



# Group Benefits and the Gig Economy

## INTRODUCTION

In a saturated group benefits markets, the gig economy remains an underserved segment and a potential source of new business for insurers. As traditional work models have given way to more hybrid and flexible work schedules, the gig economy (detailed below), continues to flourish. This presents a significant opportunity for group insurers – both established carriers and startups – to develop offerings for gig workers, especially if they can adapt traditional products to gig workers' specific requirements. This Insight will examine the growth of the gig economy, the challenges in providing and obtaining benefits, and how insurers can benefit by developing employee benefit-style plans that meet gig workers' needs.

## THE GIG WORK LANDSCAPE

Gig work encompasses a range of part-time, consulting, and freelance jobs, based on a fixed-term contract or paid-per-project basis. Growing in popularity during the Great Recession, gig work later gained traction as companies like Uber and TaskRabbit hired individuals looking for short, but steady, stints of work.<sup>1</sup> Today, roughly 30 million workers in the U.S. earn most of their income through gig work, constituting nearly a fifth of the overall workforce.<sup>2</sup> Gig work profits are projected to reach \$455 billion by 2023<sup>3</sup> as flexible work models have become more acceptable post-pandemic and continue to attract workers of all ages who prefer to set their own schedules.

## EMPLOYER/GIG WORKER BENEFITS CHALLENGES

The challenge for employers and gig workers is the lack of affordable group-style benefits, such as healthcare, 401k savings plans, and other perks. Affordable benefits plans for both groups are limited, often resulting in employers not offering them and gig workers going without due to the expense, purchasing hassles, or other restrictions.

For employers, offering gig worker benefits can be an incentive for potential employees, especially since gig workers frequently work for more than one company simultaneously. As a result, there is significant competition for long-term, reliable, and capable workers, especially if gig workers are making themselves available for lucrative clients and projects. But gig worker benefits must make financial sense for employers to offer them, otherwise, they risk negative profit margins and an unsustainable business model. Therefore, the likelihood of a company offering benefits to gig workers increases with company size.<sup>4</sup> The larger the organization, the greater the chance that it will offer all three primary benefits, i.e., medical, retirement, and dental coverage.<sup>5</sup> Other major concerns to employers include benefits administration, such as keeping track of eligibility, claims, and service issues, and in particular, benefits enrollment, as

non-traditional workers generally have to sign up outside of the regular benefits enrollment cycle. The process is often further complicated because these employees typically lack access to traditional benefits and corporate communication portals. Even though most employers would prefer that gig workers use the same enrollment tools and processes as their full-time employees, gig workers frequently have variable hours, and are often unavailable for in-person, on-site meetings with benefits representatives and managers. As a result, they generally receive critical enrollment information via email, and this absence of consistent, in-person communication can potentially lead to decreased engagement.

For most gig workers, going without employer-sponsored health insurance and standard 401k savings plans remain considerable concerns. They crave the stability provided through benefits programs, and as a result, many have expressed willingness to cover some of the plan costs themselves.<sup>6</sup> Besides the lack of benefits, other related pain points for employees include their dissatisfaction with benefits payroll deductions, as they generally prefer electronic funds transfers (EFTs) and credit card payments. Unfortunately, many group insurers do not like dealing with EFTs, due to their expense and inconvenience; they much prefer to have the premium payments deducted from employers' payrolls and submitted to them in volume.

## THE GROUP INSURER PERSPECTIVE

Established carriers and new insurtechs have expressed interest in developing benefits solutions for the untapped gig economy. They understand that these workers need quick and effortless transactions and are seeking flexible, short-term coverage. As a result, they offer "portable benefits" that are tailor-made for gig workers, with competitive maximums, customized contract language, and simple, rapid application and enrollment processes. A sample list of the more recognizable and successful providers includes:

- **Beam Benefits.** A digitally-native employee benefits company that offers dental, vision, life, disability, and supplemental health coverage for employers of all sizes.
- **Bennie.** A full-service employee benefits broker platform that provides guided enrollment for employee benefits, tailored for mobile devices.
- **Bunker.** An online instant business insurance and compliance platform for independent contractors and enterprises. Bunker allows workers to obtain insurance just for the term of work contracts, making policy length options much more flexible and conducive to contingent workers.
- **Human Interest.** An online retirement benefits provider that offers cost-effective 401k and 403b plans to small and midsize businesses.
- **Stride Health.** A web-based insurance recommendation platform that connects independent workers with cost-effective healthcare plans, based on an analysis of their needs and financial circumstances. Stride Health recently launched a partnership with Fiverr, an online freelance marketplace, to offer Fiverr users personalized recommendations for healthcare plans and notify them of government financial assistance programs.

## CONCLUSION

As the gig economy continues to gain momentum, established carriers and insurtechs can seize the opportunity to explore new ways of providing gig workers with products that are flexible and customizable to their specific needs. To succeed, companies must fully understand the gig economy ecosystem, and that it will continue to demand innovative offerings that can support and keep pace with its rapid evolution.

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1 "7 FAQs About the Current Gig Economy," BenefitsPro, July 2018

2 "The Gig Economy: Opportunities, Challenges, and Employer Strategies," MetLife, 2019, pg. 2

3 "The Global Gig Economy: Capitalizing on a ~\$500B Opportunity," Mastercard and Kaiser Associates, 2019, pg. 2

4 "The Benefits of Gig Work: Employer Interest in Offering Benefits to Nontraditional Workers," LIMRA, 2019, pg. 6

5 Ibid.

6 Op. Cit. MetLife, pg. 9