

ISSUE BRIEF : JUNE 2019

# FUTURE OF WORK: PORTABLE BENEFITS

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**FUTURE OF  
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INITIATIVE



# EXECUTIVE SUMMARY

Millions of workers today lack benefits that are essential to financial security. Portable benefits promise to address this problem, improve the lives of workers, and strengthen the American economy.

## **Our System of Workplace Benefits Is Outdated and Inadequate**

Benefits—including health care, retirement, workers’ compensation, and paid time off—are critical to household financial security. Through the 20th century, many U.S. workers received benefits coverage through their employers. This system evolved over time, a product of action, struggle and compromise between government, business, and labor leaders. As globalization, technology, and short-term financial pressures have transformed the economy, workers have been left behind.

## **Portable Benefits Promise to Bring Essential Benefits to More Workers**

As a complement to the employer-provided benefits system, portable benefits are suited to today’s economy, and promise to extend benefits to more workers. Effective portable benefits models share three main characteristics: they are portable, prorated, and universal. These benefits make up one part of a comprehensive solution to address the insecurity facing workers in America.

## **Policymakers Have a Path Forward**

In order to develop effective portable benefits solutions, policymakers need to answer key design questions. There are a wide range of models, and the solution that is most feasible and effective in each case likely differs. Policymakers have two options in pursuing policy change in this area: creating entirely new portable benefits models, or expanding eligibility for existing or emerging benefits to more workers, including non-traditional workers. Policymakers can move forward immediately; programs proposed and underway offer examples of concrete policy solutions.

# PORTABLE BENEFITS FOR THE FUTURE OF WORK

1

**NON-TRADITIONAL WORK:**  
**WHO, WHAT, WHERE, WHY – AND SO WHAT?**

2

**THE CASE FOR PORTABLE BENEFITS POLICY**

3

**PORTABLE BENEFITS:**  
**DEFINITION AND EXISTING MODELS**

# NON-TRADITIONAL WORK LANDSCAPE

EMPLOYMENT CLASSIFICATION	EMPLOYEE					INDEPENDENT CONTRACTOR
IRS DESIGNATION	W-2					1099
DOES WORKSITE ENTITY PAY WORKER?	YES, WORKER PAID DIRECTLY			NO, WORKER EMPLOYED AND PAID BY AN INTERMEDIARY		VARIES
NATURE OF WORK ARRANGEMENT	TRADITIONAL WORKER	NON-TRADITIONAL WORKER				
BUREAU OF LABOR STATISTICS DESIGNATION	FULL-TIME	PART-TIME	ON-CALL	TEMPORARY HELP AGENCY	CONTRACT FIRM	INDEPENDENT CONTRACTOR
REPRESENTATIVE OCCUPATIONS	OFFICE CLERK MACHINE OPERATOR PHYSICIAN ASSISTANT FLIGHT ATTENDANT	RETAIL CASHIER BARTENDER ADJUNCT PROFESSOR FITNESS INSTRUCTOR	SUBSTITUTE TEACHER FARM LABORER CONSTRUCTION WORKER	RECEPTIONIST WAREHOUSE ASSOCIATE HR SPECIALIST	SECURITY GUARD JANITOR SOFTWARE DEVELOPER HOTEL HOUSEKEEPER	REAL ESTATE AGENT MASSAGE THERAPIST RIDESHARE DRIVER MUSICIAN HAIR STYLIST
ACCESS TO BENEFITS	A RANGE OF BENEFITS MANDATED BY LAW; OTHERS VOLUNTARILY PROVIDED	SOME BENEFITS MANDATED BY LAW; FEW BENEFITS TYPICALLY VOLUNTARILY PROVIDED BY EMPLOYERS				FEW BENEFITS MANDATED BY LAW OR VOLUNTARILY PROVIDED

NOTE: REFLECTS FORMAL WORK ARRANGEMENTS

# HOW MANY NON-TRADITIONAL WORKERS ARE THERE?

**ENGAGED IN ANY CAPACITY**  
PRIMARY AND SUPPLEMENTARY WORK



**AS MAIN JOB**  
NON-TRADITIONAL WORK IS PRIMARY



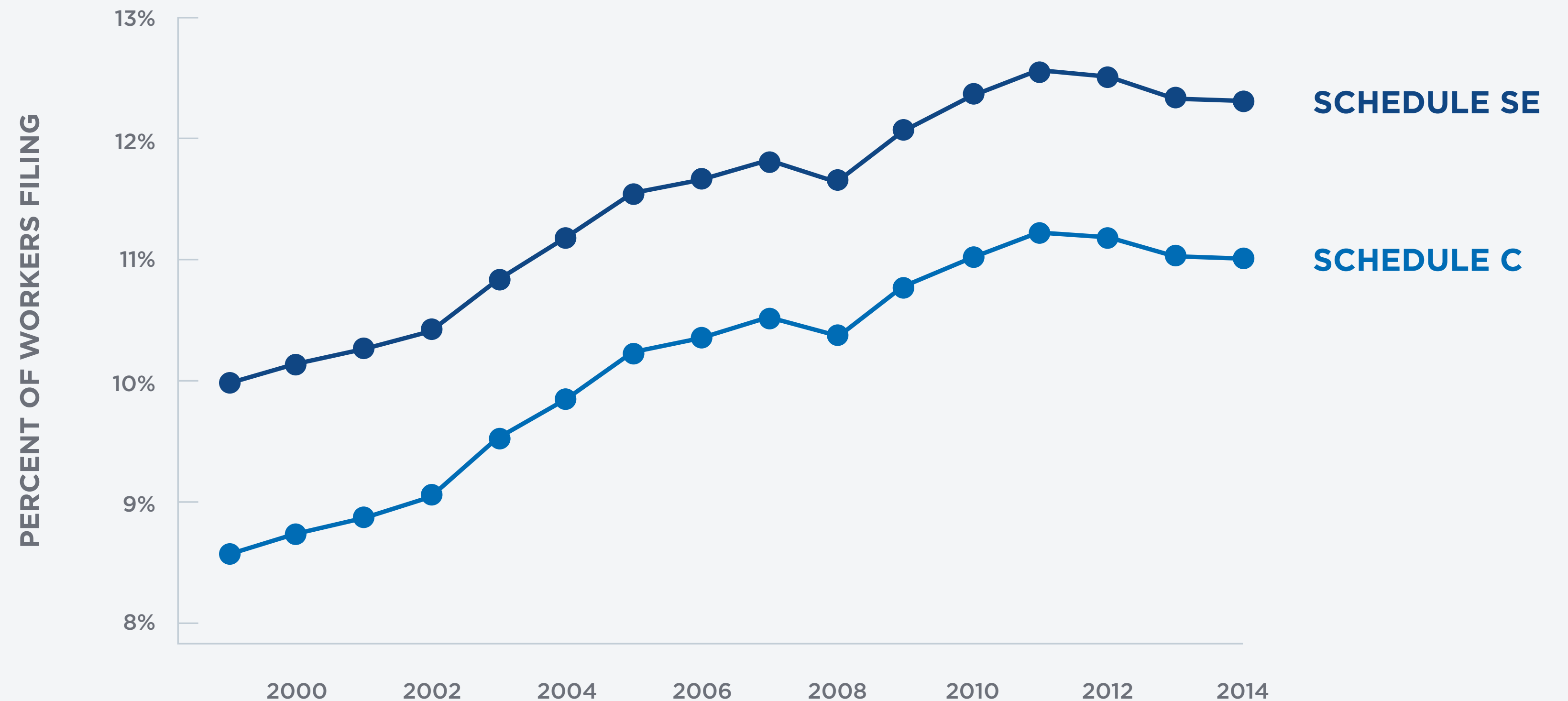
**ONLINE PLATFORMS**  
UBER, LYFT, TASKRABBIT, AND OTHERS



TOTAL U.S. WORKFORCE

# SIDE HUSTLES

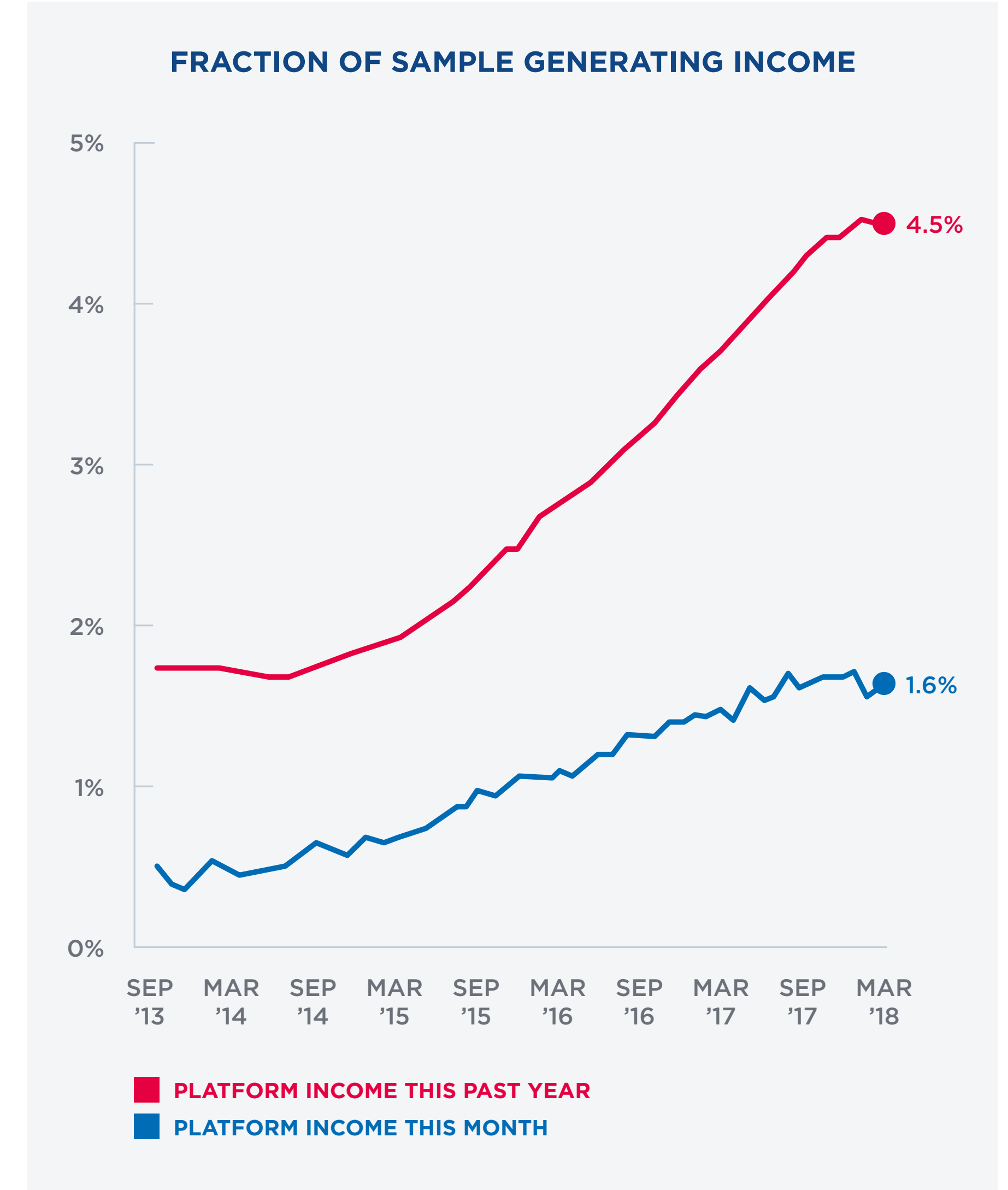
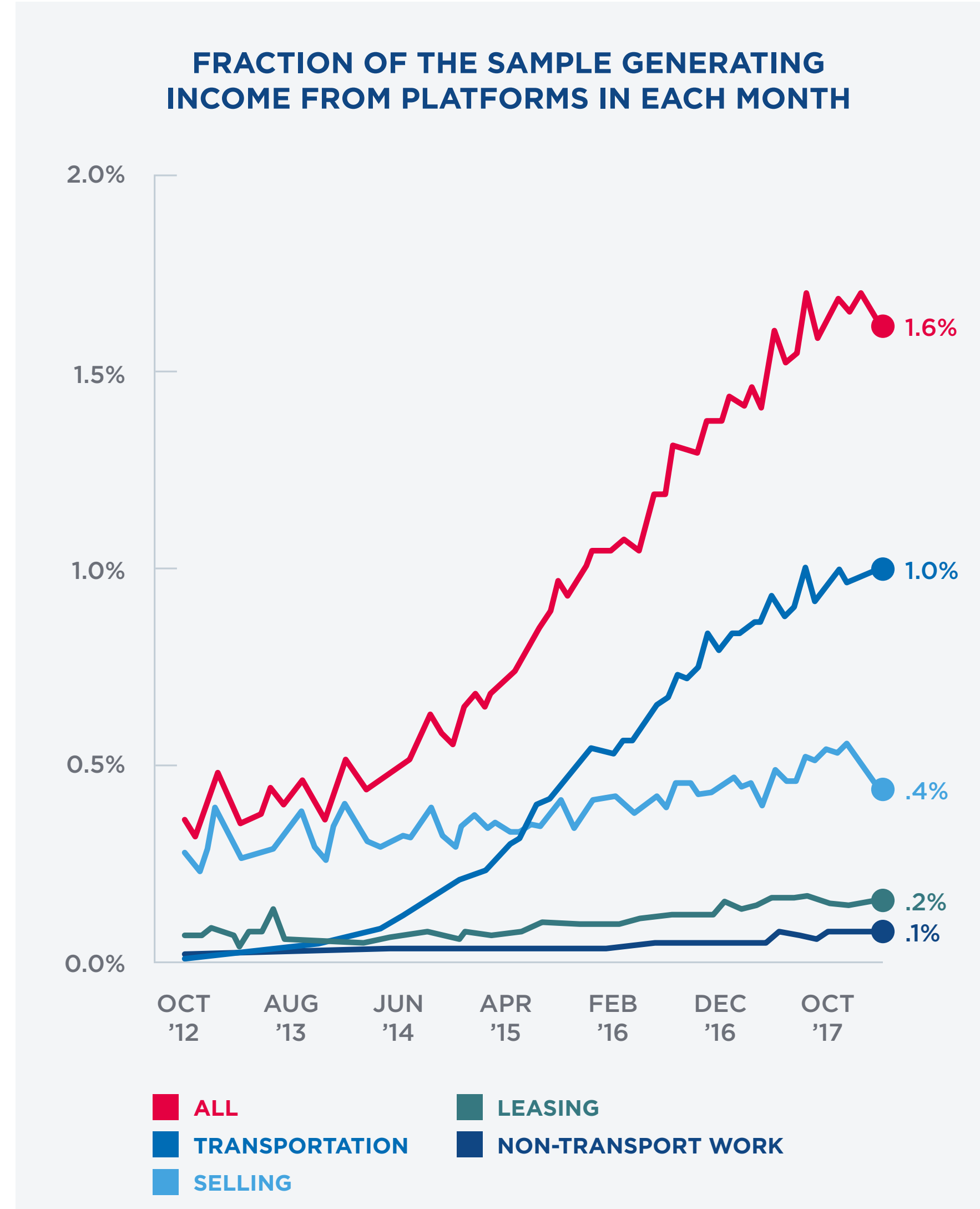
Tax and other administrative data show steady increases in the number of people engaged in independent work.



NOTE: SCHEDULE SE AND SCHEDULE C FILINGS ARE USED TO REPORT SELF-EMPLOYMENT INCOME AND SOLE-PROPRIETORSHIPS. THIS COUNT INCLUDES ONLY SELF-EMPLOYED WORKERS, AND SO EXCLUDES MANY OTHER INDEPENDENT ARRANGEMENTS, LIKE TEMP-AGENCY, ON-CALL, AND CONTRACT-COMPANY WORK. IN ADDITION, ALTHOUGH IT CONSIDERS COMPREHENSIVELY ALL TAX RETURNS FILED, WORKERS MAY NOT ALWAYS BE FILING THE APPROPRIATE FORMS.

# TODAY: ONLINE PLATFORM ECONOMY

The online platform economy has continued to grow – now accounting for roughly 1.6 percent of the workforce (based on sample).



## INDUSTRY SPOTLIGHT: FILM

### LONG STANDING EXAMPLE OF GIG WORK

- Most work done by independent contractors on a temporary basis

### BENEFITS ACCESS THROUGH GUILDS

- All workers (union and non-union) accrue benefits funded by production companies but managed by guilds

### WORK MAY BE INTERMITTENT BUT COVERAGE IS CONTINUOUS

- Benefits follow workers from job to job

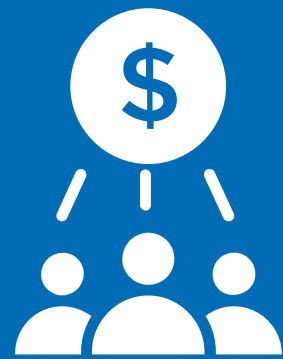




# OUR SYSTEM OF BENEFITS IS INADEQUATE

## BUSINESSES

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Need new ways to invest in workers that match the realities of today's economy

## WORKERS

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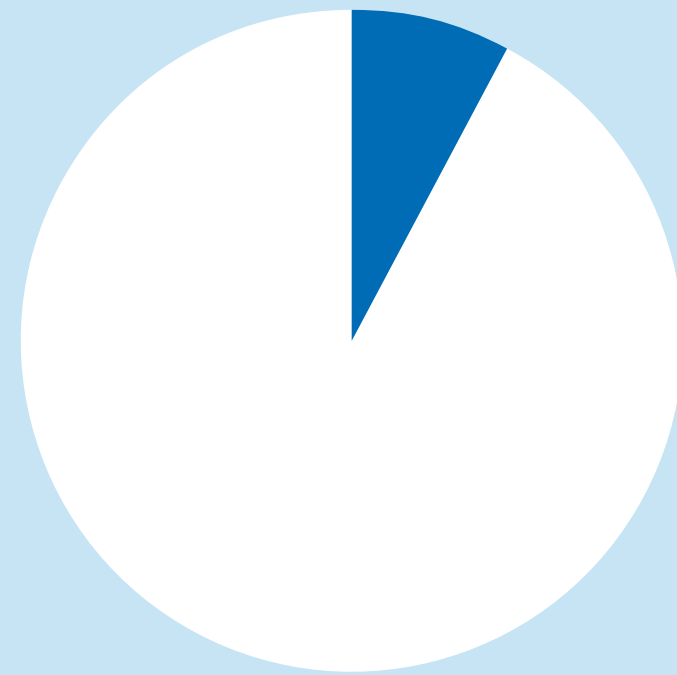


Are unable to move jobs, explore new opportunities, or become entrepreneurs

Have increased insecurity at a time when it's needed more than ever

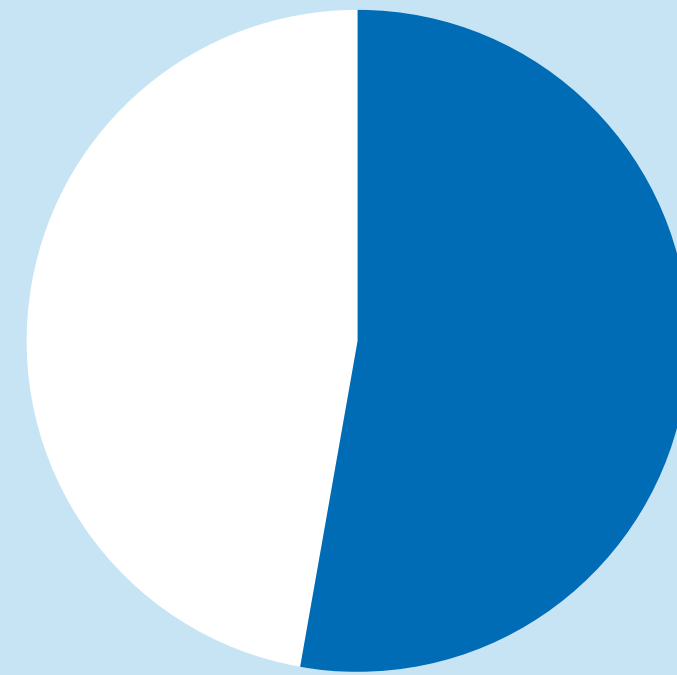
# NON-TRADITIONAL WORKERS LACK BENEFITS COVERAGE

## EMPLOYER-SPONSORED HEALTH INSURANCE



**8%**

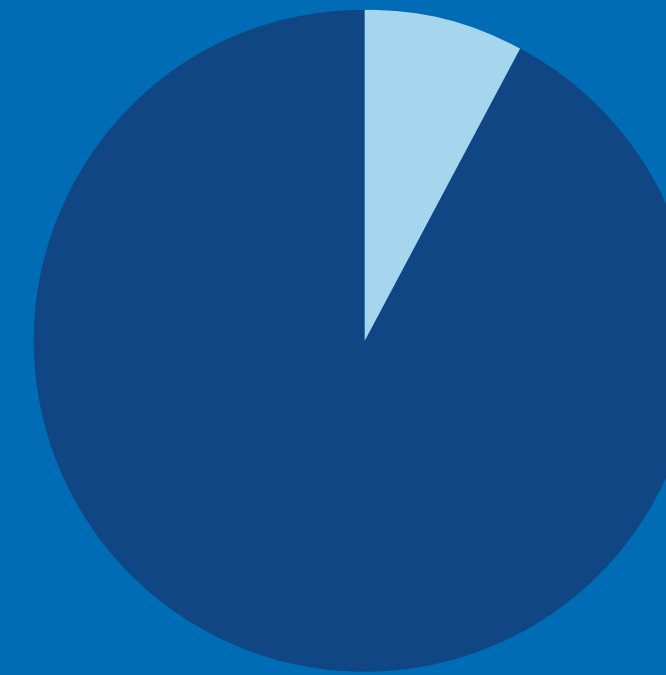
NON-TRADITIONAL  
WORKERS



**53%**

TRADITIONAL  
WORKERS

## EMPLOYER-SPONSORED RETIREMENT PLANS



**8%**

NON-TRADITIONAL  
WORKERS



**46%**

TRADITIONAL  
WORKERS



# PORTABLE BENEFITS FOR THE FUTURE OF WORK

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# PORTABLE BENEFITS: KEY OBJECTIVES

## IMPROVE INDIVIDUAL AND HOUSEHOLD FINANCIAL SECURITY BY CREATING A BETTER SYSTEM OF BENEFITS

- Portable benefits models aim to extend essential benefits to more workers.

## CREATE EQUITY BETWEEN TRADITIONAL AND NON-TRADITIONAL WORKERS

- Many companies currently have a strong financial incentive to hire workers as independent contractors, for whom they are not required to provide benefits.

## FUEL A DYNAMIC LABOR MARKET

- With benefits that are portable across work arrangements, individuals have the protection they need to make a job change or take on an entrepreneurial endeavor.



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# MODELS SHARE THREE KEY ATTRIBUTES

1.

## PORTABLE

Benefits are connected to an individual, rather than a single employer, and can be taken from job to job without interruption in coverage or loss of funding

2.

## PRORATED

Benefits can be funded by contributions from a variety of sources - including employers, customers, government, and workers - either simultaneously or sequentially

Contributions can be allocated in proportion to hours worked or other relevant units of labor

3.

## UNIVERSAL

Benefits are accessible to all workers, regardless of hours worked or type of work arrangement



## EXISTING MODELS: PRIVATE / NONPROFIT



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Tax withholding, short term savings, retirement and life insurance



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Platform to search, compare and purchase benefits, including: health coverage, tax-related mileage and expense tracking; dental, vision, accident, term life and disability insurance; and Health Savings Accounts and other short and long-term savings options

Partners with online platform companies and traditional employers



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Created one of the first benefits offerings for freelancers

Individuals may purchase benefits at rates negotiated by Freelancers Union, including: health, dental, disability, term life, liability, and retirement

## UPDATE / EXPAND POLICY MODELS

### MODERNIZE UNEMPLOYMENT INSURANCE

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EXAMPLE:  
Self-Employment  
Assistance Program

Allows unemployed workers to  
continue receiving UI benefits  
while starting a business

Implemented in Mississippi  
and eight other states

### MAKE EDUCATION AND TRAINING MORE PORTABLE

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EXAMPLE:  
Lifelong Learning  
and Training Accounts

Portable accounts funded by workers,  
employers, and government, and  
could be used by workers to pay for  
education and training opportunities  
over the course of their career

Proposed at Federal level,  
in two states, and two cities

### EXPAND PAID FAMILY AND MEDICAL LEAVE

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EXAMPLE:  
Provide opt-in for  
self-employed workers

Consider multiple income earners

Washington and Massachusetts have  
launched portable PFML programs



# PORTABLE BENEFIT LEGISLATION: STATE EXAMPLES



## NEW YORK BLACK CAR FUND

Legislatively created in 1999;  
expanded in 2017

Workers' compensation insurance  
for independent contractor for-hire  
and rideshare drivers

Funded by 2.5% customer surcharge



## WASHINGTON

Applies to any company that  
connects workers with clients,  
online or offline

Requires company contribution to  
worker benefits fund; fee can be  
passed through to consumer

Includes "hold harmless" provision



## MASSACHUSETTS

Legislation introduced to  
establish a state portable benefits  
innovation fund and grant program

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