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## Exploring Financial Literacy of Independent Musicians in the Gig Economy

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The University of Southern Mississippi

Exploring Financial Literacy of Independent Musicians in the Gig Economy

By

Benjamin Milam

A Thesis  
Submitted to the Honors College of  
The University of Southern Mississippi  
in Partial Fulfillment  
of Honors Requirements

April 2019



Approved by

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## **Abstract**

The purpose of this study is to gain insight into the elements of the career of independent musicians. Specifically, how they overcome or fail to overcome the challenges of a gig economy through knowledge and ability to properly manage scarce financial resources. The research questions posed are as follows: (a) Does higher financial literacy allow independent musicians to sustain and improve their career in the gig economy? (b) How do independent musicians use financial literacy to sustain their career? (c) How does industry experience affect the ability of independent artists to effectively allocate financial resources? To answer these research questions, relevant literature is first reviewed. Then, the proposed exploratory study is outlined, where data collected through in-depth interviews is analyzed using single-coder methods of analysis. Following the explanation of methodology, the findings that result from this data are discussed. Finally, implications of results and limitations of the study are discussed.

## **Acknowledgments**

First, I would like to thank Dr. Jamye Foster, my thesis advisor, for constant and consistent support, guidance, and encouragement. There were many points during the last year where I was frustrated or confused, and Dr. Foster was there to push me through to the end without fail. She did so while busy with her own numerous responsibilities and obligations, and for that, I am very grateful.

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## **List of Abbreviations**

PACFL      President's Advisory Council for Financial Literacy

## **Introduction**

As a creative labor business, the music industry is defined as an atypical form of employment. This form of employment is characterized by features of flexible, short-term contracts and voluntary or low paid work (Ellmeier, 2010). This type of job market or industry can also be described as a ‘gig economy’. A gig economy is an economy where workers must manage constant insecurity, with no guarantee of contracts and where the likelihood of a long-term career is uncertain (Haynes & Marshall, 2018). Being that the nature of the music industry is intense, unpredictable, and unstable, the low pay for most musicians makes it a career that is difficult to sustain. This has become increasingly true in an increasingly digitized industry. The transition away from traditional labels supporting large numbers of artists means that the business is also progressively independent. Artists can now create and disseminate music on their own with no professional backing. While this low barrier of entry means opportunity for artists to start a music career, it also means weathering demanding and chaotic business with little to no help.

According to data from the Bureau of Labor Statistics (2017) and Payscale, Inc., the average salary of musicians in America is \$40,080. The highest earning artists earn an average of \$104,000 per year, while artists starting their career only earn an average of \$10,400 per year. Compared to the average American household income of \$57,617 per year, career musicians seem to be at a financial disadvantage (U.S. Census Bureau, 2016). In fact, 73% of musicians are considered part-time and are only boost their income with side-jobs to \$49,000 per year - still below the average earnings for Americans (Future of Music Coalition, 2012).

With a low relative income and no financial backing from a larger entity, independent musicians must make sound financial decisions in order to sustain an unstable career. The artists must be able to market, manage, and sell their product on their own. Essentially, they are running their own small business. To be an effective financial decision maker, individuals must be financially literate. Those with low financial literacy have been found to accumulate less wealth and are less able to manage any wealth they do accumulate (Lusardi, Mitchell, & Curto, 2010). As higher financial literacy improves and sustains financial standing, it can be concluded that independent musicians have an important need for financial literacy in order to survive in their industry.

This exploratory study attempts to provide insight for the following research questions: (a) *How financially literate are independent musicians?* (b) *How do independent musicians use financial literacy to navigate the challenges of a gig economy?* (c) *How does industry experience affect the ability of independent artists to effectively allocate financial resources?* If we can better understand the means by which independent musicians are able to sustain careers or areas of deficiency that prevent them from doing so, research can be expanded to a larger scale to ascertain an effective approach to aid artists in overcoming the financial challenges of the gig economy. First, the literature review section will discuss relevant areas of research, including how financial literacy is defined and measured, and how independent musicians operate in the gig economy. Then, the proposed exploratory study is outlined. Finally, research implications will be discussed.

## **Literature Review**

In order to understand the concept of financial literacy, the term will first be defined conceptually. Then the independent music industry will be discussed, with an emphasis on the impact of the ‘gig economy’ on independent musicians. This information will lay the foundation needed for this exploratory study.

### *Financial Literacy Defined*

Although there has been an extensive amount of previous research conducted concerning financial literacy, there is a lack of a standard definition of financial literacy specifically. The absence of a uniform definition is an issue that has produced research on the problem itself. Huston (2010) acknowledged that the terms financial literacy, financial education, and financial knowledge are often used interchangeably in the literature. Her research shows very few scholars have attempted to define or differentiate these terms in their research. Huston analyzed 71 individual studies relating to financial literacy and found that only 13% of these studies provided a formal definition of the construct. Of these studies, 8 of them used differing definitions for financial literacy (Huston, 2010). While there is no clearly accepted definition for this term, there has been a move toward a more generally accepted term for literacy in finance. The President’s Advisory Council for Financial Literacy (PACFL) defines financial literacy as “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” (PACFL, 2009). Two other major financial organizations, Financial Literacy & Education Commission and JumpStart Coalition, published near identical definitions around the same time (2015). These three major financial organizations encompass 22 government agencies and 80 separate organizations. This significant foundation means that it is likely this definition, or one

with the same general meaning, will eventually become widely accepted in financial research and education. For the purpose of this study, financial literacy is defined as *the knowledge and ability to manage financial resources effectively for the purpose of financial well-being.*

### *Understanding the Independent Music Business*

The technology evolution in the last fifteen years has sparked a significant transition in the music industry. Since the introduction of MP3 in 1999, music is more easily produced, published, and accessed than ever before (Lam & Tan, 2001). The increased availability and ease of music publication has decreased sale of recorded music by 43 percent (Haynes & Marshall, 2018). Lost revenues and a shifted landscape have resulted in the number of major record labels cutting in half, tens of thousands of jobs disappearing, and a massive reduction in the number of acts signed to labels (Haynes & Marshall, 2018). While the move from traditional to digital has hurt one part of the music industry, it has provided new opportunity for the artists themselves. There is now a greater possibility for artists to launch and build self-sustaining careers. The large record labels who used to rule the industry have become increasingly powerless as musicians no longer need to sign to a label to reach an audience. According to Brian Hrats (2012), technology has created a new structural order of music production in which individual musicians can make and sell music from anywhere. However, with opportunity comes responsibility for the artists attempting an independent career. Recent research has found that the career of a modern musician is “dual-natured,” and they must produce high-quality, high-demand art in addition to performing “inherently entrepreneurial” activities at a level that allows them to sustain their career (Haynes and Marshall, 2018). These

business activities include active advertising such as social media marketing and brand design. It also includes self-managing activity such as performance booking and licensing.

Today's music industry can be characterized as a 'gig economy'. Investopedia defines a gig economy as an industry where temporary, flexible jobs are commonplace and companies tend to hire independent contractors or freelancers instead of full-time employees. These characteristics result in a cheaper, diverse selection of services. For those providing the services, this economy means little to no job security, inconsistent work, and low pay. The significant decline of record labels means that many musicians must take the independent route and enter the gig economy. However, a sustainable career in this environment requires independent artists to not only have knowledge of business skills, but also the ability to properly execute them to care for the needs of their unique career path.

### *The Importance of Industry Experience*

The widely-accepted notion that experience is beneficial to the increased success and sustainability of any career can be applied to the music industry as well. However, the music industry differs as the responsibilities and needs of a modern independent musician stretch far beyond their art. Recently, a study on creative industry workers found that human capital with longer industry experience resulted in both survival and growth in the industry (Gong, Sun, & Wei, 2016). The main subjects of this study were athletes, specifically soccer players. The comparison to athletes is not a far reach to independent musicians. Both must market, sustain, and perform unique skills in a way that creates demand from their audience. This study will focus on determining whether or

not musicians performing the relevant task of managing their financing is beneficial enough to result in high financial literacy. The answer to this question is important because the attention span of the modern music audience is decreasing. Nearly 30 years ago, The New York Times reported that the length of musical careers was steadily shrinking (Pareles, 1991). Given the nature in which the industry has changed since then, it would be expected that the trend has continued. As lucrative careers of artists are becoming shorter, it is reasonable to assume that financial literacy is paramount to a sustainable music career.

### *The Importance of Financial Literacy*

In a 2008 study, Lusardi concluded that financial literacy has an impact on an individual's decision-making process, and ignorance of basic financial concepts are directly linked to detrimental financial decisions. According to this information, knowing the basics of finance is vital in order to make consistently positive financial decisions. Research conducted in 2013 found that students of a financial literacy course, ranging in age from 25-55, made a higher rate of positive financial decisions as a direct result of higher financial literacy. The authors of this study noted that perhaps the greatest benefit participants gained from increased financial literacy was a sense of freedom, as well as increased competence which allowed them to better care for themselves and their finances (Meraz et al, 2013). Specifically, for the financially independent, thereby not relying on anyone else to make their financial decisions, improving financial literacy is highly beneficial. Due to a shift in retirement plan structures, increased access to credit, and borrowing being easier than ever, individuals have become increasingly more responsible for their own financial security than in the past. The literature shows us that



as general financial responsibility has increased, overall financial literacy has decreased at the same time. Moreover, research data showed that most individuals lack knowledge of basic financial concepts and that the general population is, on average, financially illiterate (Lusardi, 2008). In the context of this study, heightened financial responsibility and increased illiteracy is not a positive sign for independent musicians in a financially volatile gig economy. However, the strong positive correlation between financial literacy and financial behavior shows that the challenges can be more easily dealt with by increasing literacy through education or other means. Simply, it shows the extreme importance of financial literacy for everyone, and specifically for independent musicians.

### **Expected Themes**

Based on the literature, several potential themes related to financial literacy are expected to be found. The first theme relates to *self-identification*. In this context, the musician could identify more as an artist, or more as an entrepreneur. It would be expected that musicians who identify as an entrepreneur or business-person would have higher levels of financial literacy, or at least be more apt to seek out financial knowledge. The second theme relates to *industry experience*. As a musician gains experience in dealing with unstable income, it would be expected that they develop their financial literacy through the active process of managing their own finances. The third theme that emerged from the literature was the relation between level of financial education and ability to properly manage finances. As artists must deal with unique financial challenges in the music gig economy, it can be expected that musicians with higher levels of financial education or training would possess better abilities to make sound financial decisions.

### *Identification: Artist vs. Business Person*

In 2003, Ellmeier found that contemporary literature and discourse on workers in creative labor industries presented them as inherently entrepreneurial. However, a recent study has found that some musicians do see themselves more as business people, while many still see themselves as strictly artists (Haynes & Marshall, 2018). However, this study focused on musicians who were all signed to record labels. The current study focuses on musicians in the gig economy, who are not signed to labels, and it is expected that they might have slightly different perceptions about their careers. Considering financial literacy is positively correlated to financial well-being, both personally and in business (Lusardi & Mitchell, 2005), it would be expected that the musicians who identify as business people will have higher levels of financial literacy. The artists who view themselves as entrepreneurs place higher importance on financial stability due to their perception of their music career as a business. Conversely, it is reasonable to expect that the musicians that do not consider themselves entrepreneurial will have lower levels of financial literacy and place a lower importance on financial literacy.

### *Industry Experience and Financial Literacy*

The knowledge and ability to properly manage finances is positively correlated with long-term growth and success of small businesses (Dahmen & Rodriguez, 2014). As established by the literature, the creative labor industry of music can be considered entrepreneurial (Haynes & Marshall, 2018). As an independent career in music is considered entrepreneurial, a long and successful music career likely involves efficient financial management by the artists. In an increasingly independent industry, musicians are often unable to remove the need to act as an entrepreneur; regardless of whether they

consider themselves solely an artist or not. Because of this, coupled with the fact that repeated on the job experience produces long-term benefits (Gong, Sun, & Wei, 2016), it is likely that the financial literacy of artists improves as they become more experienced in the industry. The artists must either implement knowledge they possess from previous education, learn through experience, or risk not being able to sustain a career due to a lack of financial stability. Considering these characteristics, it can be expected that independent musicians who have more industry experience will have higher levels of financial literacy.

#### *Financial Education and Future Behavior*

Financial literacy is essential for sustaining financial stability in any career. Research found that a lack of financial literacy is detrimental as it prevents individuals from being able to advance their own financial well-being, especially when the situation is high risk (Hastings et al, 2012). Upon review of the literature, there is no consensus as to what the best avenue for attaining consistently positive financial outcomes may be. However, it is well supported that financial education does indeed significantly improves awareness of financial choices and the attitudes towards financial decisions (Carpena et al, 2011). Confidence in making proper decisions in order to effectively manage resources is beneficial for anyone but could be even more so for those in an industry as volatile and unpredictable as music. A higher level of financial education, whether it be finance courses in high school or college, can be seen as highly beneficial for artists who must manage their own finances. Because of this link between level of education and success of financial decision making, it can be expected that independent artists who have

some level of financial education would be better equipped to manage their finances effectively compared to those who do not.

### **Methodology**

As exhibited in the review of the literature, financial literacy is a key factor in achieving positive financial outcomes and stability. Specifically, the literature supports the assertion that financial literacy is especially vital for independent musicians in a gig economy. In order to address the research questions, it is appropriate that a qualitative study would be conducted to gather data from independent musicians. This approach is appropriate due to a lack of understanding in independent musical artists' financial literacy, as well as how they navigate or fail to navigate, the distinct financial challenges of the music industry. The exploratory approach will begin to provide a basis of understanding of musician's perceptions, attitudes, and abilities regarding financial management. The analysis process used followed Spiggle's (1994) fundamental operations for coding and analysis. This includes categorization, abstraction, and comparison. Spiggle's method of analysis was used due to the exploratory nature of the study.

### *Sample and Procedure*

An interview guide (Appendix A) was used to conduct seven (7) in-depth interviews with individuals who classified themselves as a *working independent musician*. The study sample was predominately male (85.7%) and Caucasian (85.7%). Participants ranged in age from 22 to 46, with an average age of 27.4. Only two interviewees (28.6%) had full-time experience (1-2 years), but all had part-time experience - ranging from 5-26 (average of just over 10) years of experience.

Respondents reported that music accounted for 6-40% (average of 22.3%) of their total income. As a group, they rated themselves (1-10 scale) as fairly good managers of their own finances, with only two respondents rating themselves below 7.0. (Average of 7.1, range 4-10).

**Table 1: Sample Description**

ID	Age	Ethnicity	Gender	Full-time Experience	Part-time Experience	Music income as % of total income	Self-rating as manager of finances (1-10 scale)
A	23	Caucasian	Male	0	5	10	7
B	30	Caucasian	Female	2	13	10	4
C	46	Asian	Male	0	26	6	8.5
D	23	Caucasian	Male	0	10	20	7
E	22	Caucasian	Male	0	5	40	6
F	23	Caucasian	Male	0	5	40	7.5
G	25	Caucasian	Male	1	7	30	10

The interview was designed and conducted in order to gain insight into the general knowledge of basic financial concepts, perceptions of their financial literacy, and how they navigated the financial challenges of a gig economy. The goal of the interview was for the participants to explain their personal experience in the industry, how they were able to meet these challenges through proper financial management, and if not, why they were not able to. Specific questions were asked to address knowledge of basic financial concepts, financial practices used by the participants, and how their industry experience affected these factors. The interview guide can be found in Appendix A. The primary researcher served as the sole interviewer. The interviewer followed an interview guide that consisted of a wide range of questions that attempted to address the research

questions while allowing for probing questions when necessary. Each individual interview was digitally recorded and transcribed for analysis. The average length of time for the interviews was 33 minutes and 43 seconds (range of 16:59 to 67:07), while the average number of pages was 10.14 (range of 6 to 23 pages).

### *Analysis*

The analysis for this study follows the three processes of coding and analysis established by Spiggle (1994). The processes of categorization, abstraction, and comparison were used to code each interview to identify and classify individual themes in the data. The objective was to identify knowledge, practices, and perceptions of independent musicians regarding financial literacy and how this element interacts with the unique elements of the music industry. Furthermore, the study aimed to build a better general understanding of how or why independent musicians use positive financial literacy, build their abilities, or fail to do either as they try to sustain careers in a volatile gig economy. Once individual themes were distinguished in each individual interview, the themes were compared and contrasted in order to establish similarities and/or differences so that overarching themes could be identified across the whole of the data. All individual themes and patterns were considered to establish these greater themes. Multiple reviews of each interview transcript were conducted to achieve accuracy (Spiggle, 1994).

## **Results & Discussion**

The results led to the discovery of several emergent themes. The two most dominant themes include *Unstable Market* and *Self-Identification*, which were present in every interview. This was expected, given the review of the literature. From these two

overarching themes, several sub-themes emerged (see Table 2). The unstable market creates unique challenges for independent musicians in the gig economy, and there are some negative implications when these musicians do not embrace the business or entrepreneurial side of their industry. In addition, nearly half of the respondents expressed some desire to improve their financial knowledge and practices.

**Table 2: Description of Emergent Themes**

Theme	Description	Representative Quotes	Presence
<b><u>1.Unstable Market</u></b>	The unique characteristics of being an independent musician in a gig economy make it difficult to sustain long-term financial stability.	<p>“You have to work to get your name out there instead of having other people networking for you.”</p> <p>“The fact that you have to wear multiple hats. You know, you have to run social media, work on your craft, deal with the business side of things like booking. You really have to network and also build your set list. It’s a lot of different things you have to focus on. You have to manage your time effectively to do everything.”</p> <p>“I feel like it makes it more difficult (to be financially secure) because there’s no real guarantee as to where your next check is coming from.”</p>	100%
a) Difficult to translate knowledge	Respondents communicated that translating financial knowledge in this situation (musician in gig economy) was very difficult.	<p>“We learned about what finance would look like if you were working for a major label or if you were signed to a label. But we never discussed what the future is, independent musicians and managing or making a workable personal finance plan.”</p> <p>“I don’t think that the music finance degree prepared me for managing finances as an actual musician now.”</p>	71%
b) Desire to improve financial position	Many respondents did discuss the need to improve their financial positions - often through taking on other jobs.	<p>“I always say I wish I could go back to business school knowing what I know now. I could really use those tools. It would be really helpful.”</p>	100%

		<p>“I hold this other job because the income from music is inadequate, yeah.”</p> <p>“I had to get a job. It’s been a real variety of full-time jobs. Sometimes I’ll get called away for a tour and then I’ll have to quit a job and come back and get a new one.”</p>	
<b><u>2.Self-Identification</u></b>	Self-Identification impacts perceptions of financial literacy	<p>“I would identify as, I would say business person. I’m definitely a business side of it.”</p> <p>“I think of myself as mainly an artist. I think I’m more interested in the art.”</p> <p>“I would say at the end of the day, I’m an artist. It’s who I am.”</p>	100%
a) Over-inflating financial knowledge and ability	Those who identify primarily as artists perceive themselves as better managers of finances than they actually are.	<p>“I don’t think I’m bad at managing finances.”</p> <p>“I think I’m very good at managing it. I think I’m good at keeping track of what I have, a budget and stuff.”</p>	86%
b) No effort to improve financial knowledge	Those who identify primarily as artists are aware of the need for financial knowledge, but put forth no real effort to gain it.	<p>“I think it’s important for independent musicians to know how to manage resources. I think that’s one of the things that indie artists do, probably the worst.”</p> <p>“I think it’s so important, especially because we don’t have the kind of support that musicians have, you know, with major labels. It seems like really crucial to learn about some of this personal finance stuff.”</p>	71%
c) Satisfied with lack of knowledge	Those who identify primarily as artists seem satisfied with having little knowledge.	<p>“I’m not super organized with all that stuff because there’s a big lazy part of me that comes from being an artist. I just like to lay around and make music, you know?”</p> <p>“I don’t always stick to my budget, but I maintain it. I mean it’s like, it’s out there in the universe as an idea.”</p>	71%
<b><u>3. Experience leads to a desire to improve financial knowledge and practices</u></b>	Those who had more experience tended to be more likely to share a desire to increase their	<p>“I have very little money in savings, yeah. That’s something I want to build and work on.”</p>	43%



	financial knowledge and improve their financial practices.	<p>“Personal finance is something that I struggle with. I wish I knew more about that.”</p> <p>“I’ve been reading a lot over the last year and all that. Gotten really interested in the business aspect of things, like, being an artist but also building a brand, building a real business.”</p>	
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Unstable Market

All the respondents discussed how the unstable nature of the gig economy meant that it was difficult to attain and sustain financial stability. The subjects detailed various challenges of an independent career in music which were characterized as obstacles to sustaining a successful career. The challenges expressed in the interviews included the following: balancing the entrepreneurial and financial responsibilities while simultaneously sustaining and improving high-quality art, unstable and inconsistent income from music, high competition due to a low barrier of entry, and uncertainty of continued financial compensation. Although most acknowledged their desire to improve their financial position, they seemed to blame the unstable elements of the music market for the inability to translate any financial knowledge they may have into practice.

*Difficult to Translate Knowledge:* The first sub-theme falling under the *unstable market* is subjects expressing that it is *difficult to translate knowledge* to their specific context. Specifically, multiple respondents (43%) expressed a gap in practicality from the financial knowledge they gained from music business degrees. One subject stated, “I don’t think that the music finance degree prepared me for managing finances as an actual musician now.” The information they learned in their formal education was based on the scale of record-label finances, which was difficult to apply to their situation as an

independent musician. There are many differences in how a musician under contract with a record label and a musician working in the gig economy are receiving compensation. The former knows exactly what their payments will be over a certain amount of time (life of the contract), while the latter is relying on an educated guess about what their income will be at any given time. The difference in applying financial management skills to fixed income versus variable income is substantial.

*Desire to Improve Financial Position:* The second sub-theme under *unstable market* was participants (57%) expressing a *desire to improve their financial position*. The most common way that this was achieved was by working another full-time job in order to provide a base income on top of their music income. Although all participants did not express this need, all of the participants relied on full-time income outside of music in order to sustain financial security. As discussed in the literature review, when individuals have gained more responsibility over personal financial management, levels of financial literacy have decreased. This may indicate that individuals in this context do not see lack of financial knowledge as the problem, but lack of income in general. That may help explain why respondents tried to improve their financial position through additional and/or 'better paying' jobs rather than improving financial knowledge and practices.

### Self-Identification

One of the foundational questions of the interview guide, posed to each subject, was whether the subjects identified as an artist or as an entrepreneur. Therefore, all respondents discussed self-identification to some degree. This question was framed with the idea that an independent career in music has fundamentally entrepreneurial

responsibilities, to which all participants agreed. With most respondents (86%) self-identifying primarily as an artist, the results have to be interpreted cautiously. However, there are several interesting sub-themes that relate to how the respondents self-identified.

*Over-inflating financial knowledge and ability:* Based on the interview data, self-identification impacts perceptions of financial literacy levels. The single subject (14%) who identified as an entrepreneur had a highly accurate perception of their ability and knowledge in managing finances, which were above-average. The rest of the participants, who identified as artists (86%), tended to exaggerate their financial abilities. They recognized the importance of financial literacy but perceived themselves as being more financially able than actually characterized based on their interview answers. This could have some negative consequences. If an individual thinks they are better at managing finances than they are, they would be less likely to seek out opportunities to improve their financial knowledge.

**Table 3: Self-identification & Perceptions of Financial Literacy**

Respondent	identification	Self-rating as manager of finances	literacy/practices characterized by interview answers
A	artist	7	average
B	artist	4	average
C	artist	8.5	average
D	artist	7	below-average
E	artist	6	below-average
F	artist	7.5	average
G	entrepreneur	10	above-average

*No effort to improve financial knowledge:* The respondents who identified as artists lacked desire to increase their financial knowledge, even as they recognized its

importance. These respondents (71%) expressed an awareness for the need for proper financial knowledge due to the negative financial aspects of the music industry. As the subjects also revealed that they were not and had not attempted to improve their knowledge, it seems that their awareness is incomplete or not significant enough to make the artists actually pursue improvement in this aspect of their career. This is indicating a lack of situational awareness of the true importance of possessing proper financial knowledge and putting it into practice. As mentioned previously, this could also be due in part to their over-inflation of their own financial knowledge and abilities. If someone is not aware that they need to improve in these areas, they will not make an effort.

*Satisfied with lack of knowledge:* The majority of respondents (71%) seemed to be satisfied with their general lack of financial knowledge. As these subjects identified as artists, it was apparent that their identity as primarily artists, rather than entrepreneurs, could result in the subject's contentment with a below-average grasp and awareness of important financial concepts. Furthermore, if the artists are satisfied with the knowledge they do possess, then they are less likely to pursue improvement in this area. This could also be reflective of cognitive dissonance, where individuals tend to seek consistency in their actions among their own beliefs or opinions (Festinger, 1957). If an individual believes that they are knowledgeable on financial issues, they will not make an effort to learn more about managing finances. Aligning their overall attitude, in this case, their satisfaction with existing knowledge, with their beliefs and behaviors is expected.

#### Experience leads to a desire to improve financial knowledge and practices

The last theme present in the data indicated that, for those with more industry experience, they (43%) were more likely to have a desire to improve their financial

knowledge and practices. Interview data showed that they tended to be more aware of the practical importance of these skills and how it applied to their career. Although this theme was not apparent in the majority of the interview data, it was evident specifically in all respondents who had 10 or more years of experience. This is an indication that higher levels of experience result in a more realistic perception of how financial knowledge can improve an independent musician's career in the current music industry. There can also be a connection drawn to the sub-theme of *over-inflating financial knowledge*. For the musicians who identify primarily as artists, experience may diminish their tendency to exaggerate their financial knowledge. Their perception would be framed more realistically due to the repeated encounters with the real financial challenges in their career and how improved financial literacy can help them meet these challenges.

### **Implications**

The motivation of this study is based on the potential contributions to both the independent music industry and the current literature. The study augments the existing literature by progressing understanding of independent musician's position in the gig economy, specifically regarding financial literacy. While it is not comprehensive or objective in nature, the research helps provide a basis for further study into understanding a topic that is relatively unexplored in the literature. Consequently, the findings that resulted from this study have some important theoretical and managerial implications. The results will fill a gap in the literature that will extend understanding of how independent musicians sustain their careers by utilization of financial literacy and the areas of financial deficiency that prevent them from doing so. Not only will these findings augment the literature, but they will also provide valuable insight into an

industry that has evolved drastically and quickly into a different marketplace. It should be noted that the gig economy extends far beyond the music industry. In fact, it is projected that the majority of American workers will be self-employed by 2027 (Pofeldt, 2017). The results and implications of such can provide insight for anyone operating or invested in a gig economy.

### Implications of an Unstable Market

As outlined in the previous section, all respondents discussed the theme of *Unstable Market*, which was connected to the discovery of two subthemes. Interviewees expressed difficulty in translating any financial knowledge they possessed into the scale and situation of an independent career in music. The information they have may be good information, but they were unable to apply it practically in the context of the challenges of a gig economy. In addition, the artists expressed the desire and need to improve their financial position. This was most often accomplished in the form of working a full-time job *unrelated* to music. This allowed the artists to have a steady stream of income to meet their financial needs, as well as allowing them to continue to pursue music in a part-time fashion. However, this tactic can be viewed as pulling them away from their primary career goals. The challenges that artists must withstand of balancing the numerous artistic and financial responsibilities of their work, as well as inconsistent and unreliable income from said work, have several important implications.

Research has shown that fixed pay is more appealing and preferred by most employees (Cable & Judge, 1994). Because there is no guarantee of compensation in the form of variable pay, employees found it unreasonable to include variable pay in total compensation from a job. Variable pay would also be less desirable as workers cannot

rely on its presence when accounting for a monthly budget, so it would not improve their general financial stability. Furthermore, Cloutier, Morin, & Renard found that the presence of variable pay compensation, on top of a fixed-pay structure, has no effect on pay satisfaction for workers (2013). These findings illustrate well why it is difficult to maintain and improve financial stability. A defining characteristic of a gig economy is the heavy presence of variable pay structure. For independent musicians, it is most often the only option (Haynes & Marshall, 2018). Thus, the fickle and unstable nature of the music industry cannot be avoided in most instances and the findings of this study support previous research.

Previous research indicates that financial literacy is important for financial success (Meraz et al, 2013). However, the general population is, on average, lacking in financial knowledge and ability (Lusardi, 2008). Considering the characteristics of the music market that foster financial insecurity, as well as the financial autonomy of independent artists in this market, it can be said that artists cannot afford to be financially illiterate if they are to sustain a successful career in music. The interview data shows us that none of the participants were able to rely on music income full-time, or were not even able to attempt a full-time career, due to the lack of proper financial practice coupled with the challenges of the market. The artists were *forced to rely on fixed income* from working full-time jobs outside of music in order to continue in music part-time and to achieve financial stability.

Although over half (57%) of the respondents communicated a *desire to improve their financial position*, many (71%) felt it is *difficult to translate financial knowledge* to the given situation. Music business education is a dynamic field and much of the current

music business education has not changed to match the evolving music industry (Kratus, J., 2007). In addition, personal finance education in general has not adequately adapted to the reality of the increasing presence of gig economies (Friedman, 2014). As financial education has yet to adequately modify its approach to preparing workers for new financial challenges present in modern economies, the issue of a lack of proper financial knowledge is compounded as workers would still be at a disadvantage even if they pursued improvement in financial literacy. The apparent shortfalls of financial education could also be a contributing factor to the overall lack of financial insecurity for independent musicians and workers in the broader gig economy.

#### Implications of Self-Identification

As outlined in the previous section, all respondents discussed the theme of *Self-Identification*, which was connected to the discovery of three subthemes. The majority (86%) of participants who identified as more of an artist, than an entrepreneur, perceived themselves as better managers of finance than was apparent from their interview responses. In addition, they failed to put forth an actual effort in improving financial knowledge (71%) and seemed to be *satisfied with a lack of knowledge* (71%). This mentality could explain the failure to pursue further financial knowledge and improvement of practices. Additionally, overall satisfaction of knowledge could be a factor in the overconfidence of the artists regarding their financial management abilities. The artists with more experience tended to be more likely to *desire to improve financial knowledge and practices* (43%). This indicates that experience gives artists a more realistic perception of the importance of financial knowledge and proper financial practices. Thus, they are more likely to actually pursue it.



The subjects who identified as artists (rather than entrepreneurs) tended to perceive themselves as better managers of finance than actually characterized as being. As concluded by Haynes and Marshall (2018), musicians tend to be highly reluctant to identify themselves as entrepreneurs. This could be for several reasons. The first of these possible reasons being that the artists are giving themselves an ‘out’. In other words, the musicians may feel less obligated to pursue improvement in financial knowledge and practice as they feel they are already good enough. This interpretation is supported by research regarding such inaccurate perception and its effects on attitude or behavior, namely the self-perception theory and cognitive dissonance theory (Guild, Strickland, & Barefoot, 1977). The artists’ tendency to identify as better financial managers, or entrepreneurs, than they actually are could be because an overemphasis on these practices misrepresents the meaning and purpose behind their art. If they are already adept at managing the business side of music, as they perceive themselves to be in the data, there is less of a need to pursue education or training in order to actually improve these skills and practices. This interpretation is supported by recent research that concluded overemphasis on the economic dimensions of their actions, or elements of their career, devalues the meaning and purpose that artists find in their work (Haynes & Marshall, 2018).

Musicians who identify primarily as artists may be giving themselves an ‘out’ in order to avoid pursuing financial literacy. This could be explained by research which found that individuals strive to act and behave in ways that are congruent with their identity and sense of self (Pan, Gruber, & Binder, 2017). The artists may feel obligated to only dedicate themselves fully to the artistic aspects of their career as it is reflective of

their self-identity. Other related research concluded that self-identity often formed key decisions by individuals that were based on that identity (Faucher & Gruber, 2011). These findings support the concept that independent musicians may not feel an obligation to be knowledgeable on entrepreneurial or financial aspects of their career because it is not consistent with their identity as an artist.

*Experience Matters:* As 86% of participants identified as artists, 86% also perceived themselves as above-average managers of finance. However, one self-identified artist perceived themselves as a below-average manager of their own finances. This was also the only subject in the study who had more than 1 year of full-time independent music career experience. Furthermore, the subject had formal financial education in the context of music finance. The participant explained that they were unable to properly transfer the knowledge gained from this education to sustain an independent full-time career in music as the education was not applicable to the unique situation they found themselves in. The only subject to identify as an entrepreneur was also the only subject to have a specific business degree not affiliated with music. This participant was the only one characterized as having above-average financial knowledge and practices. In both of these outliers, there are important correlations. First, full-time experience may allow, or force, the artist to realize their financial shortcomings as their career depends greatly upon their financial literacy. This experience also likely exposed the shortcomings in the music finance education received due to the inability to apply the knowledge to the scale of an independent career in music. Then, a college degree in a specific business field likely fostered an entrepreneurial mindset that resulted in above-

average financial knowledge - allowing the artist to utilize the knowledge to meet the financial challenges of a gig economy.

### Managerial Implications

Presently, there appears to be a gap in music finance education and in how easily it is applied to a changing industry. As many artists (35%) in the music industry are now independent (Bureau of Labor Statistics, 2019), the scale has evolved from that of a record label dominated market to that of the self-employed. Managers of music finance education must restructure education that it is practical to the current landscape and easily applied for those who enter the gig economy as independent artists. As expressed in this research, there is also a gap in the perceptions of musicians and the reality that they must face. A belief that these artists have higher financial literacy than they actually possess could be directly detrimental to their financial stability and ability to achieve such. It is clear the perception must be confronted with reality at the source. Regardless of the reason for their inaccurate perceptions, working and aspiring independent musicians must be made fully aware of the importance of proper financial knowledge and practice. For without it, they will be unable to successfully sustain a career in the creation, production, and performance of their art. A commitment to changing perceptions should be coupled with a commitment to altering financial education in order to properly equip artists for an intense and volatile gig economy.

It is recommended that music finance education, as well as personal finance education in general, should commit to adapting curriculum so that it considers variable income and is practically applied to the increasing presence of gig economies. Regardless of the deficiencies in financial education, music or general, gig economy workers should

be encouraged to take personal finance courses or training. All exposure to basic financial concepts and positive financial practices would be beneficial to those who have not been exposed to such concepts. For financial institutions, it can be seen as a need and an opportunity to offer resources for independent workers who desire to improve their financial situation. There is a large market for under-educated workers who would greatly benefit from improved financial literacy. The implications for those who rely on variable pay for their main source of income, a percentage of the workforce that is growing rapidly (Bureau of Labor Statistics, 2019), goes beyond that of the music industry. As the gig economy increases in presence and popularity, the challenges that workers in such an economy will be compounded if there continues to be a lack of effective resources that allow them to meet these challenges. In addition, marketing efforts should focus on communicating that ‘artists’ benefit from better financial literacy, not just ‘entrepreneurs’. This approach may help overcome the tendency for artists to avoid dealing with the financial side of things (which was a theme represented in the current study) and applies to industries beyond music, such as graphic design and photography.

### **Limitations and Future Research**

The results from this study can improve the literature and industry by filling a knowledge gap of both service-providers and those that demand services in the independent music industry. However, there are several limitations that must be addressed. The time frame will be limited due to the fact that it is an undergraduate research thesis confined to a defined period prior to graduation. This will hinder the research in that it cannot be as comprehensive or large scale as it ideally would be. The nature of undergraduate research will also place financial limitations on the project,

meaning the study must be conducted without some opportunities for data collection. These restrictions also mean that the sample size will be limited in size and diversity of location. A larger and more representative sample would give us more insight into the confound between industry experience and identifying as an entrepreneur. There was only one respondent who identified as an entrepreneur, so we cannot assume his perspectives are representative of all musicians who identify as entrepreneurs. Greater diversity in full-time experience would also help with generalizability.

Despite the limitations of the project, the results of this research can provide a valuable foundation for future research on the topic that will answer the questions in a more comprehensive manner. As gig economies continue to grow (Greenwood, Burtch, & Carnahan, 2017) and expand into other artistic fields (Thomas, 2018), researchers should aim to understand the challenges for gig economy workers within their careers. Moreover, personal finance education should be examined to more fully understand whether or not the curricula of such education accounts for these needs and how this problem can be properly addressed. Additional research may also lead to implications for banking services, and a growing potential for services geared toward individuals who work in a gig economy.

### **Final Conclusions**

The aim of the study was to answer the following questions: *How financially literate are independent musicians? How do independent musicians use financial literacy to navigate the challenges of a gig economy? How does industry experience affect the ability of independent artists to effectively allocate financial resources?* These questions were answered through in-depth interviews that addressed the unique circumstances of an

independent artist in the music industry, their knowledge of basic financial concepts, and their ability or inclination to apply positive financial practice in order to achieve and sustain financial security. Two main themes and seven sub-themes emerged (Table 2). Based on the findings of the current study, it appears that gig musicians find it very difficult to translate financial knowledge or experience to their particular situation. This issue is compounded when they self-identify as primarily an artist (rather than an entrepreneur). These conditions make it easy to understand why many gig musicians might not feel inclined to improve their own financial literacy, and instead seek out additional jobs to supplement - or even relegate music to the sideline. With the expansion of the 'gig economy' marketplace into other areas, like rideshare, product delivery, and digital maintenance (Stewart, A. & Stanford, J., 2017), individuals are being lured in by the flexibility of the marketplace. Unfortunately, many are not prepared for the impact of that unstable market environment on their personal financial stability. This creates opportunities for financial planning educators to address these issues by providing resources and services in order to help the workers gain and maintain financial stability.

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## Appendix A:

### Exploring Financial Literacy of Independent Musicians in the Gig Economy Pre-interview survey

#### Screening

Q1: Given the definition of an independent musician as “*an individual who creates and performs music for financial compensation on a consistent basis without the aid of a record label or creative licensing entity*”, would you consider yourself an independent musician?

- Yes
- No

Q2: Would you be willing to complete a short questionnaire (5 minutes) and schedule a short phone/Skype meeting (approximately 30 minutes) to discuss financial literacy issues related to independent musicians?

Information will be kept confidential, and it will take approximately 30 minutes.

- Yes
- No

Q3: Please provide your name and email below:

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*Q4: SURVEY OVERVIEW: I am an undergraduate Honors College student in the College of Business and Economic Development at the University of Southern Mississippi. The following research study is designed to better understand the financial position of artists in the independent music industry and the challenges they encounter. You must be a U.S. resident at least 18 years old to participate, but your participation is purely voluntary. You may choose not to participate or to withdraw from the study at any time without any penalty or prejudice. Your participation in this survey should take less than 5 minutes. Your responses will remain confidential and results of the research will be published with individual participants unidentified and used only for research purposes.*

*This questionnaire will be kept confidential and you may exit at any time. This project has been reviewed by the Institutional Review Board, which ensures that research projects involving human subjects follow federal regulations. Any questions or concerns about rights as a research participant should be directed to the chair of the Institutional Review Board, The University of Southern Mississippi, 118 College Drive #5147, Hattiesburg, MS 39406-0001, 601.266.6820.*

*Completion of this survey indicates your consent to participate. If you have any questions about this survey, please contact the principal investigator (Ben Milam: benjamin.milam@usm.edu), or the faculty advisor (Dr. Jamye Foster: jamye.foster@usm.edu). Thanks in advance for your participation!*

The next few questions relate to your general industry experience as a musician. Please answer them as accurately as possible.

Q6: Approximately how many years have you worked in the music industry?

- Full-time \_\_\_\_\_
- Part-time \_\_\_\_\_

Q7: Which best describes you?

- My income from music is only supplemental. In addition, I hold a full-time position to pay my bills.
- My income from music is a substantial contributor to my finances, but the majority of income comes from another job(s).
- The majority of my income comes from music, but I hold other job(s) to supplement my music income.
- All of my income comes from music.

Q8: Approximately what percentage of your income comes from music?

Percentage of income from music: 0 10 20 30 40 50 60 70 80 90 100

### Demographics

These last few questions are used to gather general demographic information.

Q10: What is your age?

\_\_\_\_\_

Q11: What is your ethnicity?

\_\_\_\_\_

Q12: What is your gender?

\_\_\_\_\_

Q13: What is your current city and state of residence?

\_\_\_\_\_

Q14: What is your highest level of education completed?

\_\_\_\_\_

Q15: What is current annual individual income?

\_\_\_\_\_

## Exploring Financial Literacy of Independent Musicians in the Gig Economy

Subject \_\_\_\_ Interview Guide

### Interview Guide

*How much do they know about managing finances?*

- With 1 being the worst and 10 being the best, how would you rate yourself as a manager of your own/family finances?
- Do you maintain a budget?
  - (If yes) Do you tend to stay within this budget on a monthly basis?
  - (If no) Why not? Do you have plans to start a budget?
- Do you know what your credit score is? What is your credit score? Do you regularly monitor your credit score?
- In the last 12 months, have you had to borrow money in order to stay current on expenses?
- Are you currently in debt? How much?
- Do you have money in a savings account? How often do you contribute to this account?
- Do you have money in an investment account? How often do you contribute to this account?
- Do you consistently contribute to a retirement account? Do you have a financial plan for retirement?
- Have you had any prior financial training or education?

- Do you think it is important, specifically for independent musicians, to be knowledgeable in how to properly manage, allocate, and protect financial resources?

*How does occupation impact their financial stability?*

- Do you manage your finances (from music and otherwise) by yourself or do you have someone that helps you manage them?
- Do you feel financially secure? Do you think the nature of being an independent musician makes it easier or more difficult to be financially secure?
- Is your income from music consistent and reliable?
- Do you play regular gigs in a fixed location on a fixed schedule?
- What is your music-related schedule like for the next month? (Reliable? Consistent?)
- Do you believe that this career is sustainable long-term?
- Do you feel that it's more important to spend time on your music or on managing your finances?
- Do you hold another job because your income from music is not adequate, or just to supplement your income from music?
- Do you feel you are adequately compensated for your musical production and performances?
- Does your financial stability vary from month to month?
- Does your financial stability depend on playing a certain number of paid gigs per month?

- How many hours do you typically work per week (music and other jobs)?
- Have you used external crowdfunding services (Go fund me, kickstarter, etc.) to fund a music project? Why did you have to do this?

Many people find that their income does not quite cover their living costs, at least not every month:

- In the last 12 months, has this happened to you?
- Have you ever experienced that? (Follow-up)
- Does the nature of the music industry make it more difficult to manage? Budget? etc.?
- Follow if yes: what did you do to make ends meet? Did you do anything else?

Do you currently have any savings? Follow-up with type.

- In the past 12 months, have you been saving money in any of the following ways?  
At home or in wallet, building up balance in bank account, paying money into savings account, giving money to family to save on your behalf, saving in informal savings club, buying financial investment products, some other way, have not been actively saving, do not know, no answer.
- How often do you contribute to this savings account/product?

If you lost your main source of income, how long would you be able to cover your living expenses without borrowing?

*How has music industry experience impacted the way they manage their finances?*

- Do you consider yourself an entrepreneur?
- Do you identify more as a business-person/entrepreneur, or more as an artist?

- How have you utilized financial instruments, like stocks, bonds, and mutual funds, or planning to in order to sustain your career in music?
- Has your financial position improved or declined since you began your career?
- (If it has declined) How have you dealt with this in order to stay afloat?
- Has the way you deal with your finances changed since you entered the industry as an independent musician?
- Has your experience in the industry helped you learn how to allocate financial resources effectively?
  - If so, what were some instances/experiences in your career that helped you do so?
  - If not, why not?
- If you had a better grasp of how finance works and how it can help, would your career as a musician improve?
- Do you think you could sustain your career as a musician long-term without signing with a record label or other creative entity?
- What do you think is the most difficult part of being an independent musical artist?

## Appendix B:



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### NOTICE OF INSTITUTIONAL REVIEW BOARD ACTION

The project below has been reviewed by The University of Southern Mississippi Institutional Review Board in accordance with Federal Drug Administration regulations (21 CFR 26, 111), Department of Health and Human Services regulations (45 CFR Part 46), and University Policy to ensure:

- The risks to subjects are minimized and reasonable in relation to the anticipated benefits.
- The selection of subjects is equitable.
- Informed consent is adequate and appropriately documented.
- Where appropriate, the research plan makes adequate provisions for monitoring the data collected to ensure the safety of the subjects.
- Where appropriate, there are adequate provisions to protect the privacy of subjects and to maintain the confidentiality of all data.
- Appropriate additional safeguards have been included to protect vulnerable subjects.
- Any unanticipated, serious, or continuing problems encountered involving risks to subjects must be reported immediately. Problems should be reported to ORI via the Incident template on Cayuse IRB.
- The period of approval is twelve months. An application for renewal must be submitted for projects exceeding twelve months.

PROTOCOL NUMBER: IRB-18-209

PROJECT TITLE: Exploring Financial Literacy of Independent Musicians in the Gig Economy

SCHOOL/PROGRAM: School of Finance, School of Marketing

RESEARCHER(S): Benjamin Milam, Janye Foster

IRB COMMITTEE ACTION: Approved

CATEGORY: Expedited

6. Collection of data from voice, video, digital, or image recordings made for research purposes.

7. Research on individual or group characteristics or behavior (including, but not limited to, research on perception, cognition, motivation, identity, language, communication, cultural beliefs or practices, and social behavior) or research employing survey, interview, oral history, focus group, program evaluation, human factors evaluation, or quality assurance methodologies.

PERIOD OF APPROVAL: January 17, 2019 to January 17, 2020

**Donald Sacco, Ph.D.**  
**Institutional Review Board Chairperson**