

INSIGHTS FROM
 CFA SOCIETY SINGAPORE

By Dexter Tiah

Gig workers can tap existing investment and financial solutions

Ahead of upcoming legal protections, these employees can proactively take steps today

THERE are about 257,000 own-account workers in Singapore, forming about 9 per cent of the resident labour force, as at June 2022. Such workers – including professionals, platform drivers, hawkers and real estate agents – operate independently and provide various services to businesses and individuals.

Also known as gig workers, their number has remained fairly consistent over the years. They also consistently face unique challenges, including access to suitable and appropriate investment and financial products. These challenges mean that they require tailored solutions to achieve their financial goals.

Healthcare concerns and retirement adequacy

In a recent research report, CFA Society Singapore – a not-for-profit organisation for investment professionals – revealed gig workers' concerns about the availability and suitability of financial products and services here.

Healthcare-related concerns feature prominently. The report found that 37 per cent of respondents did not seek medical coverage when ill. Another 25 per cent returned to work while ill, due to insufficient medical coverage.

Although the government has mandated that platform companies provide insurance under the Work Injury Compensation Act, the change only takes effect in early 2024. Furthermore, this is not universally adopted across all industries. This exposes certain gig workers to additional risks of deterioration in health, and possibly more frequent and greater medical expenses in the future.

The second prominent concern is retirement adequacy. In the survey, 42 per cent said that they were not on track to accumulate sufficient savings for retirement.

Unlike traditional employees with regular income, gig workers must grapple with income uncertainty.

Coupled with black swan events such as Covid-19, gig workers may have to occasionally dip into their savings, putting wealth accumulation for retirement into reverse gear.

Nevertheless, Singapore is introducing Central Provident Fund contributions for a select group of gig workers, namely delivery and ride-hailing drivers. But similarly, this does not take effect until early 2024.



For a start, gig workers can try to manage their debt levels more wisely so that they can funnel more resources to investments and savings.

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New insurance products

Even as the Singapore government takes measures to address concerns, gig workers themselves should be proactive in achieving their financial goals and retirement adequacy. They can tap existing solutions in the market to allay their financial concerns.

First, there are new insurance products. Historically, certain forms of insurance coverage have been a bugbear for gig workers, due to the associated terms and conditions.

For gig workers employed for only a short duration, typical insurance policies may be too costly and lack the flexibility of short-term coverage. For example, insurance policies have historically provided coverage for a minimum of three months to one year.

Thankfully, innovative solutions exist in the market today. Certain insurance companies have developed products providing insurance coverage for a duration as short as a week.

Second, gig workers who lack the time to learn about personal finance in depth can use existing structures and frameworks provided by financial institutions in Singapore.

These institutions have launched products

with an element of gamification. By participating in these games, the gig worker can learn about personal finance and develop habits to adequately prepare for the future.

Third, banks, insurers and other fintech platforms have introduced “auto-sweep” investment accounts and insurance savings plans. Gig workers can deposit cash to earn interest on a daily basis, while retaining the flexibility to withdraw these savings and investments with minimal or no financial penalties. These liquidity solutions enable gig workers to set aside surplus money to meet future expenses as well as save and invest for retirement.

Immediate steps

Where should gig workers start? Aside from taking up some of the existing personal finance solutions available here, gig workers can also manage their debt levels more wisely.

They can start by paying down various debts, including credit card balances. Lower debt allows the gig worker more disposable income and paves the way for a higher allocation to investment and savings.

For gig workers whose income may be lumpy, it can be tempting to spend a sizeable portion from a huge commission on, say, a luxury time-piece or an extended holiday.

But in managing personal finances, it is more prudent to take a disciplined approach: maintaining a sufficient liquidity buffer to tide himself over months where no income is earned. This buffer enables debt levels to be kept manageable, and allows the gig worker to funnel more resources to investments and savings.

Gig workers are a mainstay of the labour force, but face unique challenges compared to traditional employees. Although the government has introduced legislation to address certain issues, gig workers can take proactive steps by making use of existing investment and financial solutions. By doing so, gig workers will be in a better position to achieve their financial goals as well as accumulate their desired retirement sum.

The writer is a committee member of the advocacy committee at CFA Society Singapore. The opinions in this article do not reflect the views of the author's employer, CFA Society Singapore or any other organisation.