



# Adapting Group Insurance Benefits for Gig Workers

## INTRODUCTION

The gig economy has experienced tremendous growth in recent years, with no signs of slowing. For 2023, the Bureau of Labor Statistics estimates that there are 1.6 million gig workers in the United States, accounting for approximately 1% of the country's workforce. This changing face of employment calls on the group insurance industry to address the unique needs of these workers and understand how to best serve their benefit needs. This INSIGHT details what insurers can do to help employers provide the benefits today's gig employees require.

## CHALLENGES

Providing benefits to gig workers may be an attractive incentive for prospective employees, especially since gig workers often engage with multiple companies simultaneously. There is substantial competition for dependable, skilled, and committed workers, especially when gig workers make themselves accessible to high-paying clients and projects. However, it is essential for gig worker benefits to align with the financial interests of employers; otherwise, they run the risk of incurring adverse profit margins and maintaining an unsustainable business model.

Employers have additional concerns, including managing benefits-related tasks such as monitoring eligibility, processing claims, and addressing service issues. A particular challenge is benefits enrollment, especially for non-traditional workers who usually need to enroll outside of the regular benefits enrollment schedule. This process is frequently more complex because these employees typically don't have access to traditional benefits and corporate communication platforms.

## BENEFIT ACCESS

A 2023 Eastbridge Frontline™ Report showed that only 20% of gig workers currently have access to any benefits through the employers they work for. Among those who do have access, the most common benefits include medical insurance (68%), prescription drug coverage (42%), dental insurance (39%), and vision coverage (26%).<sup>1</sup> These findings highlight the significance of core health products in employer-offered benefits packages for gig workers and show the limited offerings of other benefits like life or critical illness.

## **PAYMENT METHODS AND BENEFIT ACCESS REQUIREMENTS**

Gig employees also experience frustration regarding their benefits payroll deductions. They tend to favor electronic funds transfers (EFTs) and credit card payments over other methods. However, many group insurance providers are reluctant to handle EFTs due to their cost and inconvenience. They strongly prefer having premium payments deducted from employers' payrolls and consolidated before submission.

Regarding benefit access requirements, employers often impose a minimum length of time working for the company or a minimum number of hours worked. Employers should ensure they understand and comply with applicable state and local laws and regulations regarding benefit requirements.

## **BENEFIT CATEGORIES**

Gig workers' benefits priorities mirror those of employees in general. When asked about the importance of various benefit categories, gig workers expressed a strong preference for core benefits such as medical, dental, and vision insurance, with 62% considering them important or very important. 34% of gig workers placed high importance on voluntary benefits, which include additional life, disability, or supplemental health plans like critical illness, accident, or hospital indemnity coverage. Interestingly, 25% of gig workers also emphasized the importance of non-insurance benefits like identity theft protection, mental health resources, and legal plans.<sup>2</sup>

## **PORTABLE BENEFITS**

While some companies are providing gig employees with certain benefit solutions, there is a legislative effort to introduce benefits that can be carried from one gig employer to another, often referred to as "portable benefits." State legislators, industry innovators, labor organizers, and experts are exploring the concept of portable benefits, which are linked to individuals rather than specific employers, with the aim of enhancing workers' financial security and promoting broader economic well-being. Portable benefits that move with workers are not a novel concept (consider COBRA health insurance coverage and even Social Security) but offering and accessibility need to be expanded. State policymakers are considering which benefits should accompany employees from one job to another, addressing issues of eligibility, funding, and administration. At least nine states—Alabama, California, Connecticut, Georgia, Massachusetts, New Jersey, New York, Washington, and Vermont—have introduced legislation designed to establish portable benefits programs for gig workers and establish funds to encourage innovative experimentation in this domain.<sup>3</sup>

## ADAPTING GROUP BENEFITS FOR GIG WORKERS

To effectively cater to the growing number of gig workers and their benefit needs group insurance companies and employers must adapt and innovate. Here are some key considerations:

### 1. Flexibility and Customization

Gig workers value flexibility in their work arrangements, and the same applies to their benefit options. Group insurance companies need to offer employers customizable benefit packages that allow gig workers to choose the coverage that aligns with their specific needs. This could include the ability to mix and match core benefits, voluntary benefits, and non-insurance benefits.

### 2. Seamless Access and Payment Methods

Given the dynamic nature of gig work, it is crucial for group insurers and employers to provide gig workers with easy access to benefits and flexible payment methods. Offering low-cost digital payment options and streamlining the enrollment process can enhance the overall experience for gig workers.

### 3. Education and Communication

Many gig workers may not be aware of the benefits available to them or how to navigate the complex landscape. Group insurance companies and employers should invest in educating gig workers about their benefit options, explaining the value of different categories, and providing resources for making informed decisions.

### 4. Collaboration with Gig Worker Associations

While only a small percentage of gig workers access benefits through professional or personal associations, there is an opportunity for group insurance companies and employers to collaborate with these organizations to provide tailored benefit solutions and to make gig workers part of groups - like they are used to for rating, underwriting, and servicing purposes. Building partnerships and understanding the unique needs of gig workers within specific industries can lead to more effective benefit offerings.

### 5. Evolving with Technological Advancements

As technology continues to shape the gig economy, employers and benefit providers must stay ahead of the curve. Embracing digital tools and platforms can streamline benefit administration, enhance communication, and provide gig workers with real-time access to their benefits information.

## CONCLUSION

The gig economy is reshaping the labor market, and gig workers have distinct benefit access and preference requirements. Group Insurance companies and employers need to adapt their offerings to cater to the unique needs of this growing workforce segment. By providing flexible, customizable, and easily accessible benefits, employers can attract and retain top gig talent while ensuring their financial security and well-being. The future of group benefits lies in innovation, collaboration, and a proactive approach to meeting the evolving demands of gig workers.

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1 Eastbridge Consulting Group, "Benefit Access and Preferences for Gig Workers Frontline™ Report," 2023

2 *ibid*

3 National Conference of State Legislatures, "Portable Benefits for Gig Workers," January 2022, <https://www.ncsl.org/labor-and-employment/portable-benefits-for-gig-workers>