



WHITE PAPER

Reimagining Group Benefits for the Gig Economy

November 2022

TABLE OF CONTENTS

Introduction3

The Gig Economy: An Overview.....3

Gig Work Types and Benefits Access.....3

Benefits Challenges and the Insurer Opportunity.....4

The Future of Gig Work Benefits6

Conclusion.....6

About Vitech.....6

INTRODUCTION

A silver lining to today's market instability is the ongoing expansion of the gig economy, the alternative labor market comprised of part-time (W2), seasonal, and 1099 contract workers. As the gig economy continues to gain momentum, it presents a significant opportunity for group insurers – both established carriers and startups – to develop offerings, especially if they can adapt standard products to gig workers' individual situations. This opportunity increases with the gig economy's three primary employee classifications that typically offer either partial or no benefits packages. This white paper will examine the growth of the gig economy, its different employee models, and how these models provide opportunities for insurers to reimagine current products to provide customized benefit packages for all.

THE GIG ECONOMY: AN OVERVIEW

The growth of the gig economy can be traced back to the Great Recession and the rise of digital platform companies like Uber, DoorDash, TaskRabbit, and Instacart, who provided short-term, flexible work to those affected by layoffs and others who preferred to set their own work schedules.¹ While the economy ultimately rebounded, the appeal of gig work grew as other established businesses created more part-time and contract positions to reduce overhead, hired seasonal workers as demand dictated, and as new start-ups built hybrid and flex-time positions into their business models. Gig work has also become more culturally acceptable and technically possible through widespread digitization and internet access. Today, at least 57.3 million Americans are gig workers,² estimated at 36% of today's workforce.³ Gig work profits are projected to reach \$455 billion in gross sales volume by 2023,⁴ especially as the rising cost of living combined with a shrinking middle class is compelling lower-to-middle class individuals to seek extra income through gig work.⁵

GIG WORK TYPES AND BENEFITS ACCESS

In today's gig economy, group benefits packages frequently depend on the employment model, with gig workers receiving partial health benefits and access to a retirement plan. Employers have realized that offering benefits can be an incentive for potential employees and current employee retention, especially since gig workers frequently work for more than one company simultaneously. Based on a recent survey of 1,464 private U.S. employers, the likelihood of a company offering benefits to gig workers increases with company size; a substantial portion of large employers offers benefits to the three worker types.⁶ The larger the organization, the greater the chance that it will offer all three primary benefits, i.e., medical, dental, and retirement, and those with more gig workers on staff are more likely to extend benefits to them.⁷

Part-time employees.

Among gig workers, part-time employees are most likely to receive benefits. Of U.S. employers that offer benefits to their full-time staff, 46% offer them to part-time employees.⁸ Among these part-time employees, 24% receive medical, 18% receive dental, and 22% receive retirement benefits.⁹

Contract workers.

Of U.S. employers that offer benefits to their full-time staff, 16% offer them to contract workers.¹⁰ Among these contract workers, 10% receive medical, 7% receive dental, and 5% receive retirement benefits.¹¹

Seasonal workers.

Of U.S. employers that offer benefits to their full-time staff, 29% offer benefits to seasonal workers.¹² Among these seasonal workers, 13% receive medical, 9% receive dental, and 4% receive retirement benefits.¹³

When it comes to the particulars of medical coverage for gig workers, employers are most likely to offer traditional medical plans, such as PPOs and HMOs.¹⁴ For dental coverage, more than half of employers choose to offer traditional DPPO plans, while discount dental plans also are popular options.¹⁵

BENEFITS CHALLENGES AND THE INSURER OPPORTUNITY

Although many employers have begun to offer partial gig worker benefits as indicated above, many refrain due to the lack of affordable group-style benefits. Other employer concerns include comprehensive benefits administration, such as keeping track of eligibility, claims, and service issues, and, in particular, benefits enrollment, as gig workers generally must sign up outside of the regular benefits enrollment cycle. The process is often further complicated because gig workers typically lack access to traditional benefits and corporate communication portals. Gig workers have also frequently resisted 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 premiums deducted from employers' payrolls and submitted to them in volume. When it comes to retirement plans, gig workers can access a variety of retirement vehicles on the open market that allow for tax-deferred retirement savings, but they need to navigate them on their own and the plans lack an employer match. While gig workers could also purchase private insurance for disability, workers' compensation, and unemployment, such products are limited and often cost-prohibitive.

The net result is that currently, only 32% of gig workers receive some type of employer-sponsored benefit.¹⁶ This is where group insurers' opportunity lies: to present benefits options at affordable prices to employers and gig workers, with easy enrollment, administration, and online accessibility.

In response, established carriers and new insurtechs have expressed interest in developing benefits solutions for the untapped gig economy. They understand that workers need quick and effortless transactions and are seeking flexible, short-term coverage. As a result, they have begun to 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:

- **Alia.** A portable benefits solution for domestic workers, where they can gather additional financial support from clients to access benefits like paid time off and sick leave, as well as life insurance, critical illness insurance, and disability or injury.
- **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.
- **Bestow.** An online service that offers only term life insurance coverage policies, but in a more streamlined and affordable manner.
- **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 also 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.
- **Trupo.** A short-term disability insurance product that will cover up to half of an independent worker's typical income in the event of a serious injury or illness. The company is partially owned by the Freelancers Union, an NYC-based nonprofit that provides advocacy, programming, and curated insurance benefits for freelancers through partnerships.

THE FUTURE OF GIG WORK BENEFITS

The growing list of carriers and insurtechs interested in developing benefits solutions for the untapped gig economy bodes well for these employees. Furthermore, most employers have acknowledged that gig workers are significant contributors to their businesses, which is a good sign that employers who offer benefits to their full-time employees – but not to their part-time employees – may do so in the future. Of potential benefits, most employers would be interested in offering medical benefits (typically HMOs) and then dental plans (DPPOs or DHMOs), vision, and life insurance.¹⁷ They also would prefer to do so on a contributory basis, with the premium costs shared between them and gig workers, as medical insurance comes with a high monthly cost.¹⁸

CONCLUSION

Now that the gig economy has become entrenched in today's workforce, organizations that benefit from gig labor would do well to offer more comprehensive benefits packages to assist workers in the current inflationary environment, much less in more stable periods. Until then, group insurers can reimagine current products to provide innovative and cost-effective solutions for the gig economy, to contribute to its expansion and support of those who make it possible.

ABOUT VITECH

Vitech is a global provider of cloud-native benefits and investment administration software. We help our Insurance, Retirement, and Investment clients expand their offerings and capabilities, streamline their operations, gain analytical insights, and transform their engagement models. Vitech employs over 1,600 professionals, serving the world's most successful insurance, retirement, and investment organizations. An innovator and visionary, Vitech's market leadership has been recognized by industry experts, such as Gartner, Celent, Aite-Novarica, and ISG. For more information, please visit vitechinc.com.

- 1 "National Survey of Gig Workers Paints a Picture of Poor Working Conditions, Low Pay," Economic Policy Institute, June 2022
- 2 "Gig Economy in the U.S. -- Statistics & Facts," Statista, September 2022
- 3 "Freelance, Side Hustles, and Gigs: Many More Americans Have Become Independent Workers," McKinsey & Co., August 2022
- 4 "The Global Gig Economy: Capitalizing on a ~\$500B Opportunity," Mastercard and Kaiser Associates, 2019, pg. 2
- 5 Ibid.
- 6 "The Benefits of Gig Work: Employer Interest in Offering Benefits to Nontraditional Workers," LIMRA, 2019, pg. 6
- 7 Ibid.
- 8 Ibid.
- 9 Ibid., pg. 7
- 10 Ibid., pg. 6
- 11 Ibid., pg. 7
- 12 Ibid., pg. 5
- 13 Ibid., pg. 7
- 14 Ibid., pg. 10
- 15 Ibid.
- 16 Op. Cit., McKinsey & Co.
- 17 Op.Cit., LIMRA, pg. 19
- 18 Ibid., pg. 22