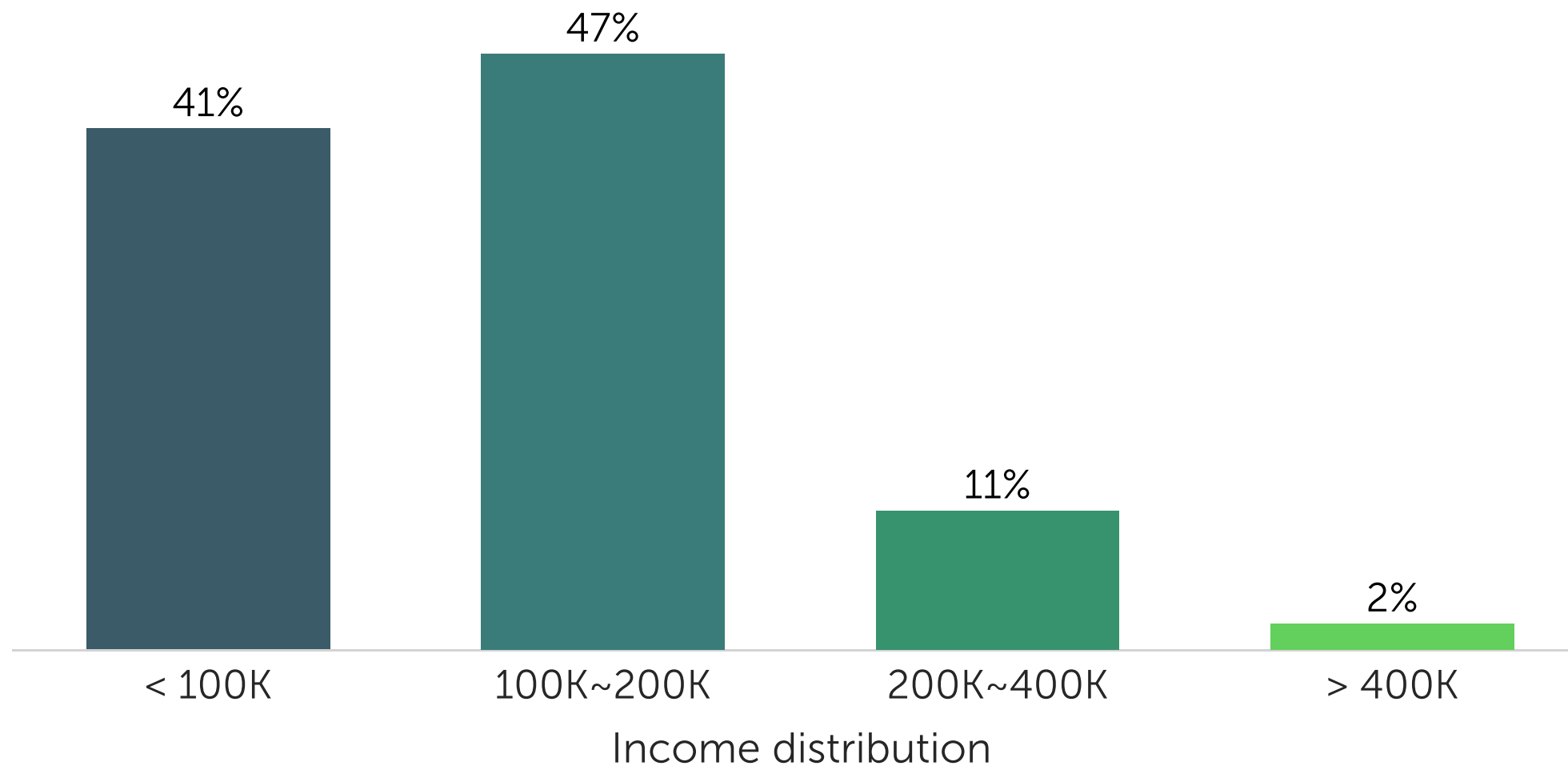


Sample Profile

- 519 self-employed truck drivers contracted through Lionbridge; only 5% of the sample identifies as women.
- Truck drivers are not highly educated; only 10% of respondents have a bachelor's degree.
- Majority of survey responses are from the 36-50 years age group, followed by the 25-35 years age band.
- Over 70% of survey respondents have three or more dependents and are likely the sole breadwinners for their families that they typically leave behind in rural areas. It is common for drivers' spouses to travel with them. Dependents include spouse, parents, spouse's parents and children.

Survey Findings: Flexible Employment — Opportunities and Concerns

Most long-haul truck drivers earn a higher-than-average income (compared to other blue-collar workers)



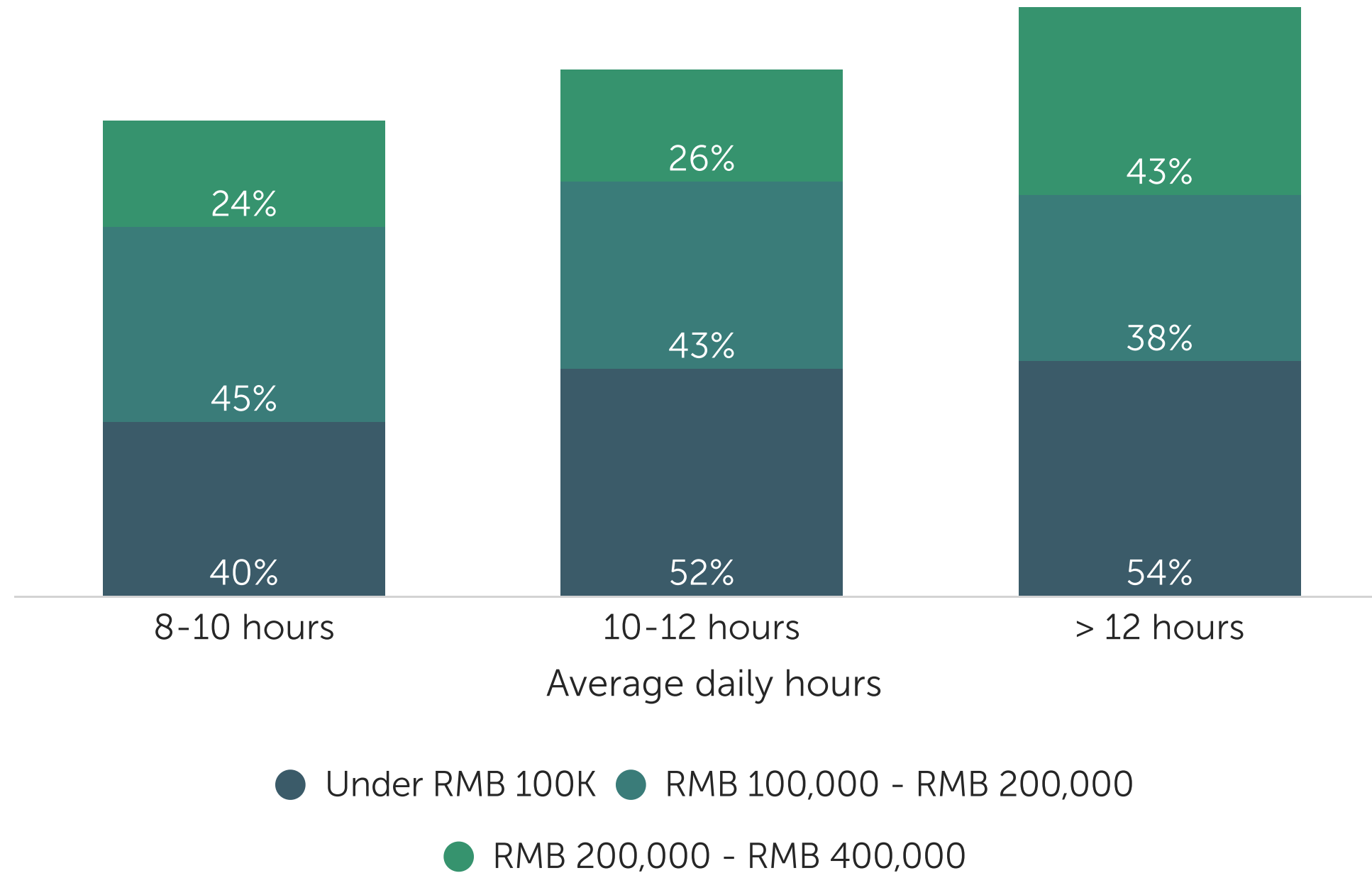
Industry	Average Wage
Transportation, urban	~88K RMB
Manufacturing, urban	~72K RMB

The average take-home pay of survey respondents is higher than the market average of blue-collar workers.

Survey respondents typically are heavy-duty drivers and are considered skilled labor in China as they own a Class A commercial driver's license.

Some of the respondents also own other vehicles that they service. Therefore, they make more income than the average blue-collar worker in China.

They also work long hours,
averaging > 12 hours a day

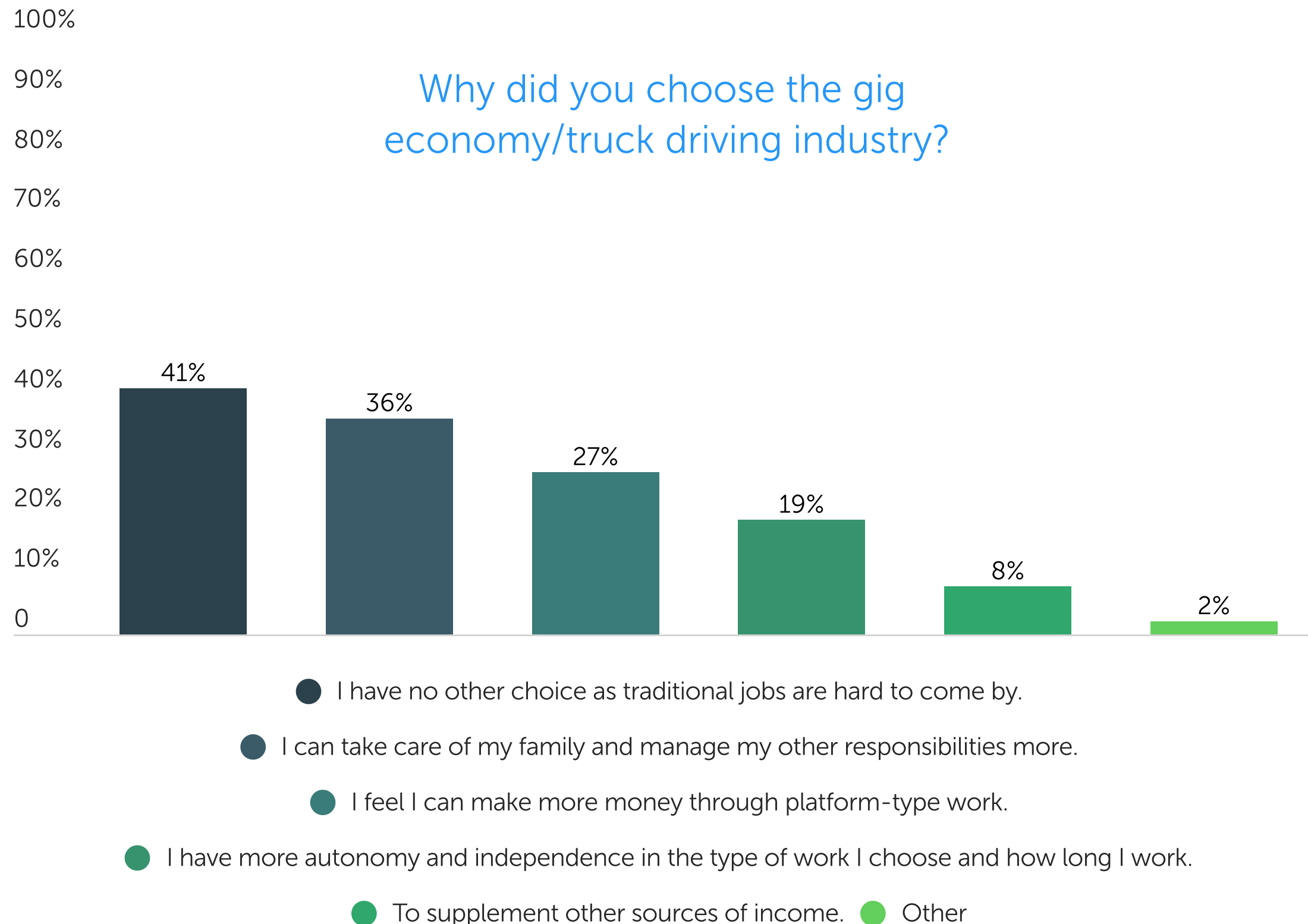


Half of the truck drivers drive for more than 12 hours per day, a result of long-distance travel and the pressure to deliver.

Those who earn a low income are more likely to work longer, compared with respondents with higher incomes.

Most truck drivers are in this industry out of necessity and would rather do traditional jobs.

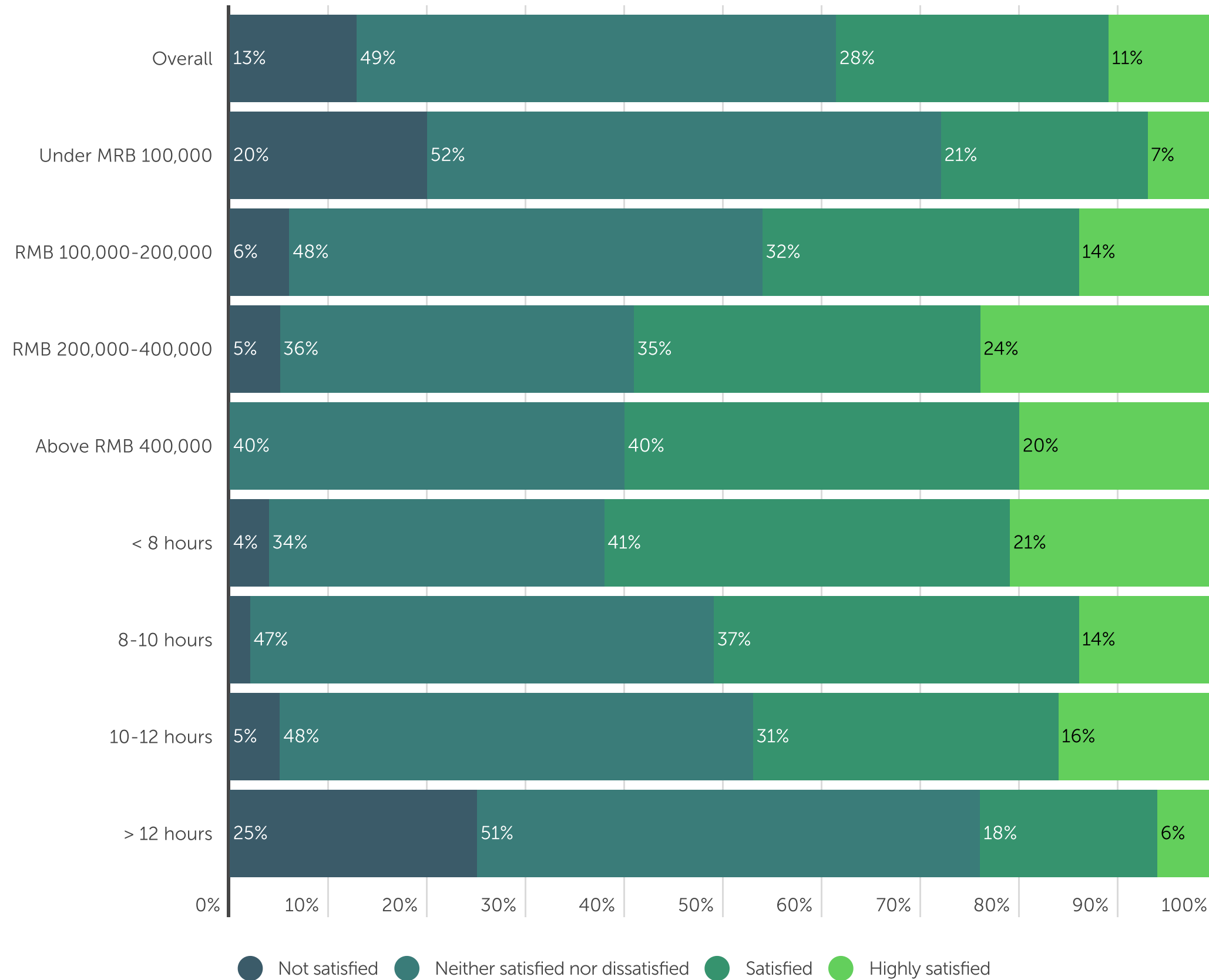
Why did you choose the gig economy/truck driving industry?



The top reason truck drivers choose this occupation is due to lack of traditional options. In Chinese culture, job stability, a local hukou (household registration) and social security benefits are highly valued.

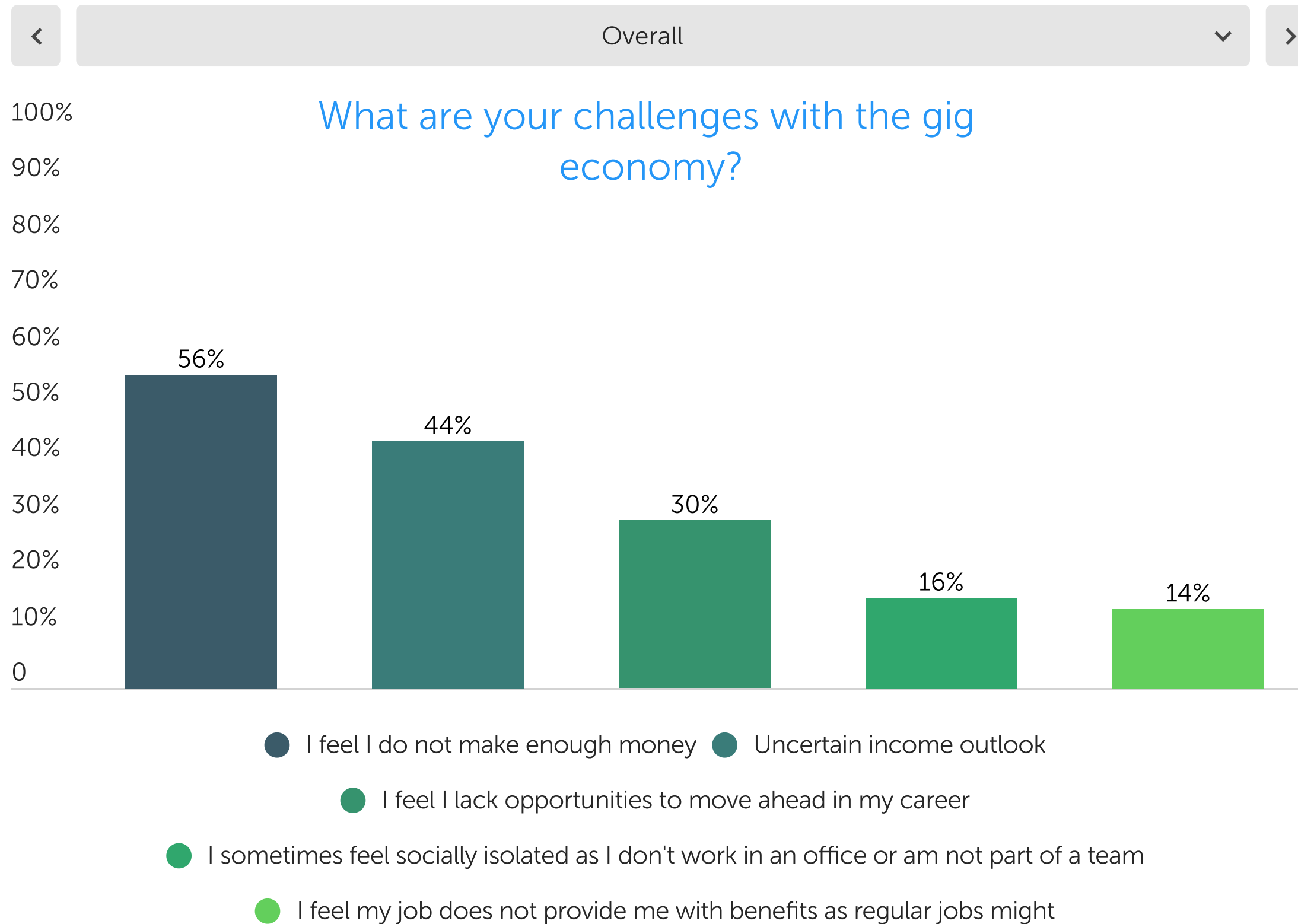
Income for truck drivers is competitive compared to other kinds of unskilled labour, making it more lucrative to pursue gig work in the truck driving industry.

A little over a third of long-haul truck drivers are satisfied with their jobs



Only 39% respondents are satisfied with their work. Those who earn a higher income are more satisfied as are those who work fewer hours.

The biggest challenges of gig work are not being able to make enough money and the need for a steady income outlook

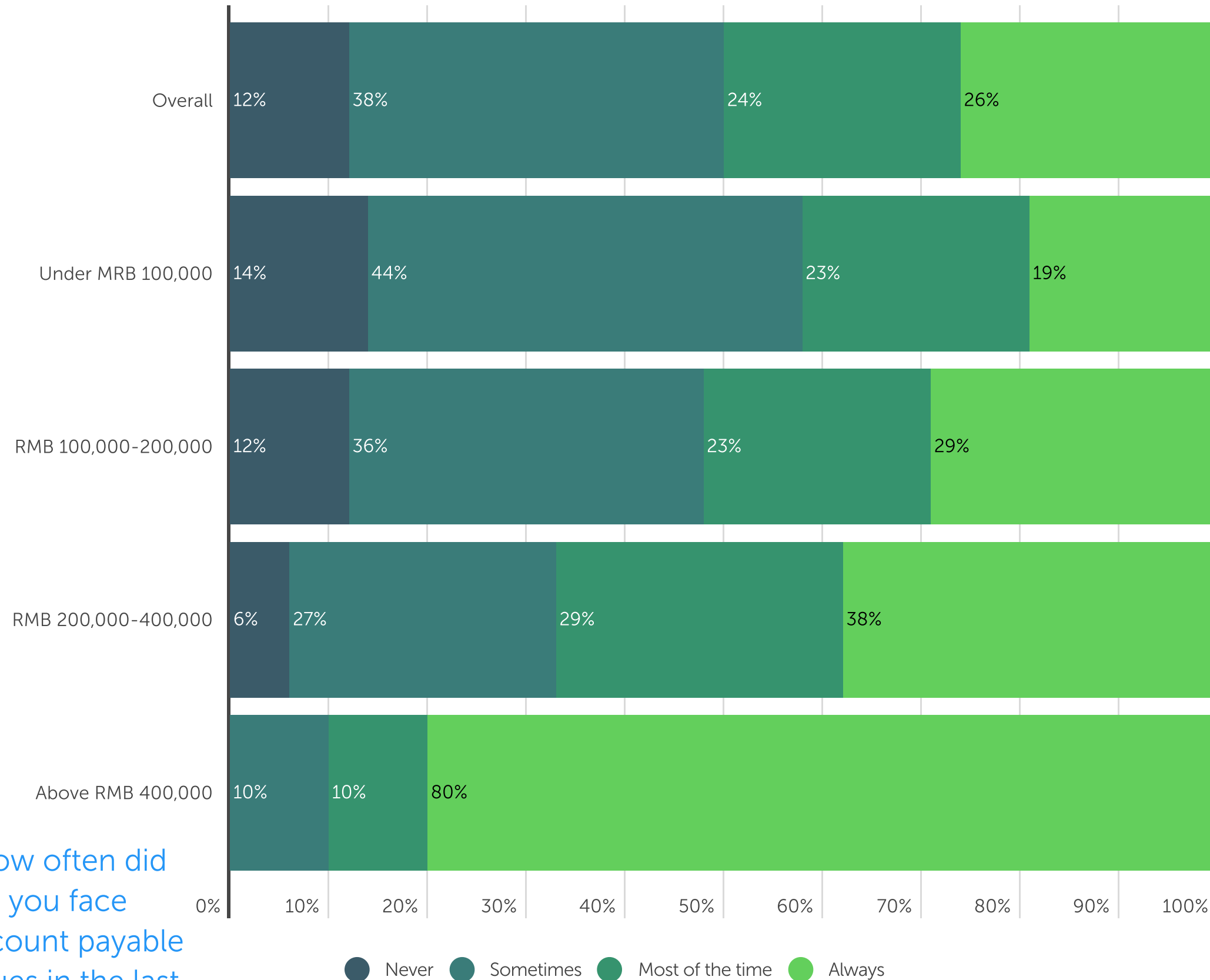


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Respondents with lower incomes are more likely to face the challenge of "not making enough money" and face "uncertain income outlook".

Most drivers also face account payable issues given the nature of their job contracts.

How often did you face account payable issues in the last 12 months?



Most (88%) of respondents have faced defaults in the past 12 months.

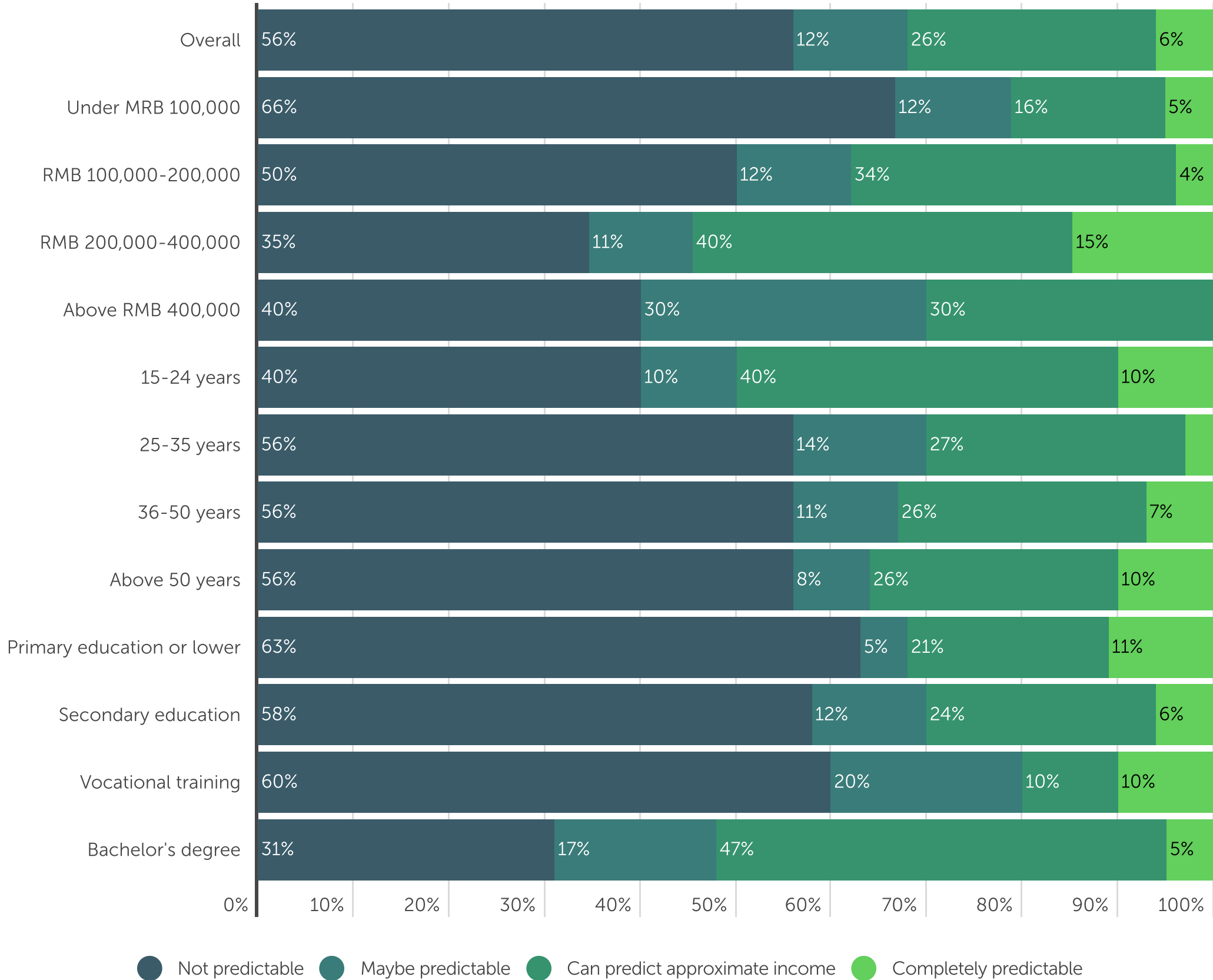
Respondents with higher incomes are more likely to face defaults. This is because they also tend to own multiple vehicles and thus become small-scale registered carriers.

Therefore, they can sign freight contracts and accept payments at a later date rather than immediately, putting themselves at an increased risk of late payments.

As a result of market competition, self-employed, temporarily contracted drivers might encounter defaults on freight rates or unreasonable deductions from paychecks with no recourse to the law, as there are no formal contracts.

Survey Findings: Financial Health

Income Stability

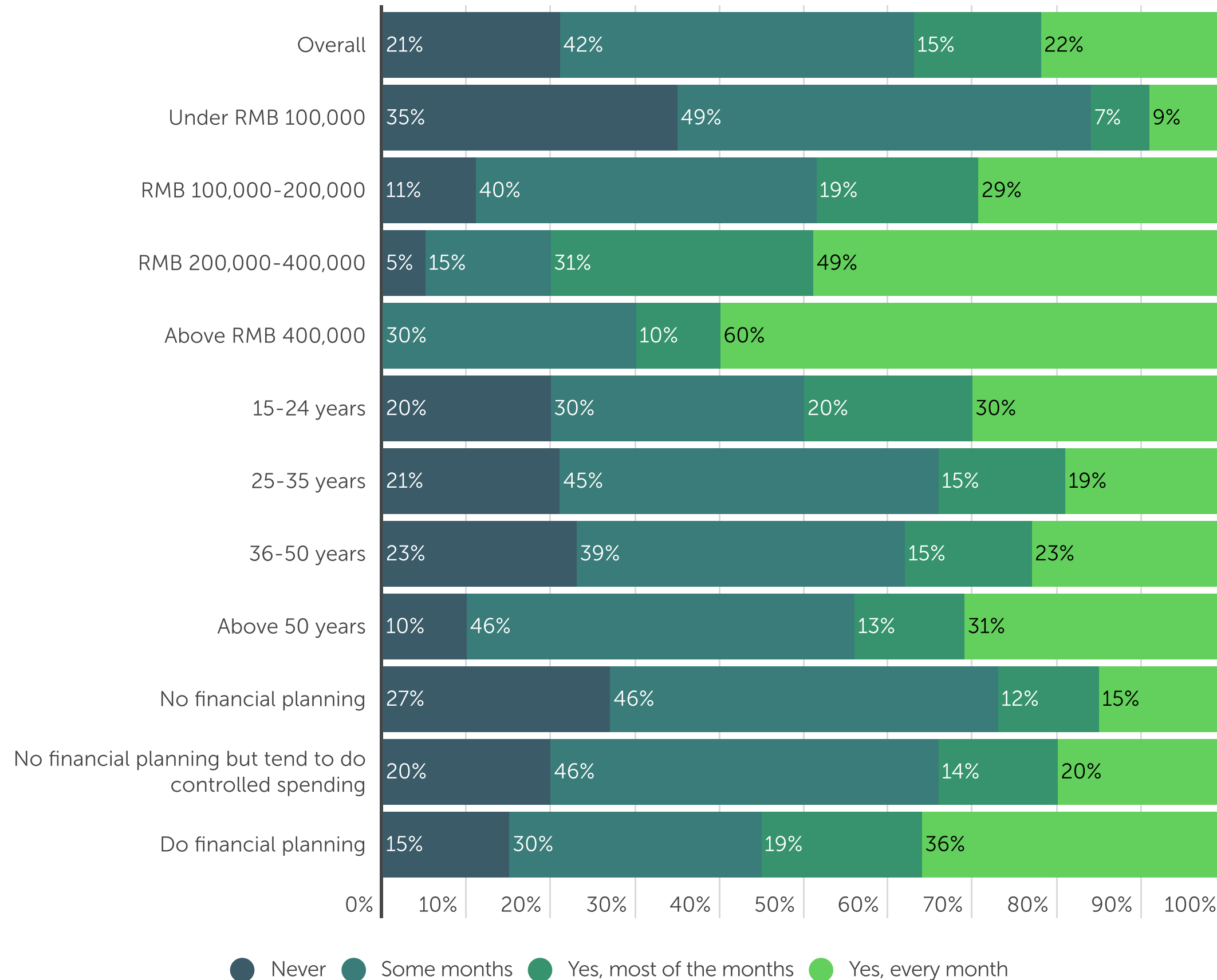


Over 50% of survey respondents are not able to predict future earnings and only 6% think it is completely predictable.

Respondents with higher income and with higher education are more likely to be able to predict future earnings.

Reasons for the inability to predict future earnings could point to an unstable/inconsistent customer base.

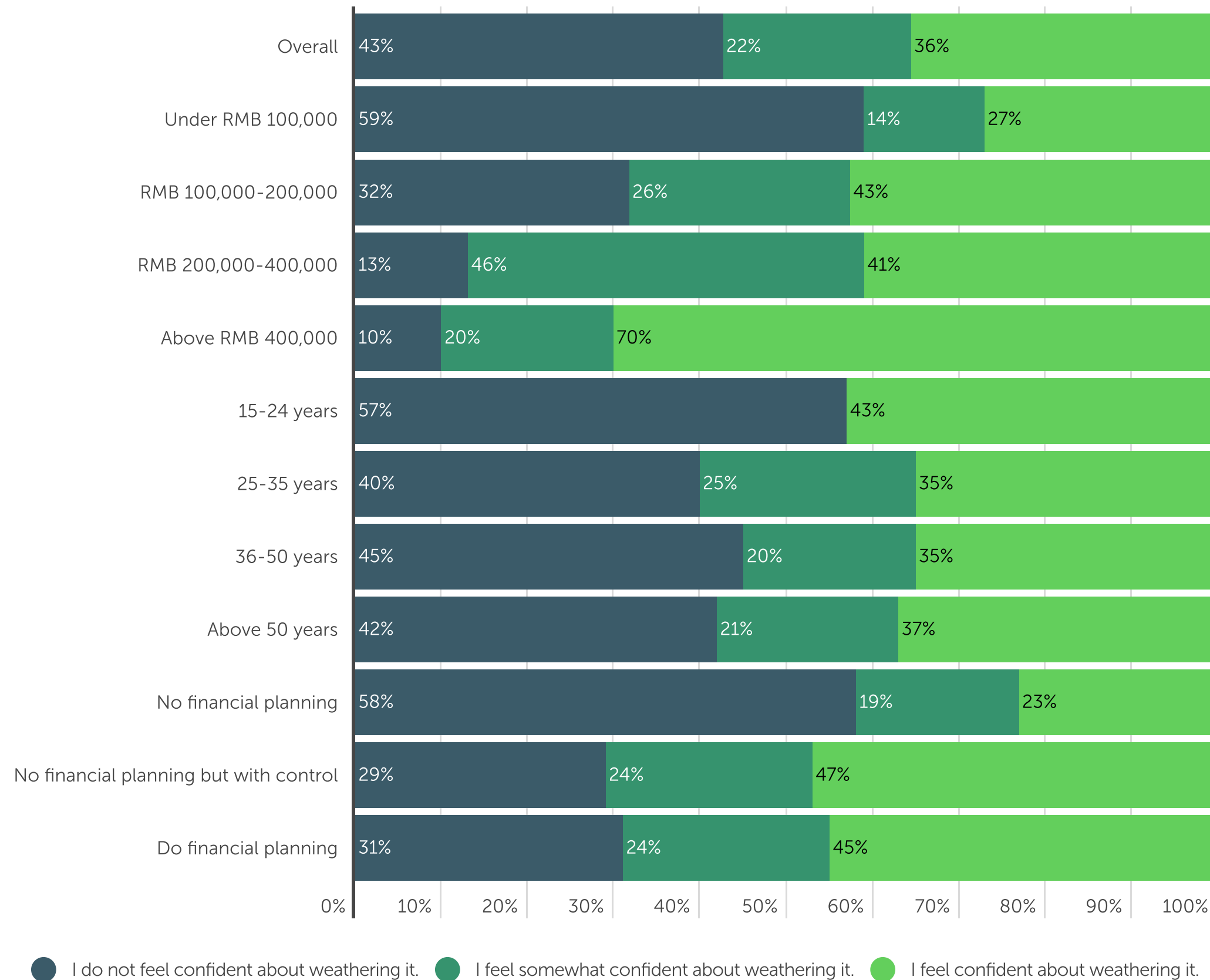
Income Sufficiency/Savings



Only 22% respondents have money left over every month.

Respondents with higher incomes and a habit of financial planning are more likely to have money left over.

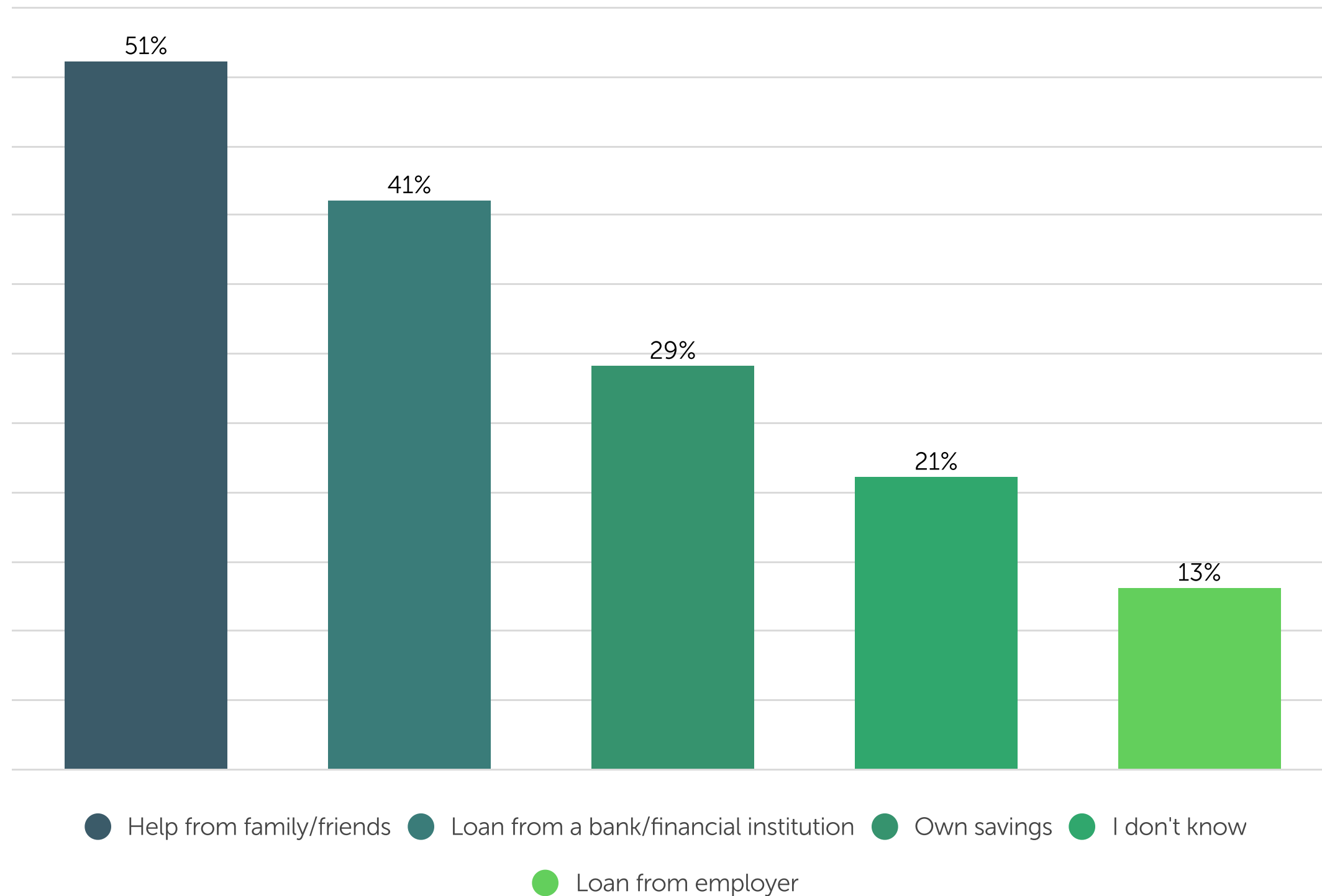
About a third of the sample is able to deal with a large financial shock of RMB 100,000 (approx. USD 13,000)



Only 36% of the sample can weather a large financial shock.

Those with higher incomes and those that plan financially are better off than the others.

Social capital and loans from financial institutions would be relied on the most to fund this financial emergency

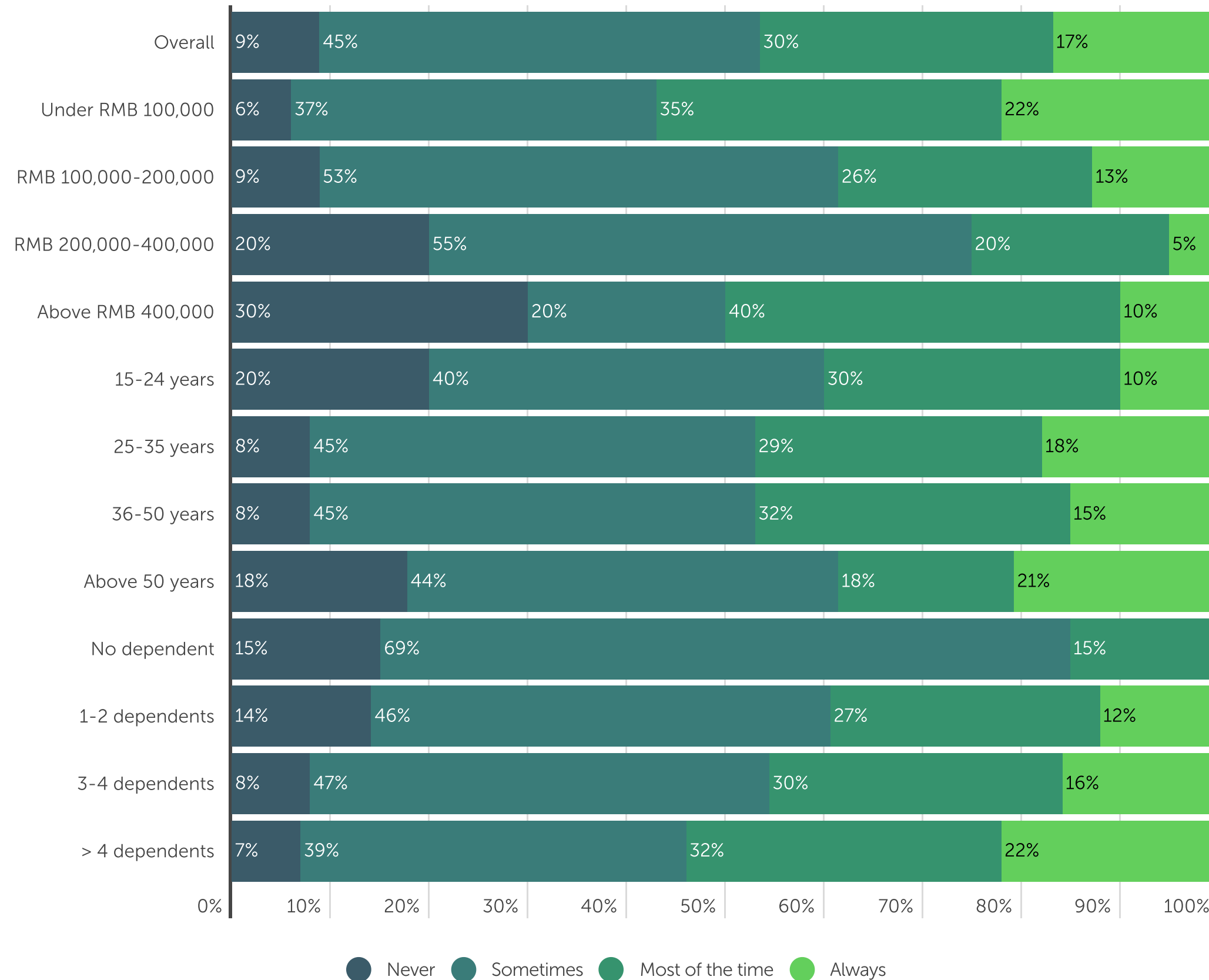


Over half of the respondents choose to borrow from family and friends.

Over 40% of respondents choose to borrow from financial institutions.

Heavy-duty truck drivers can access funding easily owing to a traceable credit history through borrowing from Lionbridge group, assets to hypothecate (multiple vehicles) and high income.

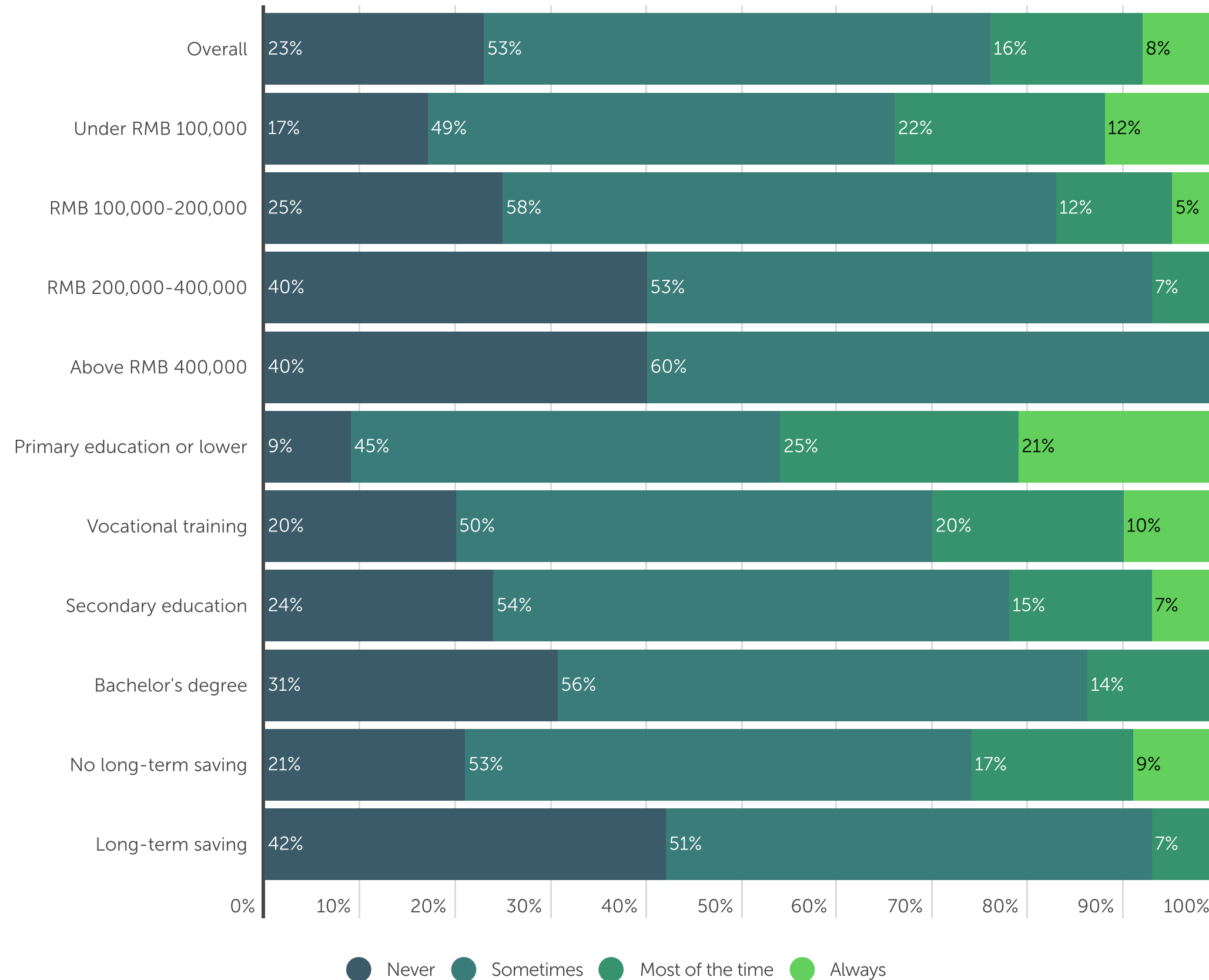
Financial Stress: About half the sample is worried about finances most of the time



47% of respondents experienced financial stress or worries most of the time, and only 9% are free from financial stress or worries.

Respondents with a lower income and more dependents are more likely to experience financial stress and worries.

About a quarter of respondents borrowed to meet essential expenses most of the time in the past 12 months

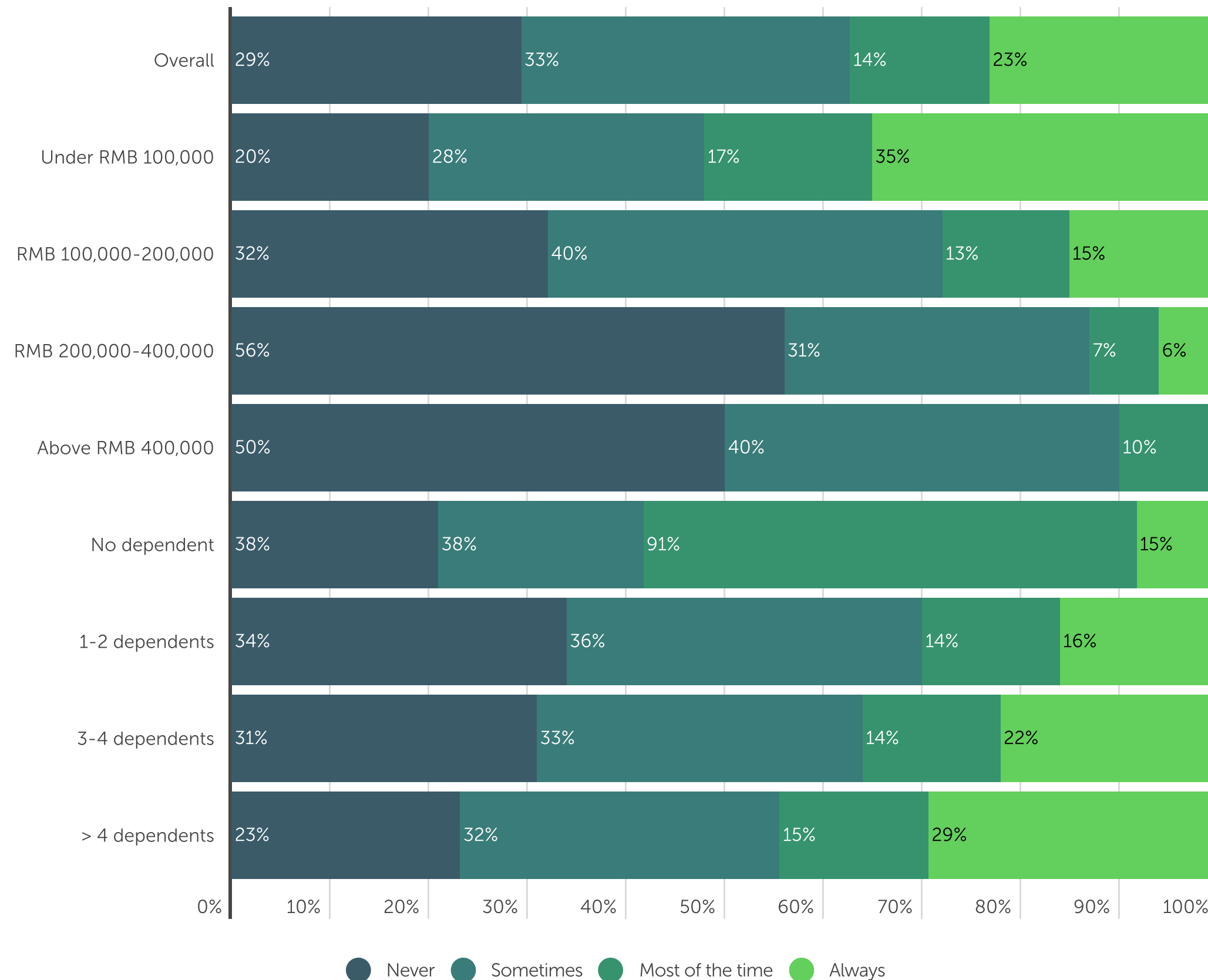


Over 70% of respondents have borrowed to meet their essential expenses. Over 24% of respondents have always borrowed or borrowed most of the time.

Respondents with lower incomes and lower education are more likely to borrow for essential expenses.

The proportion of those without a long-term saving account is twice that of those who do.

Financial freedom: Meeting financial goals and enjoying life



How often does this happen to you? You want to go out to eat or to a movie or something else but you don't because you can't afford to? (IFDFW scale)

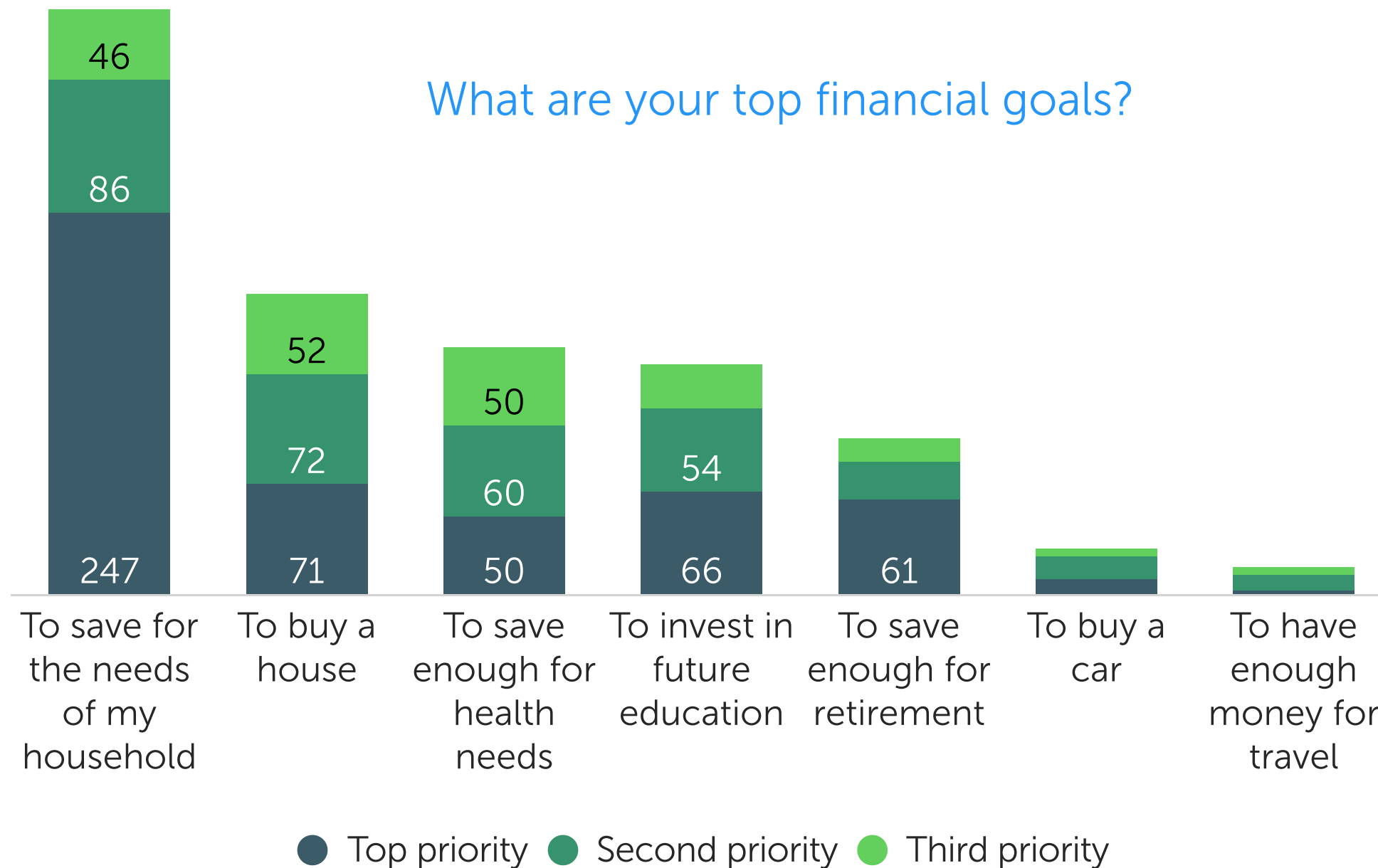
Only 37% of respondents have the financial wiggle room to do things they enjoy.

Respondents with a lower income and more dependents have less financial freedom.

Although truck drivers have relatively high income, self-employed drivers also face high expenses of gas, maintenance, parking, and insurance as well as car debt payments.

Truck drivers prioritize the needs of their household over the purchase of assets such as a house and a car

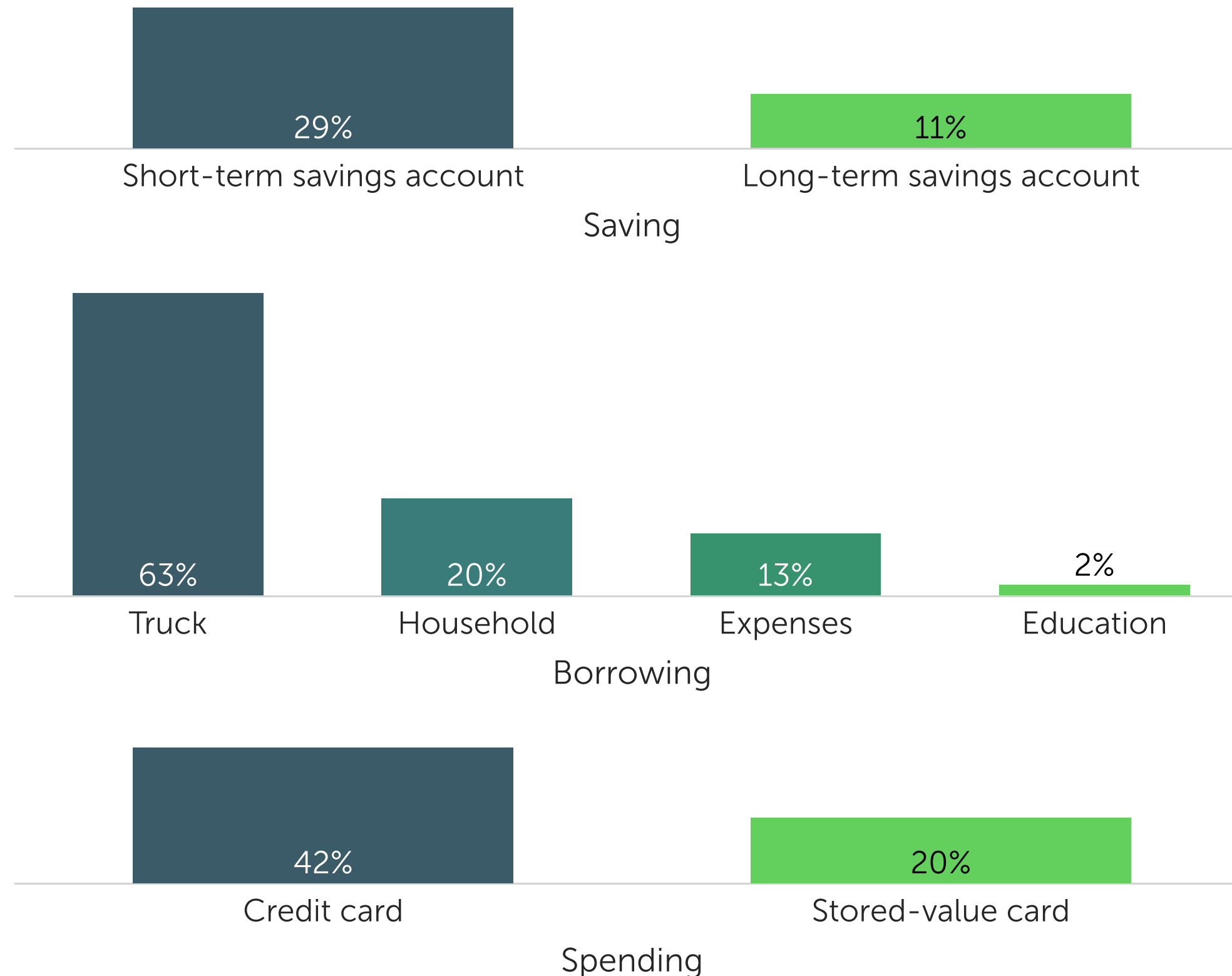
What are your top financial goals?



Truck drivers are in most cases the sole breadwinners for their families. Therefore, the most common financial goal is to save for the needs of household.

Survey Findings: Financial Products and Digital Financial Services

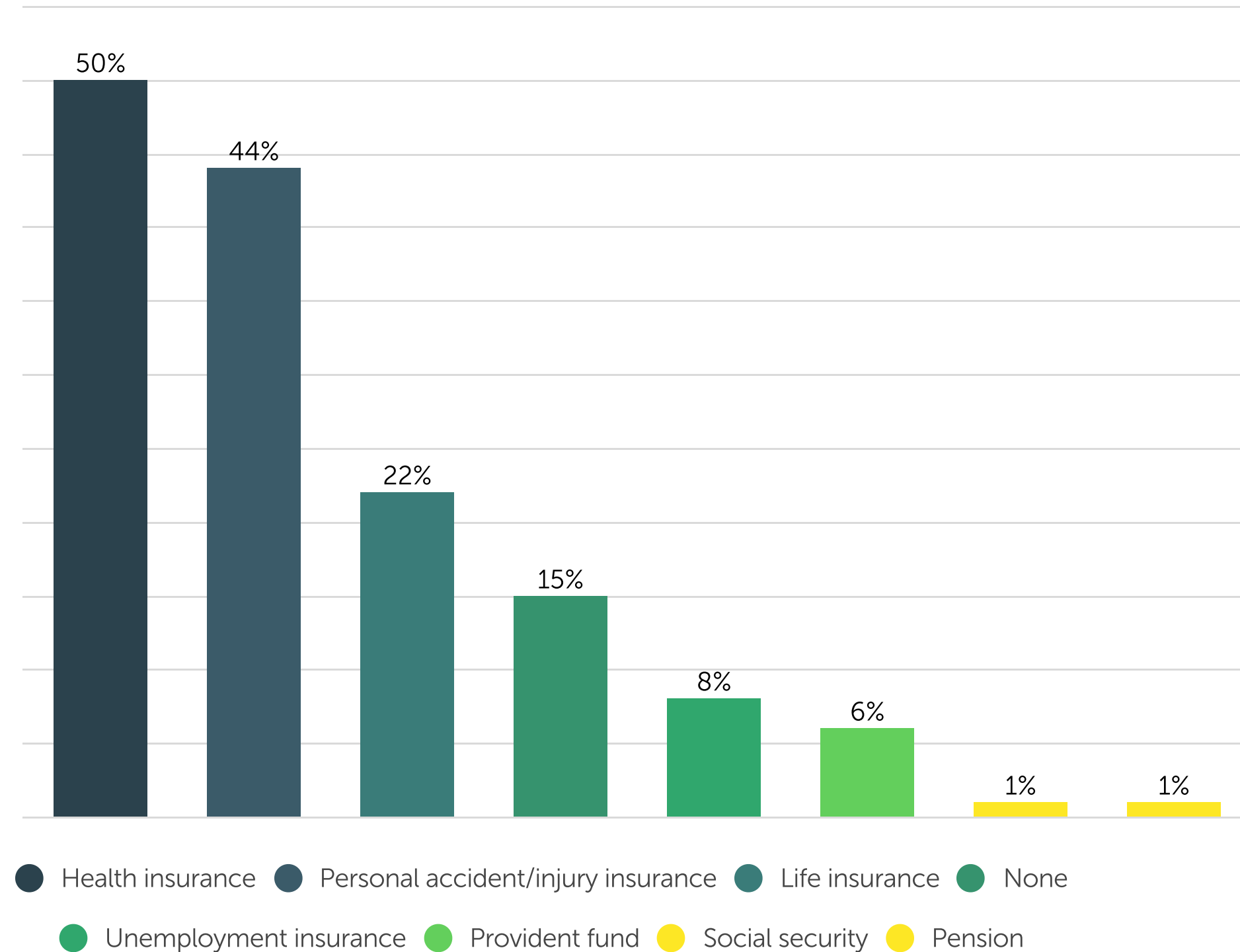
Most truck drivers have borrowed for their business but their use of other products is limited



The majority do not have saving accounts, especially long-term saving accounts. Lack of access to savings accounts/not saving in accounts could mean that truck drivers are less financially resilient in the face of financial emergencies.

The majority currently have automobile (truck) loans.

Insurance coverage, however, is fairly ubiquitous

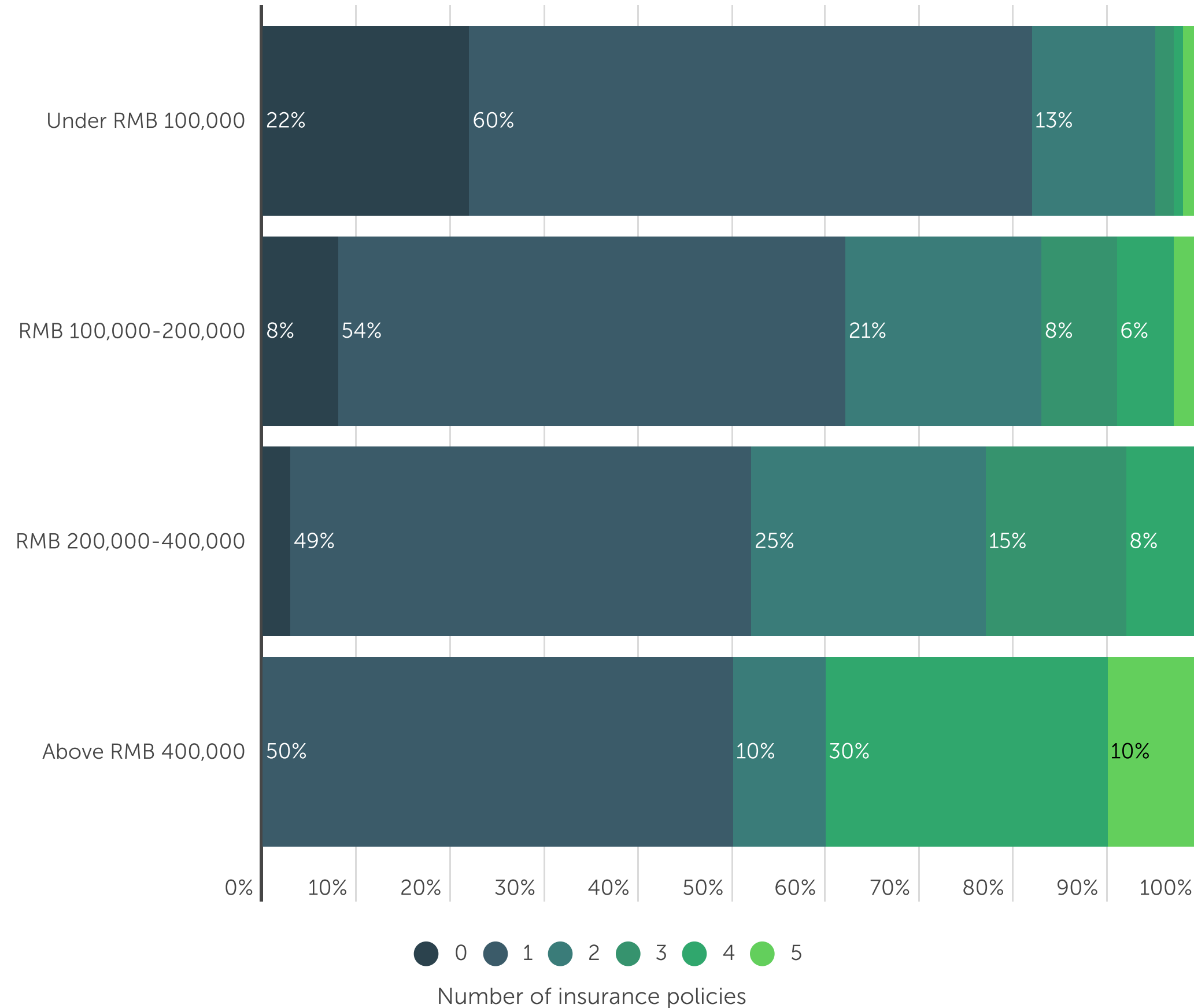


Insurance coverage is indispensable in the truck industry owing to the challenges truck drivers are prone to. Most truck drivers have insurance coverage.

Truck drivers are at increased risk of road accidents due to lengthy driving periods, driving at night, driving during bad weather and poor road conditions.

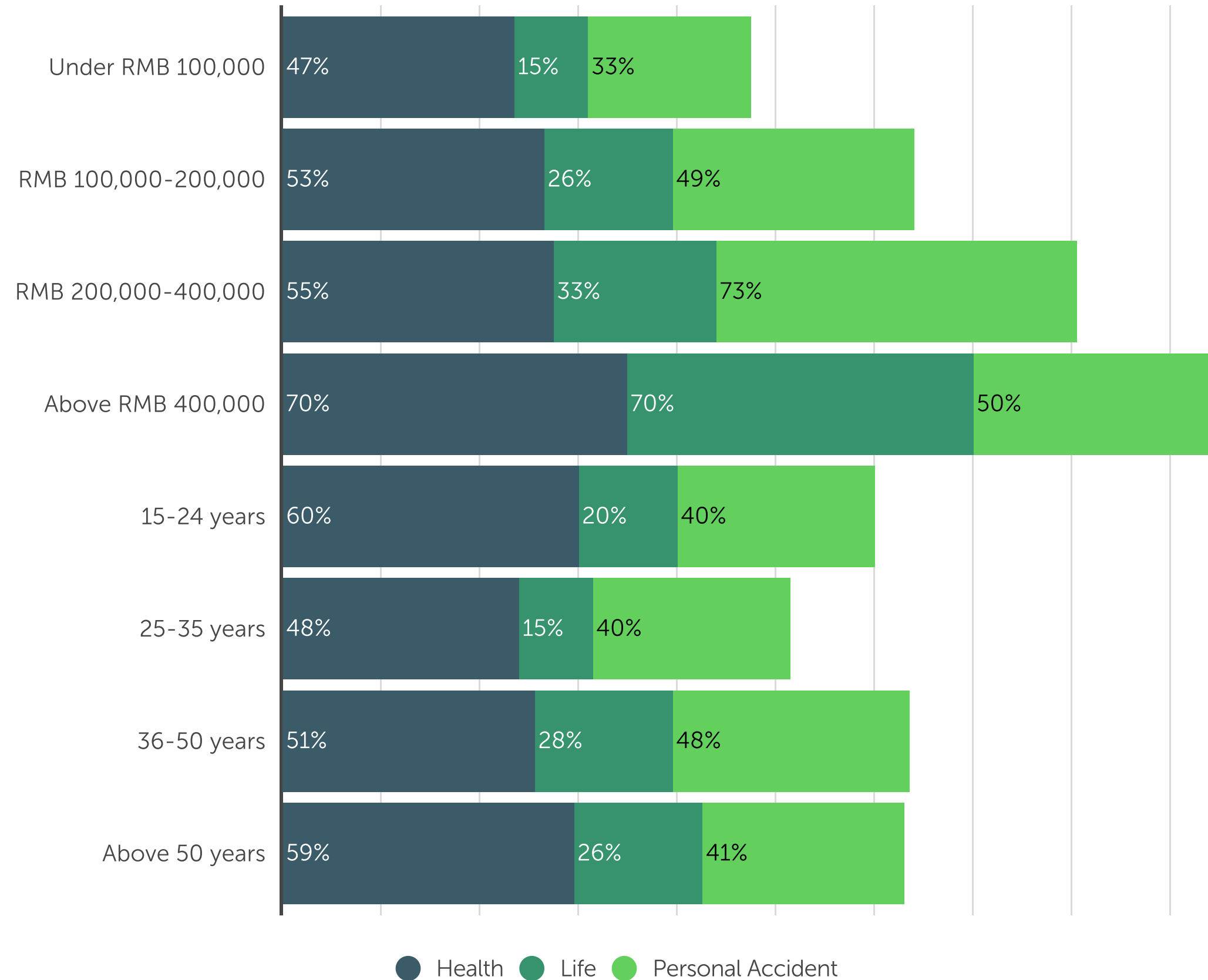
Truck drivers may suffer from back, leg and arm pains caused by uncomfortable seating for long times and vehicle vibrations.

Though ubiquitous, not all truck drivers have adequate insurance



Enrollment of insurance negatively correlates with income. In other words, affordability might limit survey respondents' ability to purchase more insurance.

Insurance coverage is linked to income



A larger proportion of those with a higher income have health, life and personal accident insurance coverage.

Most drivers tend not to purchase additional personal accident insurance because they are likely to be covered by China's mandatory insurance or SALI

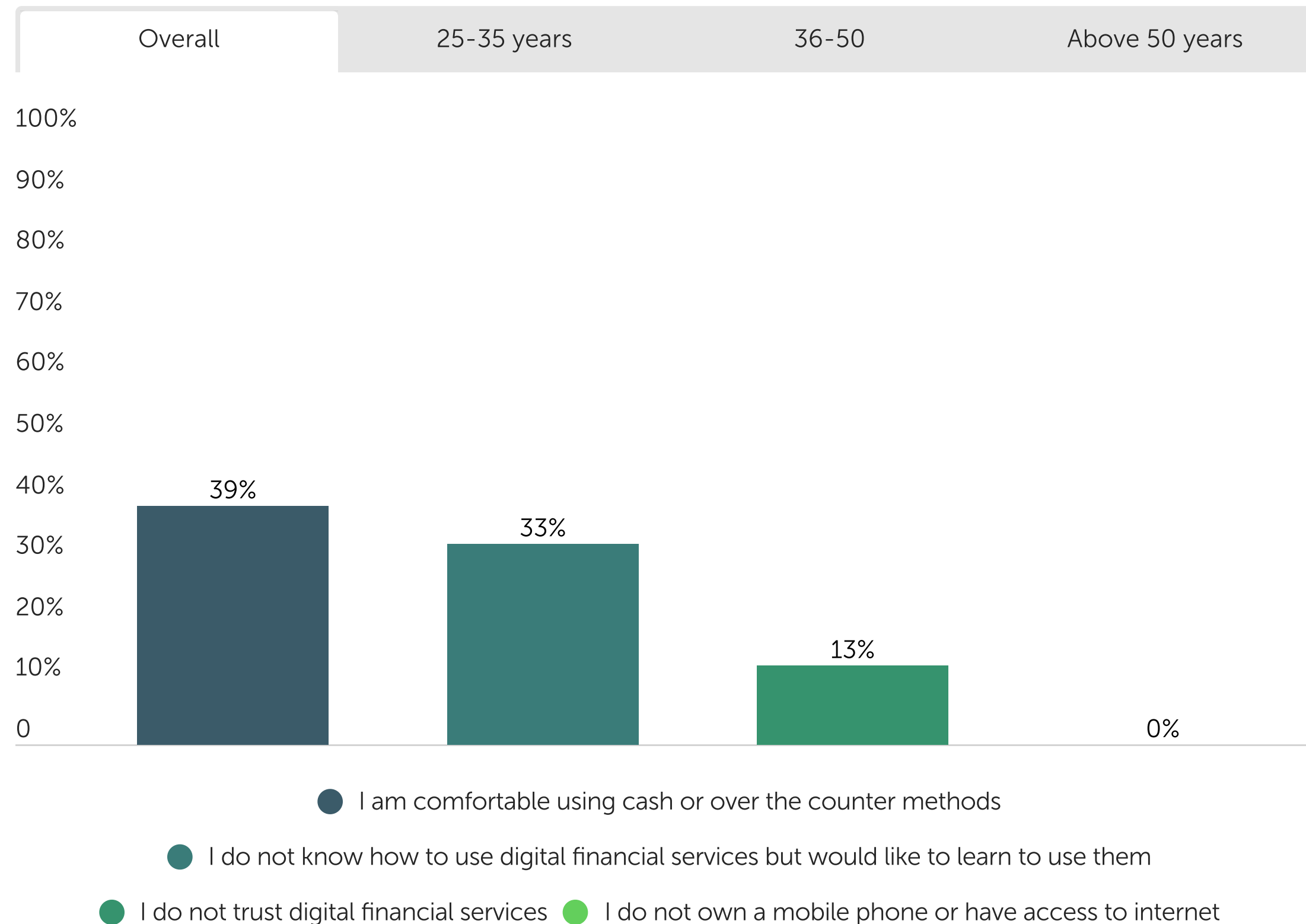
Mandatory Liability Insurance for Traffic Accidents of Motor Vehicles (also called "SALI" for Statutory Automobile Liability Insurance) is a mandatory requirement in China – in effect from July 1, 2006 and has been the only compulsory motor insurance since then.

Coverage of SALI

- Third-party liability insurance: SALI covers injuries and/or deaths as well as property damage to third parties in the event of a traffic accident.
- No-fault coverage: different from commercial third-party liability insurance; SALI covers whether the insured is at fault or not.
- SALI has upper limits. When the injured is at fault the limits are: RMB 50K for death, RMB 8K for medical expenses and RMB 2K for property loss. When the injured is not at fault the limits are: RMB 10K for death, RMB 1.6K for medical expenses and RMB 400 for property loss.

- Drivers tend to not purchase personal accident/injury insurance because the other party's compulsory SALI would cover their injuries.
- One limitation of SALI is that it has restrictive upper limits.

The use of digital financial services (DFS) is widespread, yet factors such as age and prevalence of cash might interfere with the sustained use of DFS



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In general, digital finance is popular among respondents.

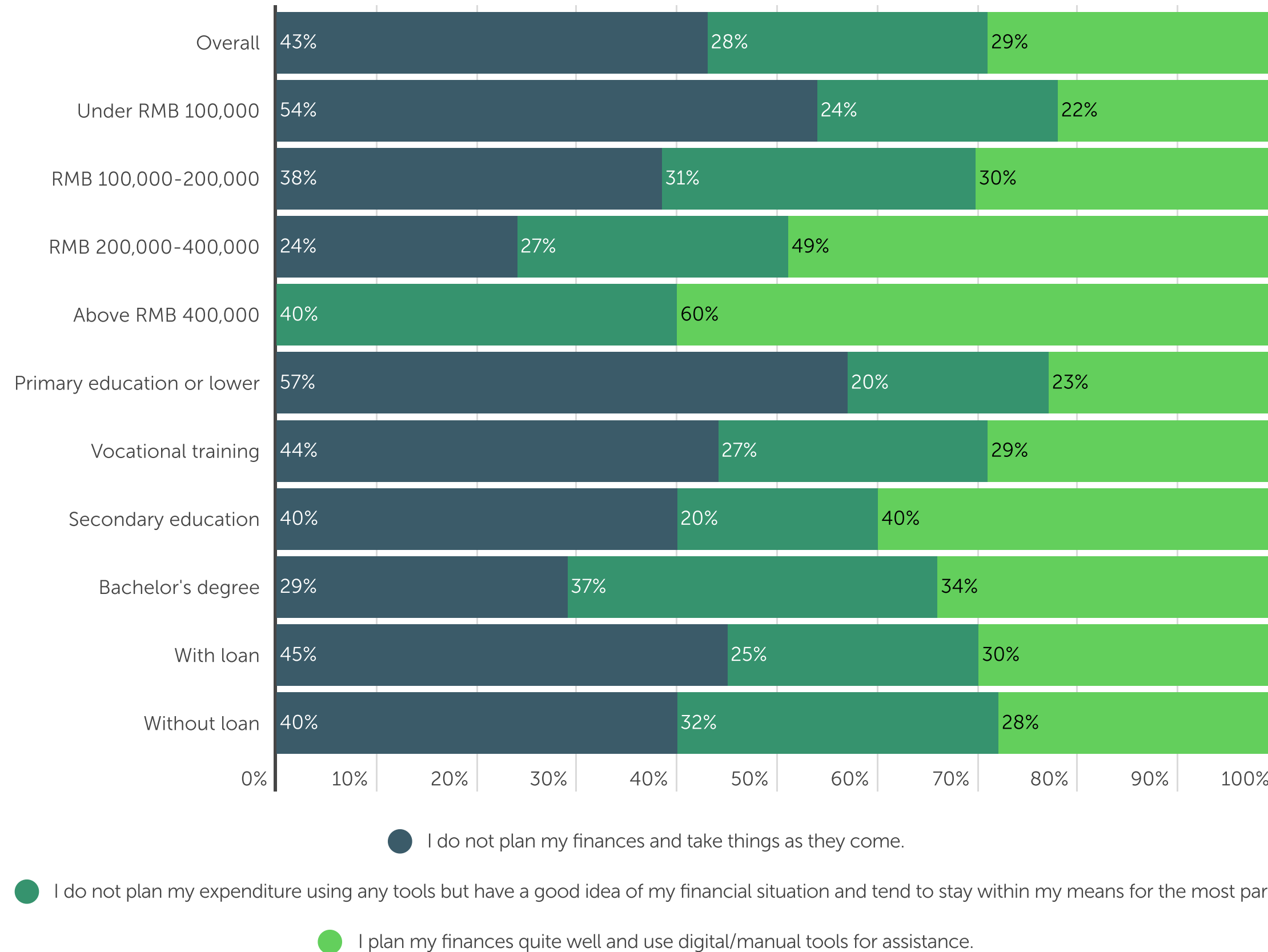
2 in 5 respondents are more comfortable using cash or over the counter methods.

Older people are less likely to know how to use digital finance.

Access to internet via phones is popular in China among truck drivers.

Digital finance (especially online payments) has been trendy and universal among truck drivers but comfort with digital financial services might reduce with age.

Only about a third of the sample plan their finances diligently

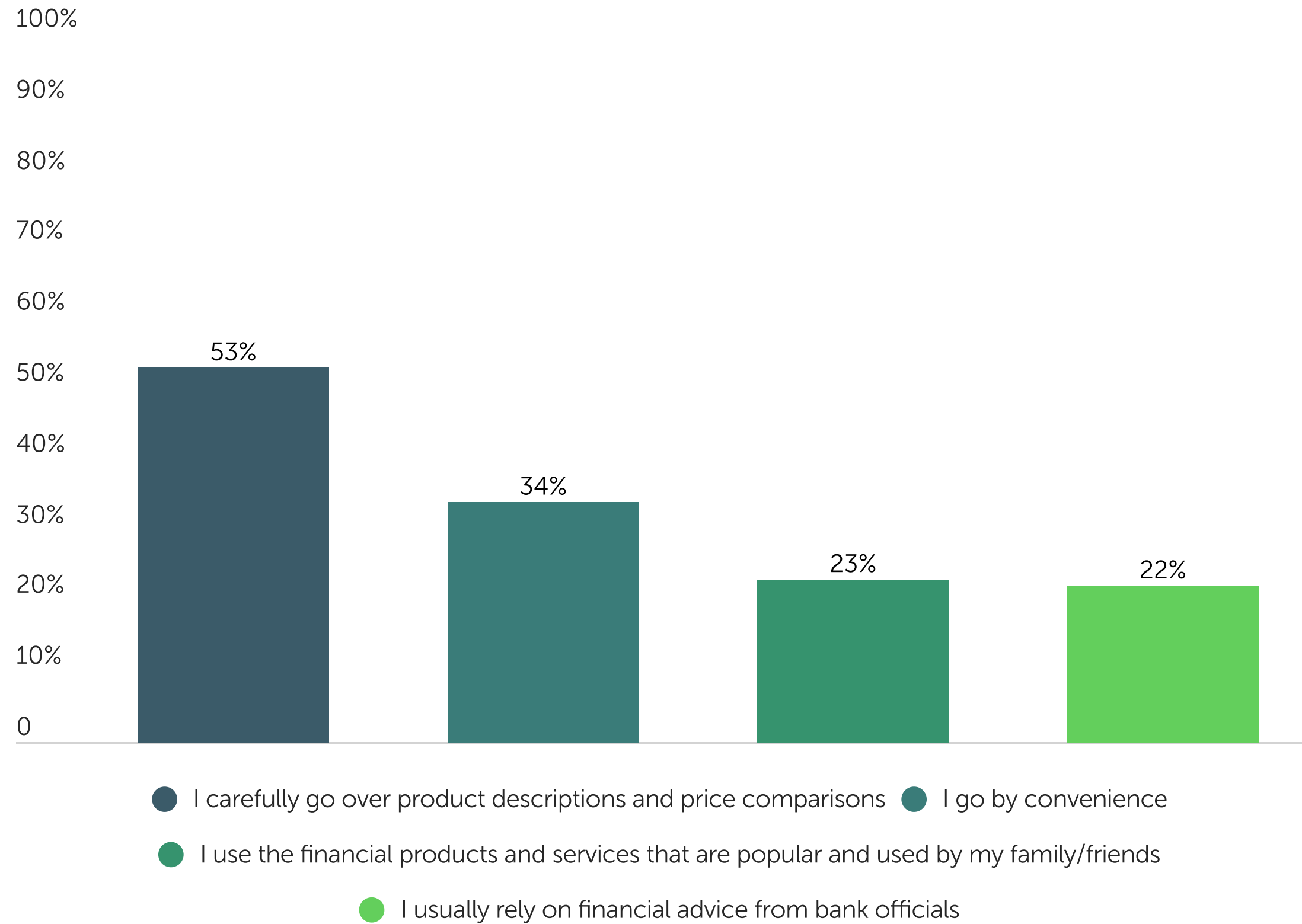


Only 29% of respondents plan their finances quite well and use tools for assistance.

Respondents with a higher income and higher education are more likely to plan their finances quite well and use tools for assistance.

Having loans or not is not correlated with financial planning.

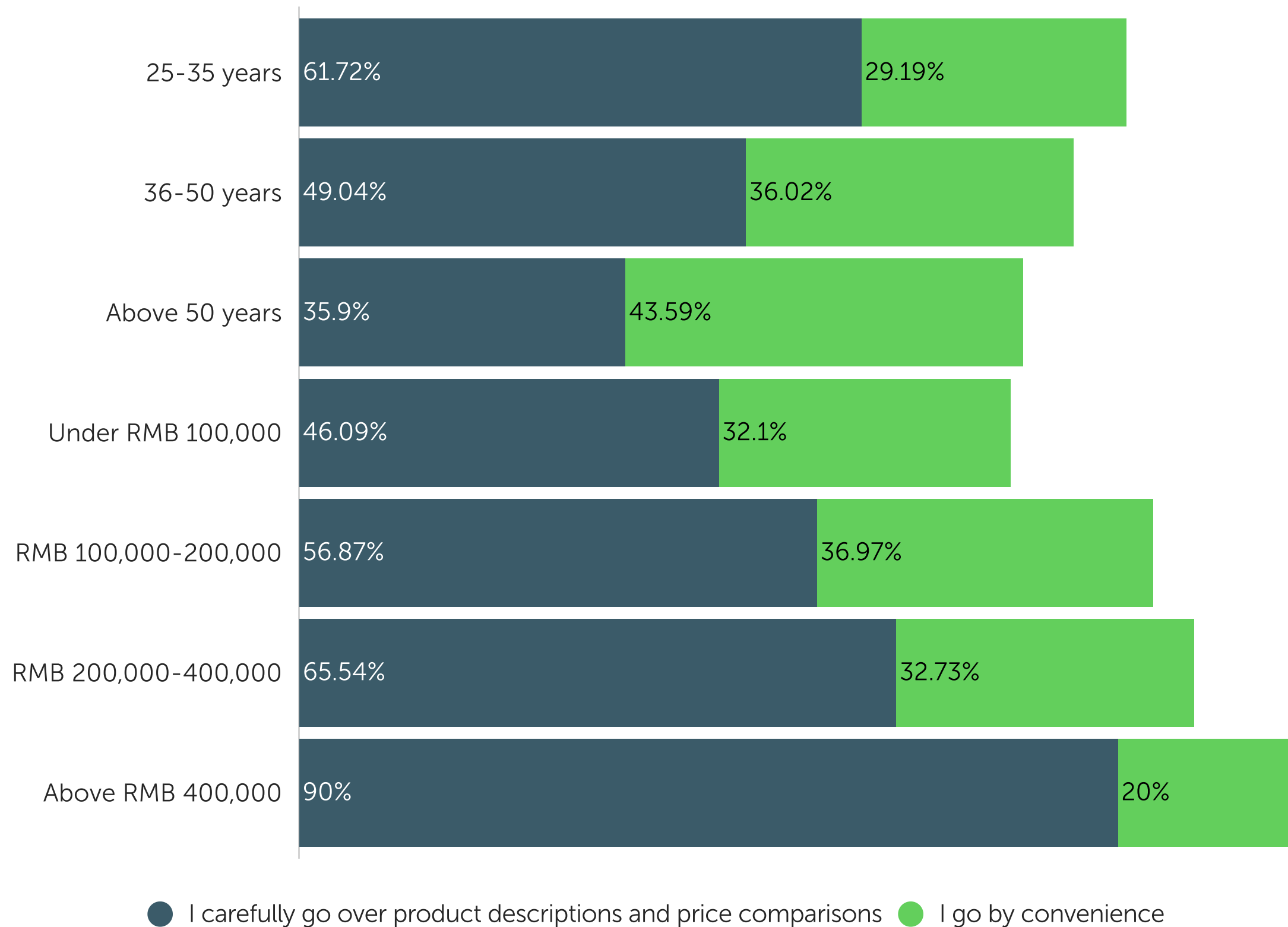
Choosing financial products



More than half the sample carefully considers financial services before making a choice or purchase.

Only 1 in 5 respondents rely on financial advice from bank officials.

Young people and those with a high income are more likely to consider product specifics



More than half of the respondents go over product specifics and compare pricing. Young people and those with a high income people are more likely to do so.

Older respondents are more likely to choose financial products by convenience.

Summary Findings

Summary Findings

Long-haul truck drivers earn more than the average blue-collar worker but have a significant outlay of expenses due to the nature of their job contracts.

Truck drivers choose this industry as traditional jobs are hard to come by and because they have familial responsibilities to fulfill.

Most of them face income volatility, and those with low income and more dependents find it harder to cope with financial emergencies, save money or enjoy life.

Majority of the sample also borrowed for essential expenses in the past 12 months, notably from family and friends.

Usage of a range of financial products is limited however borrowing and insurance coverage is quite widespread.

Although insurance is widespread, it is not always adequate and coverage seems to be linked to income.

DFS usage is quite prominent in China but factors such as the prevalence of cash and age play a role.

The young and those with a higher income choose financial products and services more deliberately.