Benefits for the Gig Workforce: Is there a Solution that Won't Defeat the Business Model?

Insights
2.19.18

Offering health, retirement, and workers' compensation benefits to the varied gig workforce, while maintaining some affordability to the worker while also avoiding the 30 percent cost increase to businesses, has proven to be an extremely tall task. The situation gets even more complicated because gig businesses also need to be concerned that charges of worker misclassification could be supported by the offering of such benefits to their contractor workforce.

But the murmur of discontent and concern from workers and their advocates is growing louder, as the frustration with legislatures' and regulatory agencies' inability to tackle even the classification issues seems to have reached a highpoint. Increasingly, however, proposed solutions from various sources are coming to the fore, as federal and state legislators, union heads, industry think-tanks, and astute observers of business trends are all chipping in with possible solutions.

Recently, Aakash Kumar explored the issue of gig worker benefits provision in an article posted on Forbes.com. Mr. Kumar noted the challenge, and particularly maligned the inability (or failure) of unions to bargain collectively on behalf of gig workers. But he notes that efforts have recently been undertaken at the federal level to design and test new models for portable benefits.

In a previous post here, I noted that legislation at all levels allowing labor law waivers would drive a more responsive and targeted change for the gig economy. State legislators, too, are attempting to tackle the issue. In Washington, for example, Representative Monica Stonier and others have proposed legislation for a "portable benefits fund" policy that would require employer contributions to a state-run "benefits fund that would provide contributions towards health insurance, paid time off, retirement and workers' compensation insurance," while allowing the company to stay out of the benefits administration game. The obvious challenge to the company is retaining the pay levels necessary to attract talent while also contributing to a benefits fund.

The solutions, however, are being led by the private sector. As I noted in November, Andrew Stern and Eli Lehrer's proposal to allow unions to administer worker benefits plans for members and non-members alike may create economies of scale, and thus permit cheaper benefits than those being offered by the private market. This bottom-up approach to driving change is evident in the various benefits provision options at the table for gig workers.

Mr. Kumar points to employee leasing arrangements, sometimes in the form of professional employer organizations (PEO's). PEOs, says Kumar, "are in an ideal position to aggregate benefits for workers, thereby providing much-needed access and affordability."

Another concept, is "use-as-you-go" insurance. This insurance is proportional to the number of hours the worker spends with a particular employer on a monthly basis. Such an arrangement is "activity-based" and would allow the employer to set standards of entry and weigh the cost of paying insurance versus turnover and re-training costs.

Pro-rata allocation of contributions across multiple employers is the model Mr. Kumar favors. In that scenario, employers ideally receive the benefits of lower turnover and better reliability in a covered workforce, while the employees maintain their ideals of autonomy and flexibility. Administrative challenges would certainly arise, however, as this model necessarily requires an independent administrator, and documentation is critical. Despite having to create a solution to overcome this challenge, the model is promising.

Gig economy companies have a number of options at their disposal, and they are not one-size-fits-all. However, it does seem clear at this point that the competition for talent in the gig economy is growing, and the workers are becoming more frustrated with the lack of affordable benefits. Thus, while any benefits program increases the per-worker cost, they need not be borne disproportionately to the actual output of the worker.

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