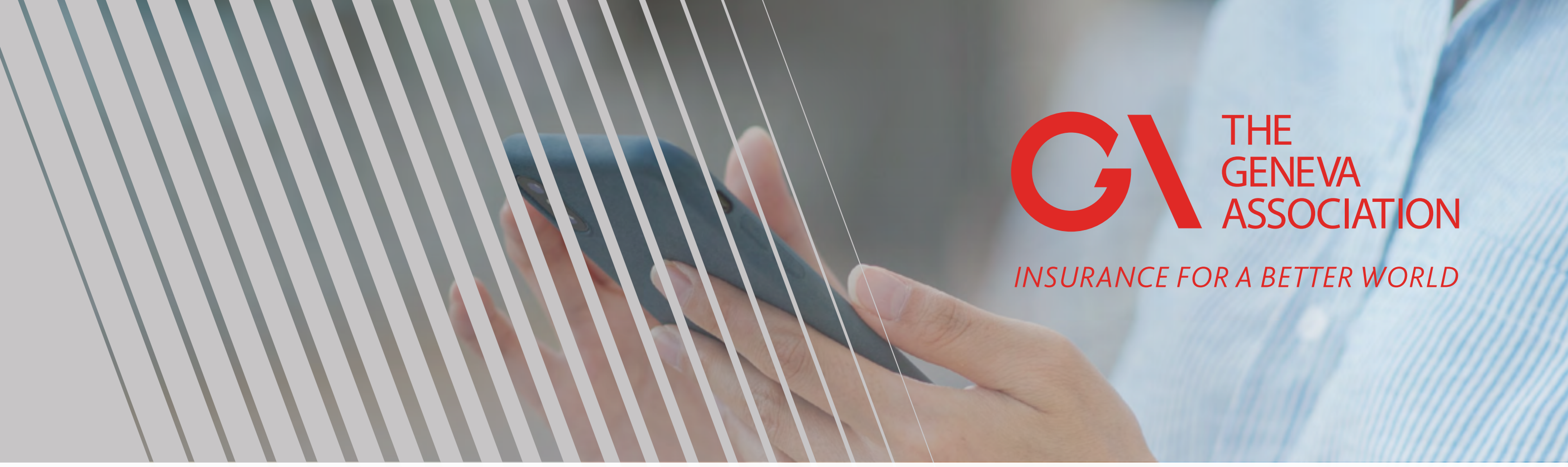

THE GENEVA ASSOCIATION

INSURANCE FOR A BETTER WORLD

Gig Economy Work: Mind the protection gaps

March 2022

Gig Economy Work: Mind the protection gaps

Kai-Uwe Schanz, Deputy Managing Director and Head of Research & Foresight, The Geneva Association

The Geneva Association

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Foreword

The world of work is changing. Prevalent discourse around the 'future of work' points to technology and generational values, among other factors, as driving a revolution in where, when and how people work, as well as what they do. An important trend has been the emergence of the gig economy, offering gig workers attractive opportunities but also exposing them to risks. This report examines how insurance can and should innovate to better protect gig workers.

For many people, their touchpoints with the gig economy before the pandemic may have been limited to ordering an Uber ride or booking a holiday home on Airbnb. Pivotal developments during the pandemic, however, made the gig economy more mainstream in society.

On the demand side, the need or wish for 'touch-free' transacting as a health precaution caused the use of apps and websites, over in-person shopping or dining out, to skyrocket. On the supply side, whether due to a positive work-from-home experience or changed life priorities catalysed by the calamity of the pandemic itself, more people are enticed by the flexibility and work-life balance offered by gig work. These pandemic trends reinforce the trajectory we were on well beforehand, with the gig economy becoming a bigger piece of the employment pie.

We understand well how gig workers and their customers benefit from platform marketplaces. But workers' freedoms often come with trade-offs in the form of benefits like sick leave, health insurance, pension plans and workers' compensation. With the proportion of workers who derive their main income from gig work still relatively low, there is a unique opportunity to course correct and address protection gaps before they snowball into a bigger societal problem.

Our report outlines how insurers, policymakers and platforms can lead the future of work by strengthening the safety net for gig workers. Portable benefits and 'pay-as-you-go' products which offer protection precisely when it is needed are among the possible, compelling innovations.

Clearly any exploration of the 'future of work' must also include one of the 'future of insurance' and its potential to participate in an ecosystem – with salaried and independent workers, employers, platforms and the public sector – to shape a new social contract. We hope this report helps in imagining how the insurance industry can cater to society's evolving needs.

Jad Ariss,
Managing Director

1. Executive summary

Today's workers increasingly offer their services through gig economy platforms, digital platforms that match workers to customers on a per-service ('gig') and on-demand basis. Though rapidly growing, the share of workers that derive the main source of their income from work intermediated through digital platforms – known as primary workers – is still relatively small, accounting for about 3% (8 million people)[1] and 1.5% (7 million people)[2] of the adult population in the U.S. and EU, respectively. Digital labour platforms in these regions generate total revenues estimated at USD 35 billion and USD 15 billion, respectively,[3] and total, combined gig platform worker income amounts to about USD 200 billion after commission, assuming a rate of 20%.

> Today's workers increasingly offer their services through gig economy platforms that match workers to customers on a per-service and on-demand basis.

Digital technology and demographic shifts fuel the growth of this new form of work. According to the UN, the Millennial Generation (born between 1981 and 1996) and Generation Z (born after 1997) now account for the majority of the global population. Millenials were shaped by almost universal access to the internet and the emergence of social media. Generation Z grew up with instant access to smart phones/WiFi and the explosive growth and ubiquity of social media. Having experienced two major global recessions, younger Millenials and working Gen Z-ers are increasingly aware of the fact that traditional employment does not necessarily provide the long-term benefits and security that previous generations enjoyed. These younger workers may therefore place more emphasis on other objectives such as flexibility and purpose. This shift is an important driver behind the rise of gig economy platform work.

It is undisputed that work intermediated through digital labour platforms offers major benefits to both workers and their customers. However, social protection coverage of gig workers is low. They frequently do not meet eligibility requirements for statutory access to benefits schemes for the self-employed due to insufficient contribution periods, and in many countries self-employed workers are not covered at all by social insurance systems, or only on a voluntary and partial basis.

> However, social protection coverage of gig workers is low.

1 Pew Research Center 2021.
2 PPMI 2021.
3 ILO 2021a; PPMI 2021.

From a gig worker's perspective, protection gaps in case of a calamity present themselves as the difference between needed resources (covering unexpected additional expenses or foregone income, for example) and available resources (e.g. savings and insurance coverage). There is broad consensus in the relevant literature as well as among the experts interviewed for this report that income replacement in the event of illness and disability is the most acute protection gap facing platform workers. With relatively low and irregular income, they are also exposed to financial stress arising from (unexpected) medical expenses. This problem is particularly serious in countries where access to health insurance is tied to salaried employment. Last but not least, low and irregular levels of income make it challenging for gig workers to accumulate retirement savings, be it through statutory contributions or individual savings plans. In many countries, current pension systems are based on formal, regular employment structures and do not adequately capture the increasing number of workers who fall outside of these arrangements.

A global survey (encompassing both advanced and emerging economies) conducted by the International Labour Organization (ILO) found that only 60% of all gig workers are covered by health insurance and that 35% have a (private or public) pension or retirement plan. Even more precarious are protection levels for work injuries and disability, with just 21% and 13% of surveyed workers covered, respectively.

These massive coverage gaps present society with the challenge of 'organising' protection for gig workers. Options include general taxation, social insurance and private insurance. Non-contributory, *tax-financed social protection* mechanisms are considered essential to providing at least a basic level of protection for all residents of a country, including those who are not (sufficiently) covered by contributory *social insurance* schemes. Social protection is extended independently of employment status. Enlarging risk pools through social insurance is another way for governments to protect their citizens from hazards that can prove financially ruinous. However, social insurance coverage of platform workers who are classified as self-employed is often limited. As opposed to social insurance schemes, *private insurance* is not designed to mitigate the hardship encountered by low-income gig workers or other segments of the population through wealth transfers. Having said this, private insurance has an important role to play in complementing public schemes. For example, as social insurance generally treats participants similarly in terms of pricing and benefits, such schemes do little in terms of promoting incentives for risk mitigation – a major and societally highly relevant benefit offered by risk-based private insurance mechanisms.

Meeting the needs of gig workers requires traditional insurers to innovate across key links of their value chain, for example by embedding marketing activities into platform apps, designing flexible, on-demand coverage that can be activated and deactivated, automating the process through which insurance policies are sold online or via mobile through platform apps, harnessing the ubiquity of smart-phone-based, real-time data to address specific underwriting challenges presented by the risk profile of many gig workers, and automating straight-through mobile processing for basic claims.

Meeting the needs of gig workers requires traditional insurers to innovate across key links of their value chain.

Assuming that primary gig workers account for about 50% of the total income generated from gig work and have the capacity to spend 10% of their income on private insurance, the gig platform insurance market in the U.S. and EU would amount to an estimated combined annual premium volume of approximately USD 10 billion.

The pandemic has exposed both the vulnerability and indispensability of many gig workers. Though tax-financed, basic safety nets remain indispensible for those in need, they cannot address the specific needs of gig workers. Social insurance might also lack the necessary flexibility. Private insurance therefore has an important role to play in closing protection gaps through tailor-made solutions. Against this backdrop, our research offers specific recommendations for key stakeholders. For example, governments should remove disincentives for platforms to offer group benefits to gig workers and encourage the portability of benefits. Insurers should harness the heightened post-pandemic risk awareness among gig workers and explore innovation across their value chain. Platforms should leverage group benefit programmes for worker retention and meeting societal expectations, as well as promote auto-enrollment of workers into protection plans, with the opportunity to opt out.

In summary, governments, platforms and private insurers, in collaboration with gig workers and their associations, need to redesign protection frameworks to ensure that all forms of modern work are secure and sustainable.

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2. Introduction

Working patterns have always been determined by the **complex interplay of demographic, socio-economic, technological and legislative forces.** Today, Millennials (born between 1981 and 1996) and Generation Z (born after 1997) are starting to dominate the global workforce.[4] Their working preferences are substantially different from those of previous generations, driven by a broad spectrum of factors ranging from going through two (cataclysmic) recessions in 2009 and 2020 to new expectations shaped by digital technologies and social media.

Today's workers increasingly offer their services through gig economy platforms. They are defined as two-sided digital platforms that match workers to customers on a per-service ('gig') and on-demand basis. This definition excludes one-sided business-to-consumer platforms such as *Amazon* (trading of goods) and two-sided platforms that do not intermediate labour such as *Airbnb* (intermediation of accommodation services).[5]

For the U.S., a recent estimate puts the size of the total independent workforce (including non-platform-based work) at 57 million workers over the age of 18, compared with 155 million Americans who work exclusively in more traditional (salaried) jobs.[6] Whereas the total number of freelancers grew only modestly (from 54 million in 2014) the share of *full-time* freelancers increased more markedly from 10 million to 16 million in 2019.[7]

8 million workers across the U.S. and 7 million in the EU derive their primary income from gig platform work.

Focusing on the **share of work intermediated through gig economy platforms,** i.e. the segment that dominates the public debate on working conditions and protection gaps, yields considerably smaller estimates of **8 million workers across the U.S. and 7 million in the European Union,** corresponding to 3% and 1.5%, respectively, of the adult population. These numbers capture only those gig workers who derive their **primary income from gig platform work.**[8]

4 UN 2019.
5 OECD 2019a.
6 Upwork 2019. Note that for 60% of U.S. freelancers, independent work is the sole source of income. The remaining 40% retain one or more traditional salaried jobs while freelancing to earn supplemental income. In the EU, according to Huws et al. (2017), platform work was the sole source of income for only about 10% of platform workers. This suggests that platform work is more 'occasional' in nature than freelance work more generally.
7 Ibid. However, the global share of 'own-account' work in total employment is eroding, especially in high-income countries. ILO 2020; see section 3.2 of this report.
8 Pew Research Center 2021; PPMI 2021.

The **perception of the gig economy is mixed.** Freelancing workers can no longer rely on an employer to contribute to their pension and healthcare, for example. From this perspective, the gig economy and the associated fragmentation of employment **promotes insecurity** and the erosion of workers' rights, for instance due to a lack of transparency and predictability in working conditions, health and safety challenges as well as social protection gaps. Independent workers often struggle to earn a decent income, exposing them to working precarity or even poverty.[9]

On the other hand, there are **compelling economic benefits** associated with (platform-based) gig work. The advantages for consumers and businesses are obvious, in terms of ease and speed of access to services as needed, but benefits also accrue to gig workers, especially to those working from digital platforms. The algorithms that underpin such platforms improve the 'matching' between giggers and jobs. Workers also benefit from improved scheduling flexibility and convenience. Further, gig platforms allow people to top up their income or smooth their earnings. By lowering entry barriers they can also create **additional jobs and income** for people who may find it difficult to access the traditional labour market.[10]

COVID-19 has significantly augmented the pre-pandemic driving forces (e.g. cost and convenience) of digital transformation, which could further spur the expansion of gig economy platforms and business models, both on-location (e.g. delivery services) and online (e.g. professional services). Furthermore, the proven ease, efficacy and growing adoption and recognition of remote work have greatly expanded the demand and the scope for offering gig economy platform work.[11] On the other hand, the pandemic has also highlighted the **vulnerability of gig workers**, which might dampen the future growth of platform work.[12] In addition, as regular remote working becomes the norm, offering traditional, salaried workers more flexibility, one of the key attractions of independent work might lose its shine.[13]

> COVID-19 has augmented driving forces that could spur the expansion of the gig economy, but it has also highlighted the vulnerability of gig workers.

9 European Parliament 2017; Behrendt et al. 2019; Bieber and Moggia 2021.
10 Bieber and Moggia 2021.
11 Credit Suisse 2020.
12 Lazard 2019.
13 WEF 2021; section 6 of this report.

With little personal savings and access to traditional employee benefits, giggers are particularly vulnerable to loss of income due to sickness or disability.

From a **social protection point of view**, the rise of the gig economy presents serious challenges that require and increasingly obtain the attention of gig workers, policymakers, platforms and insurers alike.[14] Gig workers assume types or levels of personal risk generally unseen in more traditional labour markets. With little personal savings and access to traditional employee benefits like disability protection, paid sick leave, workers' compensation or pension contributions, giggers are particularly **vulnerable to loss of income** due to sickness or disability.[15]

In order to make a meaningful contribution to mitigating emerging gig worker exposures, insurers will have to provide more on-demand offerings that are flexibly un/pluggable. Insurers could also offer a baseline, portable cover for individuals throughout their work life or design risk solutions for gig workers who are members of professional associations.[16]

To make a meaningful contribution to mitigating emerging exposures, insurers will have to provide more on-demand offerings that are flexibly un/pluggable.

Against this backdrop, this report explores key drivers of independent work, covering demographic, economic, technological and legal/regulatory changes. Second, our research offers an examination and classification of (new) protection gaps exposed by gig economy platform work, from rising income volatility to insufficient pension savings. Third, we illuminate insurers' potential contribution to mitigating those emerging exposures, primarily through innovation across the entire insurance value chain. Finally, we put forward recommendations for governments, insurers and platforms, which could form the basis for a new 'social contract' for gig workers and new future forms of work more generally.

"A legal and regulatory level playing field for all forms of employment will be essential. The more fragmented such frameworks are the more difficult it becomes for workers to switch roles, either within the gig economy or between self-employment and traditional employment. From a societal point of view, a certain minimum level of protection across the entire working life and regardless of employment status is needed. Current rules and regulations for the self-employed still view them as less in need of protection than salaried workers. With the rise of platform-based self-employment this notion may have to change."

Werner Eichhorst, *Coordinator of Labor Market and Social Policy in Europe, Institute of Labor Economics*

14 Behrendt et al. 2019.
15 However, alternatives such as unemployment may be associated with even higher degrees of vulnerability. In addition, gig workers have the option of working for several platforms, which reduces the risk of unemployment due to redundancy or company failure.
16 See section 5 of this report.

3. The changing nature of work

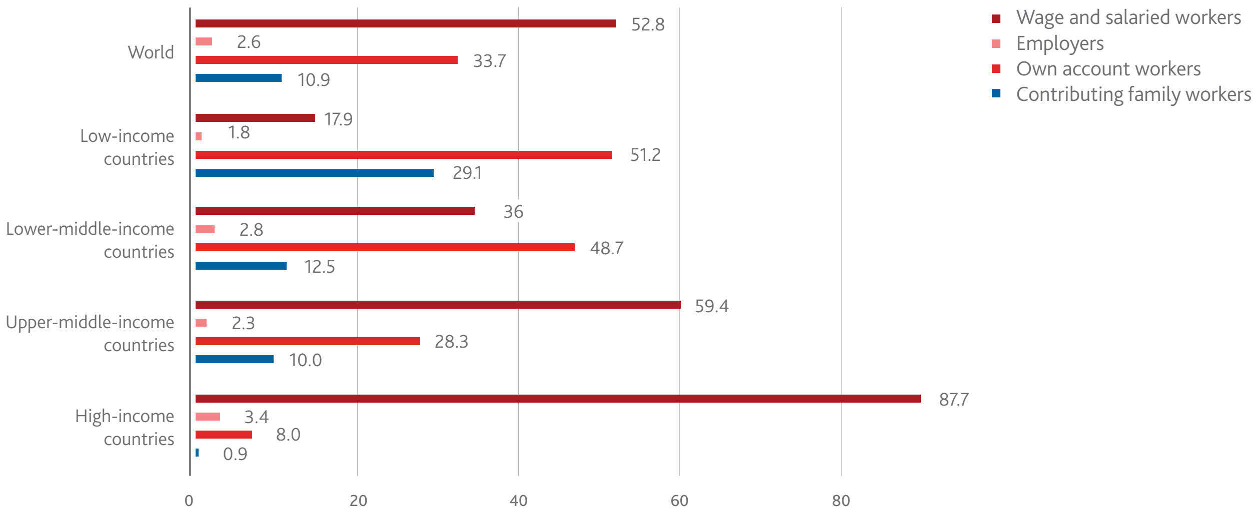
3.1 Global employment at a glance

In 2019, the working-age population as defined by the UN (i.e. the global population aged 15 years and older) stood at an estimated 5.7 billion people, of which 2.3 billion (39%) were not part of the labour force, 3.4 billion (57%) were employed or self-employed, and an estimated 200 million were unemployed.[17] In order to paint a full picture of the global employment landscape, the ILO introduces two additional categories of **labour underutilisation:** people in work who would like to work more paid hours ('time-related underemployment') and people who would like to work but whose personal situation (e.g. childcare, education or sickness) prevents them from actively searching for a job and/or being available for work ('the potential labour force').[18] Close to 300 million people are estimated to fall into these two categories, bringing the full extent of labour underutilisation to almost 500 million, or 15% of the 3.4 billion people who make up the global labour force.[19]

According to the ILO, 53% of people in employment globally are salaried workers, 34% self-employed (own-account) workers, 11% contributing family members[20] and 3% employers (see Figure 1). Eighty-five percent of own-account workers belong to the informal sector,[21] with no access to social protection whatsoever. As Figure 1 demonstrates, there is a **clear correlation between an economy's stage of development and its share of salaried workers.** By the same token, the lower the income per capita the higher the share of own-account workers.

17 UN 2019.
18 ILO 2020.
19 Ibid.
20 Contributing family workers are considered informal workers by definition, lacking effective access to social protection and income security.
21 ILO 2018a.

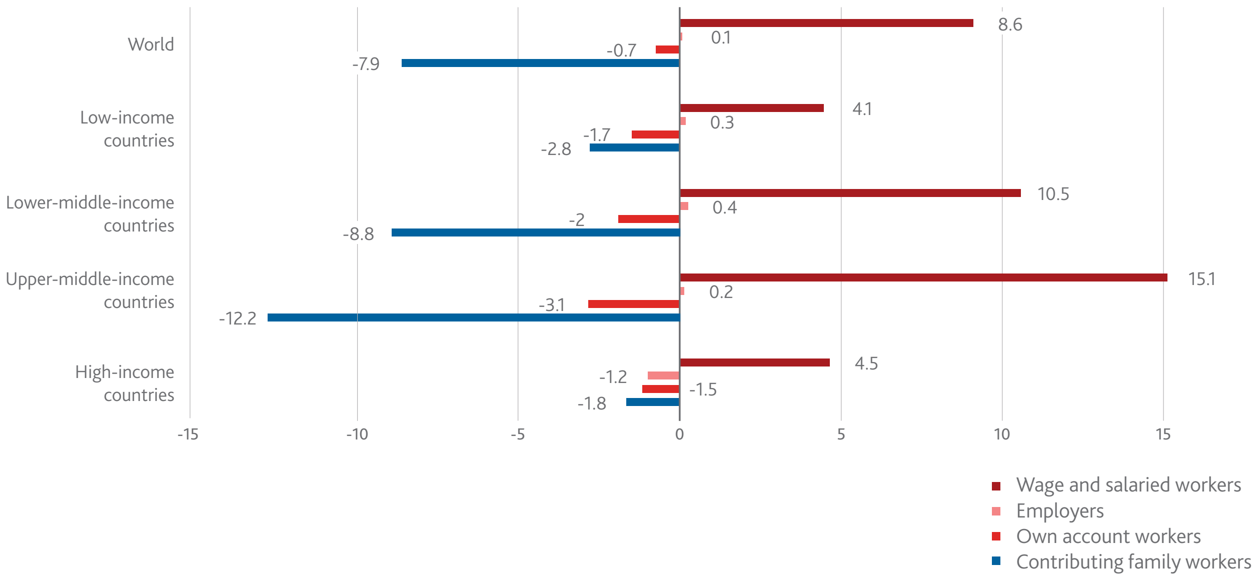
Figure 1: Employment status (2019, percentages of total labour force)



Source: ILO[22]

Figure 2 reveals that over the past three decades the world has witnessed a **significant increase in salaried work,** the share of which has expanded by almost 9 percentage points globally. **Upper-middle-income countries** stand out with a gain of 15 percentage points, testifying to the **rapid formalisation of labour markets.** The share of own-account workers has eroded slightly, shedding one percentage point, whereas the share of contributing family members has declined sharply by eight percentage points, largely driven by massive welfare gains in upper-middle-income countries and a corresponding lower need for family member contributions.

Figure 2: Employment status (change from 1994 to 2019, percentages of total labour force)



Source: ILO[23]

22 ILO 2020.
23 Ibid.

3.2 The determinants of current working patterns and preferences – A generational perspective

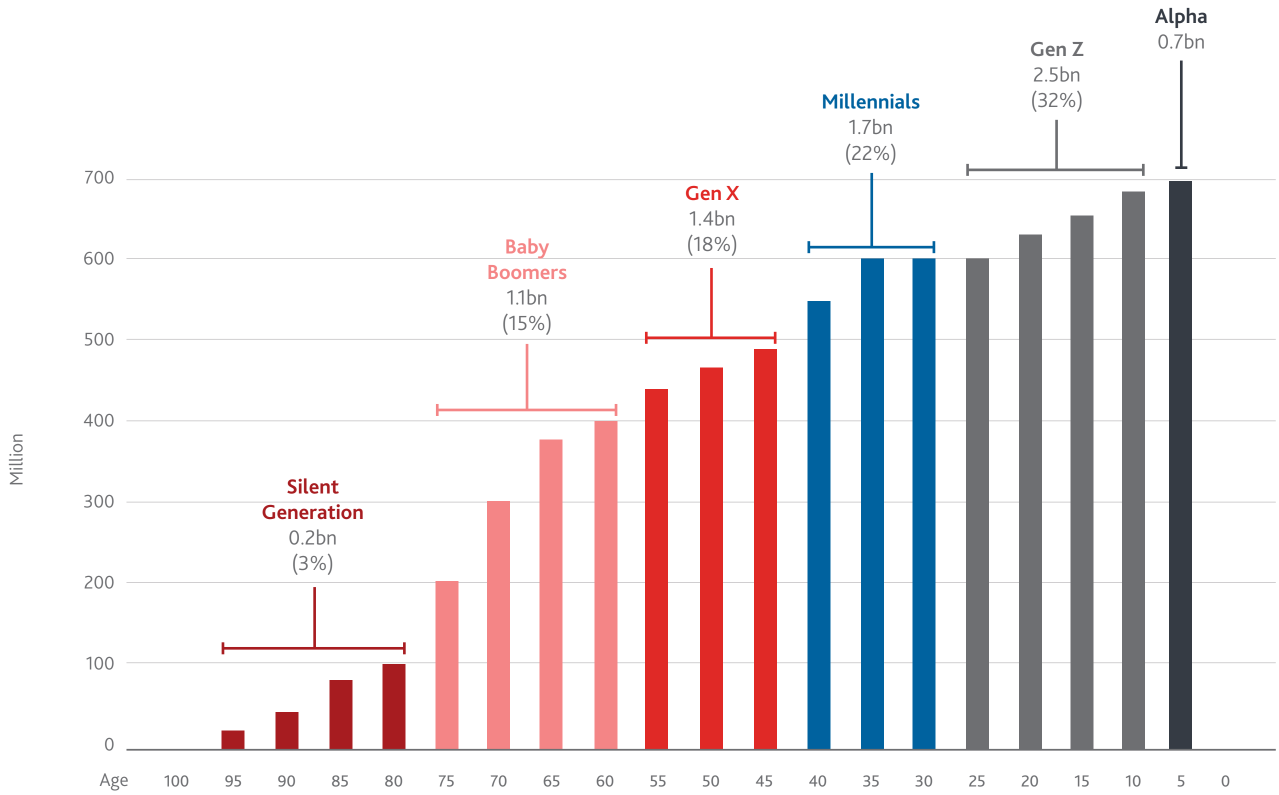
In addition to a country's economic stage of development, a host of more granular trends determine its nature of work. These have an effect on what kind of work is done, who does it, and where and how it is carried out. In the following, we will focus on demographic, economic, technological and legal/regulatory forces, which shape the world of work and are closely intertwined.

One of the most momentous recent developments is a **major global demographic shift:** Millennials and Generation Z now account for the majority of the global population (see Figure 3).[24]

Given the many profound political, economic, societal and technological shifts since the end of World War II, these generations' attitudes towards and expectations of work differ markedly from their parents and grandparents. Although generalisations can be delusive, for the sake of highlighting the change in work patterns, some general characteristics that distinguish generations can be identified.

Millennials and Gen Z-ers now account for the majority of the global population. Their attitudes towards and expectations of work differ markedly from previous generations.

Figure 3: The global population by generation (2019)



Source: Schroders, based on UN[25]

'Baby Boomers' (born between 1946 and 1964) grew up during the Cold War and the mass adoption of television. They are generally more affluent than previous generations. Having **experienced rapidly improving standards of living,** their outlook on life and work tends to be optimistic. 'Boomers' are most likely to believe in hard work, long hours and seniority as prerequisites to career advancement.[26]

24 Schroders 2021.
25 Schroders 2021; UN 2019.
26 Gibson et al. 2009.

Generation X (born between 1965 and 1980) was **faced with changing family dynamics,** especially increased divorce rates among their parents. They were frequently left alone at home after school as their parent(s) usually worked full-time. As such, they became relatively self-reliant. They are known to be more sceptical than other generations. Since many of their parents 'lived to work', Generation X embraced the contrary notion of 'working to live'.[27]

Millenials grew up in a time of increased **focus on individual fulfillment,** leading many older people to criticise them for excessively demanding attitudes and over-confidence.[28] They were shaped by almost universal access to the internet and the emergence of social media such as Facebook.[29] A defining moment for this generation was the **global recession of 2009,** which for many millenials coincided with their first working age years. "As a result, millennials are less well off than members of earlier generations when they were young, with lower earnings, fewer assets, and less wealth."[30] This is particularly true for North America and Europe, which were most affected by the global financial crisis.

Generation Z grew up with instant access to smart phones/WiFi and the explosive growth and ubiquity of social media. They are **true digital natives,** with regular exposure to social media networks and almost permanent mobile connectivity. For those who have completed their education, the **COVID-19 pandemic overshadowed or even foiled their transition into the labour market.** At the same time, homeownership, which has allowed previous generations to accumulate wealth, is out of reach for many young workers due to soaring property prices. As a result, a growing awareness has taken root among younger Millennials and working Gen Z-ers that work does not necessarily provide the long-term benefits and security that previous generations enjoyed. Therefore, younger workers have started placing more emphasis on other benefits to being at work, with flexibility ranking first, followed by purpose and constant personal development.[31] As a testament to the latter, younger generations tend to prefer shorter-term jobs to long-term careers. Gen Z-ers plan to move on from their current employer in fewer than three years, and only one in four plans to work for an employer for five years or more. Seventy-five percent of of Gen Z-ers see rewards in job-hopping, e.g. remuneration, experience (to be shared on social media) and upward mobility.[32]

> Younger workers are now placing more emphasis on benefits such as flexibility, purpose and constant personal development.

For Generation Z, **technology** is arguably **the most relevant determinant of work preferences.** Gen Z-ers have grown up with the internet and interacting online comes naturally to them.[33] Most employers understand that they need to harness technology as an enabler of workplace innovation in order to attract and retain younger talent.[34]

Finally, and in addition to demography, economics and technology, the world of work is strongly influenced by **laws and regulations,** e.g. contract-of-employment requirements for non-standard employment such as temporary employment, or rules applying to the self-employed, whose working conditions are largely regulated by civil contracts.[35] More recently, policymakers have raised **concerns about working conditions in platform settings,** particularly in relation to job and income security, access to social protection, overall career development and rights to collective bargaining.[36] On the other hand, policymakers acknowledge that gig economy platforms often offer **low barriers to entry and flexibility,** which could benefit the labour market prospects of underrepresented groups in particular.[37]

> Policymakers have raised concerns about working conditions in platform settings, particularly in relation to job and income security, access to social protection, career development and rights to collective bargaining.

27 Ibid.
28 Millenials are also the driving force behind what is currently being referred to as 'The Great Resignation'. In the U.S., resignation rates for this segment of the labour force increased by 20% in 2021, compared with the previous year. Many of these workers may have reassessed their work and life goals after months of high workloads and other pressures. HBR 2021.
29 Smith and Nichols 2015.
30 Kurz et al. 2018.
31 New America 2019.
32 Robert Half 2018.
33 Hays 2021.
34 Workforce Institute 2019.
35 ILO 2019.
36 See section 4 of this report.
37 Lane 2020.

3.3 Gig economy platform work – The evidence so far

The increasing popularity of independent work via gig economy platforms is a phenomenon that attracts growing attention. It has become common in several sectors, including transportation and delivery (e.g. Lyft or Deliveroo drivers) and many forms of digital work (e.g. computer programmers or translators offering their services through Upwork). Such work typically exhibits the following four broad organisational features:

- Work is carried out on an **on-demand or as-needed basis.**
- Workers are **paid for each discrete task** or unit of output, not for their time.
- Workers have to supply their **own capital equipment** (e.g. their home or car).
- The entity organising the work is distinct from the end-user or final consumer of the product or service. This creates a **triangular relationship** between the producer, the end-user and the intermediating platform.[38]

'Gig' jobs have existed for centuries. Their evolution can be traced to the pre-industrial era – the 18th century European guild system, for example, when merchants delegated production jobs to people who performed work in their own homes using their own equipment and were being paid by the piece.[39] Two centuries later, with the rise of the digital economy, digital labour platforms have seen a steep increase. However, the trend towards 'gig work' does not seem to have affected the aggregate share of own-account workers, which has actually slightly eroded since the beginning of the 1990s (see Figure 2). This suggests that digital platforms may have some scope for growing without substituting salaried work by enabling existing gig workers to increase their level of employment up to full time or by offering salaried workers the opportunity to make additional earnings.[40]

Traditional statistical methods used in labour market surveys do not fully capture gig economy platform work. Statistical offices typically do not use specifically designed surveys. Therefore, existing estimates are generally based on ad-hoc surveys conducted by researchers or private businesses. These need to be viewed with caution as they raise a number of representativeness, reliability and comparability issues.[41] According to some of the more reliable research-based surveys, gig economy platforms host a total of 15 million workers in the U.S. and the EU, **slightly more than 2% of those countries' adult population.**[42]

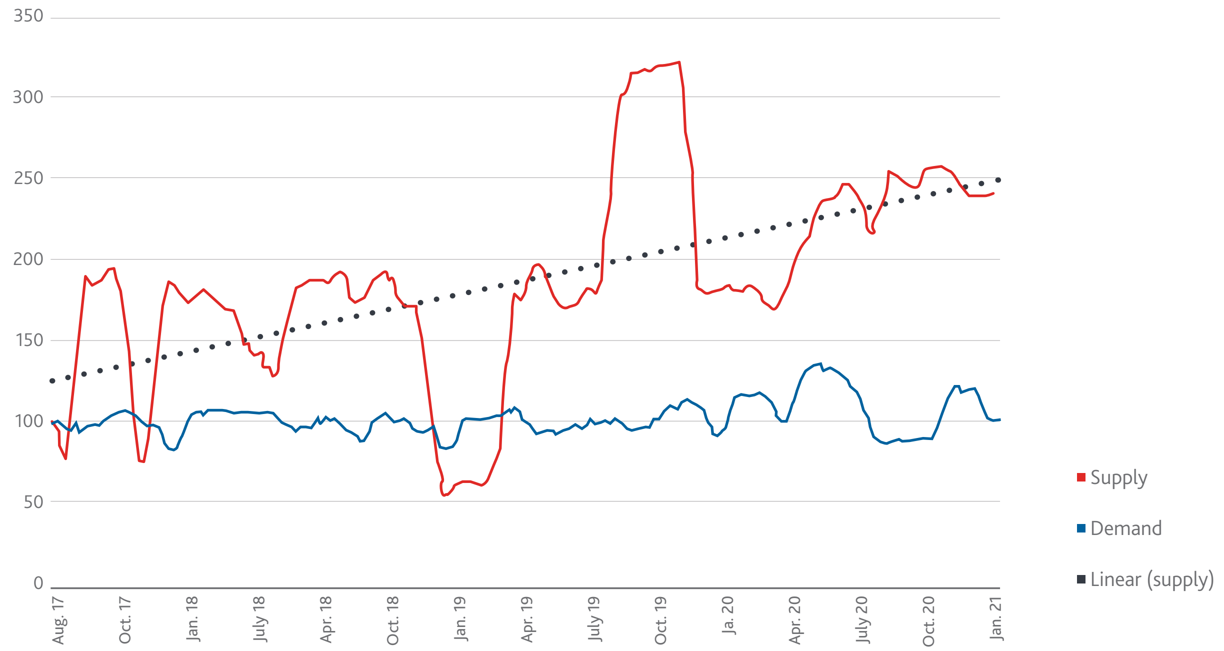
An analysis of U.S. data from bank accounts suggests that **gig economy platform work has been growing rapidly since 2012.** The number of households that received income from gig economy platforms increased from virtually none to more than 1 million (more than 1%) between 2012 and 2018.[43]

> In the U.S., the number of households that received income from gig economy platforms increased from virtually none to more than 1 million between 2012 and 2018.

Figure 4 shows that, based on data from the five largest English-language, online, web-based platforms (freelancer.com, guru.com, mturk.com, peopleperhour.com, upwork.com), labour supply, measured as the number of registered workers (covering 105 countries) on these platforms, had tripled from 2017 to early 2020. Supply fell sharply during the first few months of the pandemic (primarily reflecting the collapse in demand for transportation services) and has now returned to a path of (moderate) growth.[44] Labour demand, on the other hand, described through the number of public projects and tasks that are posted by clients, is much more stable than and generally falls short of labour supply. In fact, labour demand has been flat since 2017 whereas labour supply has more than doubled over the same period of time.

38 Stanford 2017.
39 Deakin 2000.
40 Upwork 2019 (presenting evidence for the U.S.); OECD 2019
41 Abraham et al. 2018.
42 Pew Research Center 2021; PPMI 2021. Note that these numbers capture only those gig workers who derive their primary income from gig platform work.
43 Farrell et al. 2018.
44 Kässi and Lehdonvirta 2018.

Figure 4: Global labour supply and demand on major online, web-based platforms, 2017–2021



Source: Online Labour Observatory, ILO[45]

Labour demand on the largest English-language platforms has been flat since 2017 but supply has more than doubled. This means the vast majority of gig workers are unable to make a living from their assignments.

"The concept of collective resilience might be leveraged to build links between subgroups of gig economy workers, e.g. those offering similar services. Smaller-scale solidarity mechanisms could help narrow some of the protection gaps exposed by gig work. Such mechanisms could be facilitated by larger corporations, such as digital platforms or insurers."

Daniel Kaplan, *Co-founder, Plurality University Network*

This **pattern of excess supply of labour** suggests that it is easier to register as a worker on a platform than it is to receive work and earn a decent income, not least because some workers offering remote services have to compete globally to secure tasks posted on such platforms. This imbalance results in the vast majority of gig workers being unable to make a living from their assignments. Other factors that put pressure on platform-based incomes may include a lack of bargaining power among gig workers and platforms' use of Artificial Intelligence (AI) for differentiatial pricing.[46]

45 http://onlinelabourobservatory.org/; ILO 2021a.
46 Dube et al. 2020.

4. Protection gaps associated with platform work

4.1 Another 'Great Risk Shift'?

Because gig workers are typically not considered employees of an organisation, they are unique in the labour force in that they often assume **much higher levels of personal risk than traditional employees and most self-employed workers,** who are covered by social insurance. As they have little access to employee benefits like disability or worker's compensation and often do not have insurance to cover claims related to their business activities, gig workers are more exposed to risk, **especially loss of income** that can result from illness and injuries that render them unable to work.

> Gig workers often assume much higher levels of personal risk than traditional employees and self-employed workers, who are covered by social insurance.

The rise of gig economy platform work could even be viewed as a **'transformation of risk'.**[47] As individuals, either voluntarily or involuntarily, assume more personal (income) risk, traditional employers' business risk decreases, as does the relevance of social protection systems for an increasing share of the workforce. A related but distinct 'Great Risk Shift' has been explored by Hacker,[48] which refers to the shifting of risk from governments and businesses to individuals and households by the scaling back of pensions and healthcare plans, for example. The consequences can be wide-ranging: workers may be more reluctant to make and execute long-term plans such as starting a family, or they may try to hold more liquid savings or consider buying additional insurance.[49]

47 Bieber and Moggia 2021.
48 Hacker 2019.
49 Ibid.

The **social protection coverage of gig workers is low.**[50] Platform workers frequently do not meet eligibility requirements for statutory access to benefits schemes for the self-employed due to low earnings and hours or insufficient contribution periods. In many countries, self-employed workers are not covered at all by social insurance systems or only on a voluntary basis.[51] Even if covered, in the absence of employer contributions, effective burdens may be higher for the self-employed, especially for those with lower earnings (minimum wage typically does not apply to them) or due to a lack of bargaining power to shift any contribution-related costs onto their clients by charging higher prices. The volatility of earnings from gig work also renders the calculation of contributions and entitlements difficult. Another obstacle to social protection, especially unemployment insurance, is moral hazard: it can be difficult to establish whether a gig worker's lower level of activity reflects demand fluctuations or voluntary idleness.[52] Further challenges arise if the work provided on digital platforms involves actors based in different countries and jurisdictions, especially with crowdwork platforms. In order to provide adequate social security coverage for such workers, it is necessary to clarify the applicable legislation and institutional arrangements.[53]

"For gig workers to save for their retirement, an element of compulsion is probably needed. A portion of workers' income could be very efficiently withheld by digital platforms and transferred to private savings accounts for these workers. Given the negative externalities arising from insufficient savings governments may even subsidise such plans."

Cyrille Schwellnus, *Head of the Labour Market Workstream, OECD*

4.2 A simple typology of gig work protection gaps

Existing legal safeguards and social protection provisions were designed around traditional forms of employment and often no longer apply to workers with 'non-standard' contracts.

From a gig worker's perspective, in case of a calamity, protection gaps present themselves as the difference between needed resources (covering unexpected additional expenses or foregone income, for example) and available resources (e.g. savings and insurance coverage).[54] Such gaps are especially acute for young gig workers with little savings and high exposure to irregular income streams.[55]

As far as income, health and retirement protection are concerned, social security systems are key to assessing gig worker exposures. **Existing legal safeguards and social protection provisions** were designed around traditional forms of employment and more often than not **no longer apply to workers with 'non-standard' contracts,** or not to the same extent.

In the following, we suggest a four-pronged typology of gig worker protection gaps pertaining to income, health, retirement and assets (see Table 1).

50 See the following sections.
51 Voluntary access to social protection partly reflects the assumption that entrepreneurs are less risk averse, and therefore may not require insurance to the same extent as employees. OECD 2019b.
52 Voluntary access to social protection partly reflects the assumption that entrepreneurs are less risk averse, and therefore may not require insurance to the same extent as employees. OECD 2019b.
53 ILO 2018b.
54 In addition to this very broad definition there are more granular approaches to specific protection gaps. For example, the mortality protection gap can be defined as the difference between the amount needed to substitute a household's future income in the event of the main breadwinner's death, and the existing resources available to repay outstanding debts and maintain the living standards of surviving household members. Resources available include the household's existing financial assets, benefits from life insurance policies and social security payments. The mortality protection gap describes the portion of the deceased's regular income that cannot be replaced by these existing resources. Swiss Re 2020b.
55 It has to be noted that income volatility can also be the result of deliberate individual choices, e.g. regarding lifestyle.

Table 1: A simple typology of gig worker protection gaps[56]

Income	Health	Retirement	Assets
• Sickness • Disability • Work accident • Premature death • Underemployment	• Medical expenses	• Accumulation of savings (investment risk) • Decumulation of savings (longevity risks)	• 'Means of production' (home, car, equipment) • General liability • Professional liability

Source: The Geneva Association

> "In the U.S., there is virtually no safety net for gig workers in critical areas such as disability, sick pay, short-term leave and pensions. With individualism expected to continue to prevail this situation is unlikely to change. Therefore, insurers are called upon to develop products for fluctuating levels of income, generated from multiple sources. For this to succeed, insurers need to leave behind their traditional approach to underwriting which is based on stable cash flows. The ubiquity of platform data may help overcome practical challenges such as the quantification of exposure for the heterogeneous community of gig workers."
>
> ***Kate Terry,*** *Co-founder and COO, Surround Insurance*

4.2.1 Income

There is broad consensus in the relevant literature as well as among the experts interviewed for this report that income replacement is the most acute protection gap facing gig workers. Compared with healthcare expenses, for example, income risk awareness among gig workers tends to be lower, social protection even less available and private insurance coverage more difficult to obtain. **Failure to protect income in the event of illness, disability or premature death of the main breadwinner** could have devastating effects on individuals and households.[57] This is particularly true for gig economy workers who are exposed to low and volatile incomes and do not have access to the benefits extended by traditional employers to full-time, permanent workers, for example sick and other paid leave, disability, work accident and death-in-service benefits. In addition, government-sponsored social protection systems, especially in the area of income replacement, are generally limited to those with full-time employment contracts.[58] And due to ever rising public budget pressures, rendered more acute by COVID-19, there is significant uncertainty over current and future efforts to extend state-funded income protection benefits to gig workers.[59]

> There is broad consensus that income replacement is the most acute protection gap facing gig economy platform workers.

> "Protection gaps for gig platform workers will continue to grow rapidly given the increasing popularity of flexible work and the ease of using technology-based market places for offering it. The single biggest challenge is the lack of income protection propositions tailored to gig workers. Having said this, interesting efforts are underway to address this issue, e.g. by embedding group products in platform apps and making them fully flexible and reflective of the worker's actual level of activities. For this potential to be realised, legislation must be brought in sync with the reality on the ground, first and foremost by removing disincentives for platforms to offer benefits to their contractors."
>
> ***Chris Kaye,*** *CEO & Co-founder, Sherpa*

56 Even though, in the context of standard employment, unemployment is a major social concern, we disregard it in the context of non-standard employment. Gig workers will typically not become unemployed, but underemployed (see footnote 54). Existing social insurance, like unemployment coverage, is not designed to cushion short-term income fluctuations.

57 Underemployment can also be viewed as an income risk. It is, however, very challenging to insure. Bieber and Moggia 2021.

58 Whiteside et al. 2015; OECD 2019b; section 4.3 of this report.

59 Zurich 2016.

4.2.2 Health

With relatively low and irregular income, gig workers are particularly exposed to **financial stress arising from (unexpected) medical expenses.** This problem is particularly serious in countries where access to health insurance is tied to salaried employment.[60] Major out-of-pocket expenses can easily prove financially catastrophic, especially if independent gig work comes with a lack of income protection.[61] Access to health insurance through work-related schemes is also crucial in countries where healthcare is primarily provided by contributory, mandatory health insurance schemes. In those countries, the **cost of participating in contributory schemes is a major challenge for many platform workers.** However, in countries with tax-financed universal health systems the relevance of work-related access to health insurance is to some extent reduced to health-and-sickness-related benefits that are not covered by the universal health system.[62]

Gig workers are particularly exposed to financial stress arising from (unexpected) medical expenses, especially in countries where access to health insurance is tied to salaried employment.

4.2.3 Retirement

Low and irregular levels of income make it **challenging for gig workers to accumulate retirement savings,** be it through statutory contributions or individual savings plans.[63] In many countries, current pension systems are based on formal, regular employment structures and do not adequately capture the increasingly large numbers of gig workers who fall outside these arrangements. As there is usually no employment relationship between the gig worker and the platform, the worker must bear any contributions to statutory retirement schemes on their own. In addition, the self-employed have no access to voluntary occupational pension schemes.[64]

A shift to independent employment (i.e. an erosion of contributions) combined with an ageing population could exert dual pressure on the sustainability of existing retirement systems. While gig work could provide a coping mechanism for seniors to mitigate the inadequacy of pensions and savings, it is not considered an appropriate solution for tackling old-age poverty.[65]

A shift to independent employment combined with an ageing population could exert dual pressure on the sustainability of existing retirement systems.

"Pension adequacy for gig workers could be improved if voluntary occupational schemes that exist for dependent workers in a number of countries were available for all contract types through automatic enrolment. Even though opt-out rates might be higher for non-standard workers, and contributions of self employed workers cannot be matched by employers, non-standard workers are probably as malleable as standard workers to nudging, e.g. through automatically deducting contributions when income is generated or when taxes are collected."

Stéphanie Payet, *Private Pensions Analyst, OECD*

60 Berdahl and Moriya 2021.

61 With an out-of-pocket spending share of more than 60%, India is the most exposed large economy. Gig workers in China and Italy, with national out-of-pocket spending shares of about one third and one quarter, respectively, are vulnerable, too. The average share for all OECD countries is less than 14% (https://data.worldbank.org/ indicator/SH.XPD.OOPC.CH.ZS=$).

62 ESIP 2019; section 4.3. of this report.

63 TIAA 2021.

64 OECD 2019c. However, platforms such as Uber and Grab have started to voluntarily pay contributions to social security and employee benefit schemes Freudenberg et al. 2019; Mishel 2018; section 6 of this report.

65 UNRISD 2017.

4.2.4 Assets

Property ('means of production')

Standard home insurance policies may not cover gig work equipment, such as computers or cameras, leaving many workers unknowingly unprotected. An additional endorsement acknowledging the policyholder's gig worker status may be required. Similary, **individual motor insurance is not sufficient when policyholders use their vehicles for commercial use** as independent contractors. A business endorsement is needed in order to avoid protection gaps (e.g. legal defence costs, medical expenses and property damage to third parties) if the policyholder causes an accident while driving for work purposes.[66]

Standard home insurance policies may not cover gig work equipment, leaving many workers unknowingly unprotected.

Liability

Gig workers face personal asset risks through general liability if they are held responsible for some of the most common accidents that can occur at a business, such as a customer injury or property damage. Platform workers who provide professional services such as accounting, marketing and editing are potentially also exposed to professional liability in the event that they are charged with negligence by a client. If unaddressed, such exposures could spell financial hardship or even ruin for affected workers.

Gig economy platform workers face personal asset risks through general liability if they are held responsible for an accident, as well as professional liability if they are charged with negligence by a client.

4.3 A map of gig work protection gaps

National differences in levels of gig worker protection primarily reflect **idiosyncratic approaches to social security.** These peculiarities also determine the extent to which private insurance can play a role in narrowing gig work protection gaps.[67] Most fundamentally, three models of social welfare can be distinguished:

- **Liberal regimes,** characterised by modest, means-tested assistance targeted at low-income recipients. This approach encourages market solutions to social problems. The state plays a residual role only.
- **Conservative regimes,** typically shaped by traditional family values. Social insurance in this model benefits families and steps in when the family's capacity to aid its members is exhausted.
- **Social democratic regimes,** which are universalistic systems that promote an equality of high standards, rather than an equality of minimal needs. This implies socialising the costs of caring for children, the elderly and the helpless.[68]

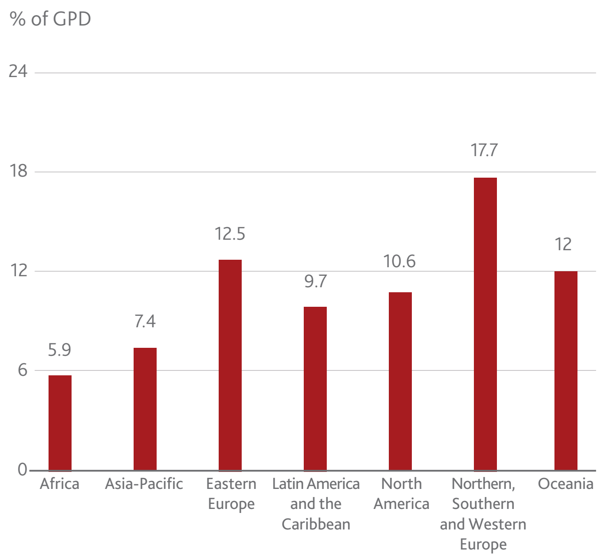
Overall, there is a positive correlation between levels of economic development and investment in social protection.[69] More interestingly, however, there are significant **differences in social protection investment among countries at a similar level of per-capita income,** indicating that regardless of the economic capacity of a country, policy choices can differ starkly.[70]

Such differences are most pronounced between North America and Continental Europe, with a respective dominance of liberal and social democratic welfare regimes (see Figure 5).

Figure 6 offers an overview of social protection coverage of gig workers, based on a global ILO survey of 20,000 platform workers in 100 countries. The survey found that **only 60% of all gig workers are covered by health insurance.** The share is obviously much higher in countries with tax-financed universal health systems (e.g. the U.K.) as well as in countries where healthcare is basically delivered by contributory and mandatory health insurance schemes (e.g. Germany). The share of health coverage is below average in countries where access to health insurance is tied to a formal employment relationship (e.g. the U.S.).[71]

66 Ibid; KPMG 2019. Some platforms have started providing commercial motor insurance cover to their drivers, e.g. https://www.uber.com/us/en/drive/insurance/#:~:text=The%20rideshare%20insurance%20provided%20by,does%20not%20cover%20your%20injuries
67 See section 5.1.3.
68 Esping-Andersen 1990.
69 ILO 2021b.
70 Ortiz et al. 2019. See section 4.4 for country-specific examples in the context of gig economy work.
71 Berg et al. 2018.

Figure 5: Public social protection expenditure (excluding health) by region, latest available year, in percent of GDP



Source: Online Labour Observatory, ILO[72]

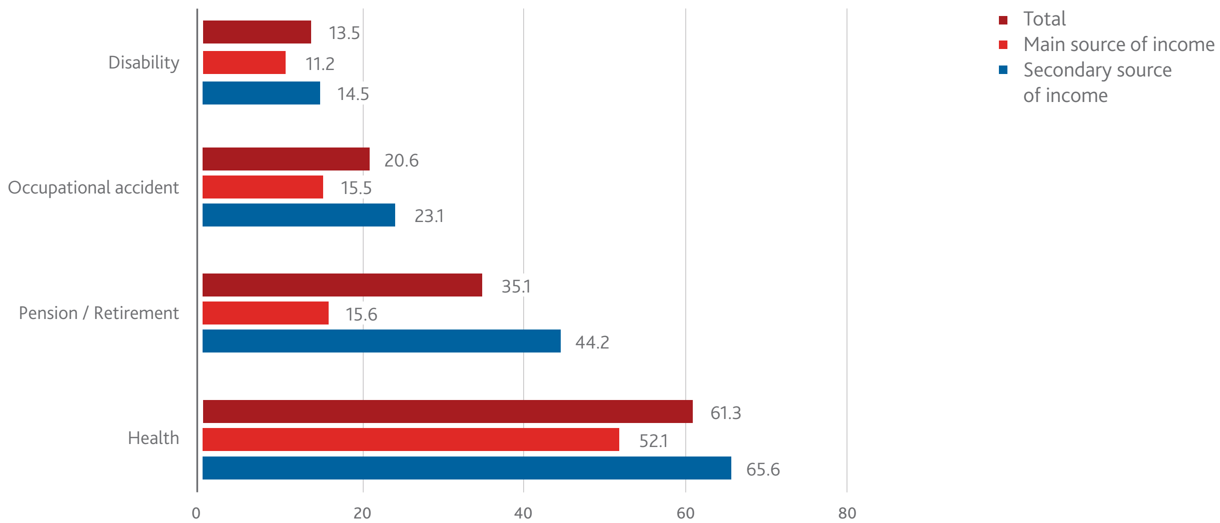
Only 60% of gig workers have health insurance and as few as 35% have a pension or retirement plan.

As few as **35% of all gig workers have a (private or public) pension or retirement plan.**[73] Pension rules often differ between self-employed and salaried workers. In some countries, gig workers can voluntarily join earnings-based schemes that are mandatory for employees (e.g. Germany and Australia); however, they can (partially or fully) opt out. In other countries, mandatory contributions are lower than for employees (e.g. Austria and Portugal). Most of these provisions lead to reduced future pension entitlements compared with full-time employees.[74]

Even more precarious are protection levels for **work injuries and disability, with just 21% and 13%, respectively, of surveyed workers covered.**[75] The OECD confirms that incapacity benefits present a particular challenge: only 14 of the 32 countries included in their study offer access to benefits for self-employed workers that match those for employees.[76] Accidents at work were found to be the most critical area.

Even more precarious are protection levels for work injuries and disability, with just 21% and 13% of workers covered, respectively.

Figure 6: Gig workers' access to various forms of social security benefits, by source of income (percentage covered; global survey data)



Source: Adapted from Berg et al., based on ILO survey of crowdworkers, 2017[77]

72 Ortiz et al. 2019.
73 Berg et al. 2018.
74 OECD 2019b.
75 Berg et al. 2018.
76 OECD 2019b.
77 Berg et al. 2018; ILO 2017a.

In general, when contingencies are not related to a specific job, protection for gig workers is more easily available. For example, social assistance schemes are typically funded through general tax revenue, and entitlement rules are needs-based.[78]

Another important finding from the ILO survey is that **for around a third** of platform workers globally, **gig work complements earnings from a job as a salaried employee** outside of the platform economy. In most cases, their social protection coverage almost exclusively derives from their 'traditional' job.

The survey also revealed that **social protection coverage is inversely related to the individual's dependence on gig activities,** with workers who rely heavily on platform work more likely to be unprotected. For example, only about 16% of primary gig workers were covered by a retirement plan.[79]

"As the gig economy matures, governments, gig employers and gig workers will have to figure out who will bear the costs of maintaining us as workers. Societies crash if workers can't maintain themselves, so the politics around social protections are fierce. If governments pick up these expenses, everyone assumes some of those costs previously covered by employers. If gig workers cover them, we've changed the relationship between the economy and society, with significant implications for worker activism, labor markets, etc."

Jamie Winders, Director of the Autonomous Systems Policy Institute at Syracuse University

Table 2 summarises and illustrates the **significant differences in social protection available to gig workers across five major economies with similar levels of per-capita income** but different policy choices.[80]

Table 2: Protection gaps facing gig workers in five major economies

Country	Income	Health	Retirement
Germany	Moderate • Sick pay potentially provided throught statutory health insurance	Moderate • Broad coverage throught mandatory health insurance scheme	Significant • Compulsory insurance on the cyrrent legilative agenda (with opting-out) • Basic income support as a safety net
Italy	Significant • Sick pay is statutory benefit for those higher earners who are subject to social security contributions • Occupational accident insurance coverage for employed gig workers and those working as riders	Moderate • Access to tax-funded national health scheme	Significant • Entitlement to statutory benefits dependent on social security contributions
Japan	Severe • No access to sick pay • No coverage through occupational accident insurance	Significant • Obligation to join the basic national health insurance shceme	Significant • Obligation to join the basic national pension insurance shceme
U.K.	Severe • No access to statutory sick pay (any entitlements depend on amount of social security contributions) • No access to industrial injury benefits	Moderate • Access to tax-funded national health scheme	Significant • Entitlement to statutory benefits depend on amount of social security contributions (which are voluntary for low-earning gig workers)
U.S.	Severe • Sick pay not available • No coverage through workers compensation insurance	Severe • Need to buy health coverage from private insurers (or face tax penalty)	Significant • Old age coverage through mandatory social security

Source: The Geneva Association

78 Twenty-nine percent of respondents to the ILO survey reported receiving some form of government assistance.
79 Berg et al. 2018.
80 See Annex for details.

5. The role of insurance in addressing protection gaps

In light of the significant coverage gaps examined in the previous section, the question of how to 'organise' protection for gig workers is of the utmost political, social and commercial importance.

5.1 Three fundamental options for protection

In the following, in addition to private insurance, we explore the two fundamental state-driven funding options for addressing protection gaps facing gig workers: general taxation and social insurance. The configuration of these options and the role assigned to private insurance reflect **different policy choices** and varying degrees of public- versus private-sector involvement, mandatory versus voluntary schemes, and platform versus individual responsibility.

"The gig economy protection gap is multiplying. In Southeast Asia, many insurance companies noticed this trend, collaborated with internet platforms and provided tailor-made insurances to gig workers in the past two years. The biggest lessons are that technology solutions enable insurers to create stackable bite-size coverages and seamlessly embed insurance within the existing gig economy ecosystems."

***Bill Song,** CEO, ZA Tech Global*

5.1.1 General taxation

Non-contributory, tax-financed social protection mechanisms are considered essential to providing at least a **basic level of protection for all residents** of a country, including those who are not (sufficiently) covered by contributory social insurance schemes. Taxes are the main source of funding for basic social assistance for those vulnerable populations lacking contributory capacity.[81] More recently, some countries have bolstered tax-funded elements of their social protection systems, such as tax-financed social pensions.[82] In the area of health protection, national health services funded from general taxes (for example in Canada, Italy or the U.K.) are well-established and ensure access to healthcare for the entire population.[83]

81 ILO 2012. Universal Basic Income is a potential alternative to unconditional tax-financed social protection. See World Bank 2020.

82 ILO 2017b.

83 Tandon and Reddy 2021. However, Green and Irvine (2002) argue, on the basis of the U.K. National Health Service, that tax-funded schemes offer less transparency than payroll-based social security. Also, standards of care are likely to be lower under egalitarian tax-funded systems, compared with 'solidarity'-oriented social insurance.

In non-contributory schemes financed from general taxation there is usually no direct link to employment at the individual level. Social protection is **extended independently of employment status.** This feature makes tax-based schemes particularly relevant for gig workers.[84] Untying social protection from the employment relationship, and instead offering benefits on a means-tested basis, is often raised as a potential solution to the challenge of closing coverage gaps.[85] However, a strong and sustainable social protection system will not only draw on tax revenues, but also requires social insurance contributions from employers and workers, based on the principles of risk-pooling, risk-sharing and solidarity.[86]

> Untying social protection from the employment relationship and offering benefits on a means-tested basis is a potential solution to the challenge of closing coverage gaps.

5.1.2 Social insurance

Through social insurance, governments intervene in the insurance market to ensure that a group of individuals are insured or protected against risks such as illness, unemployment or retirement. Individuals' claims are usually dependent on their (typically mandatory) insurance contributions, which accumulate a common fund out of which future benefits are paid. **Maximising the size of risk pools through social insurance** is a way for governments to protect their citizens from hazards that can prove financially ruinous.[87]

> "In order to build sustainable societies we need to address urgently future work patterns and the growing aspirations towards independent work in particular. Here the most important challenge is income protection, that is inextricably linked to the financial well-being of independent workers. When thinking about the new standards of work for the 21st century we should start with the premise that gig workers should have the same benefits to protect their incomes and livelihoods as employed workers. The EU Commission's recent draft directive is a welcome step in that direction."
>
> ***Vikas Chhariya,*** *Founder and CEO, Indeez*

As discussed in section 4, the social protection coverage of **platform workers** who are classified as self-employed is often limited; **in many countries, such workers are not covered by social insurance systems at all or only on a voluntary basis,** with narrow benefits. In practice, platform workers are usually classified as independent contractors, leaving them solely responsible for the payment of social insurance contributions, if any.[88] In addition, as argued by Behrendt et al.,[89] gig workers' non-inclusion in social security schemes raises issues of labour mobility as workers are not covered by the same schemes throughout their working lives.

> "The biggest potential for insurers in the context of gig work is for risk transfer and risk mitigation solutions that are able to address the unique risks of a gig job. The impossibility to perform the job and the discontinuation of income is at the heart of a gig worker's exposure to risk. In addition, gig workers worry about being liable for damages to third parties."
>
> ***Matteo Carbone,*** *Founder and Director, IoT Observatory*

One of the policy choices that governments need to make is whether any **extension of coverage to gig platform workers** should be mandatory or voluntary. There are two main **arguments in favour of a mandatory approach.** First, **adverse selection:** voluntary health insurance schemes, for example, may attract mostly those with pre-existing health conditions. Such adverse selection would translate into a spiral of higher contribution rates due to higher claims costs, undermining the viability of the scheme.[90] Second, **small risk pools:** voluntary coverage could result in risk pools that are not large enough to cope with certain types of large risks affecting a large number of pool members, such as an epidemic or natural disaster.[91]

84 ILO 2021a, c.
85 Australia's largely general revenue-financed social protection system (supplemented by 'Pay-As-You-Go' financed and income-tax-subsidised compulsory superannuation) is an example. OECD 2019b.
86 ILO 2012; section 5.1.2 of this report.
87 https://www.social-protection.org/gimi/gess/ShowTheme.action?id=8
88 OECD 2019b.
89 Behrendt et al. 2019.
90 Arrow 1963.
91 ILO 2021c.

Having said this, forcing workers with low incomes and contributory capacities to pay contributions that they cannot afford may prove counter-productive. Therefore, many governments prefer a voluntary approach even though it rarely leads to significant levels of coverage.[92]

A straightforward approach to including some gig platform workers in mandatory social insurance schemes is to reclassify them as employees (see Boxes 1 and 2). Having said this, the funding implications for governments, workers, platforms and their customers need to be considered carefully.

Forcing workers to pay contributions they can't afford may be counter-productive, so many governments prefer a voluntary approach, even though it rarely leads to significant levels of coverage.

Box 1: Policy developments in the U.S.[93]

In the 2018 case of *Dynamex v. Superior Court of Los Angeles*, two delivery drivers sued a transportation company, claiming they were misclassified as independent contractors and instead should be considered employees, with access to the associated protections and benefits. The court applied a three-pronged classification test (including whether the company has significant control over the tasks performed by the worker) and ruled in favour of the delivery drivers. This case established a precedent for a stricter classification of workers within the state of California.

After the Dynamex decision, California passed legislation which clarified the definition and scope of worker legal classifications. The bill was controversial among business communities. Labour platforms reacted by claiming that the legislation would push up their costs and that they could not afford to keep their workers if they were to be classified as employees. Such claims were met with significant support from gig workers who obtain their main or extra income from platforms, as well as from their customers who benefit from the workers' services.

As a result, in 2020, a number of major platform-based corporations succeeded in passing Proposition 22, aimed at allowing app-based platforms to continue to classify ride-hail and delivery drivers as independent contractors.[94]

Source: The Geneva Association

92 ILO 2021c. If insurance premiums are uniform, those with the highest risk have the biggest incentive to join a voluntary scheme. This can result in a vicious circle of rising contributions and low-risk members leaving the pool (OECD 2019b discusses examples such as the Canadian Special Benefits for Self-employed Workers (SBSE) scheme).

93 New America 2021.

94 In August 2021 a California state trial judge declared that Proposition 22 is unconstitutional. Rideshare companies have appealed the ruling.

Box 2: Policy developments in the EU

Today, over 7 million people in the EU are estimated to draw their main income from digital labour platforms.[95] As these platforms introduce new forms of work organisation, many policymakers believe that they challenge existing rights and obligations related to labour law and social protection. Nine out of 10 platforms currently active in the EU are estimated to classify their workers as self-employed.[96] Most of those people are genuinely autonomous in their work. However, there are also many people who are subject to 'employee-like' degrees of control by digital labour platforms, e.g. through pay levels and working conditions. According to one estimate, up to 5.5 million people working through digital labour platforms (to various degrees) in the EU are potentially misclassified as independent workers,[97] most of them likely to be low earners with inadequate access to social protection and the rights to which employees are entitled to, for example a minimum wage, working time regulations, occupational safety and health protection, the right to paid leave, as well as improved access to social protection against work accidents, unemployment, sickness and old age.

Against this backdrop, in December 2021, the European Commission put forward a draft Directive which could see as many as 4 million gig workers delivering meals or providing ride-hailing services reclassified as employees.[98]

Source: The Geneva Association

5.1.3 Private insurance as a complement

As opposed to social insurance schemes, **private insurance is not designed to mitigate hardship** encountered by low-income gig workers or other segments of the population **through wealth transfers.** Having said this, the well-established role of private insurance in risk and asset management, in combination with the notorious under-funding of pay-as-you go social insurance schemes, strongly suggests that private insurance is a suitable solution for addressing the protection gaps associated with gig economy platform work.

The well-established role of private insurance in risk and asset management strongly suggests that private insurance is a suitable solution for addressing the protection gaps associated with gig economy platform work.

How can private insurance complement social schemes in a meaningful way? This question is of increasing importance as pressure on public finances has been growing for quite some time, further exacerbated by the COVID-19 pandemic.

First, the most frequent specific feature of social insurance is that it is mandatory and universal.[99] As discussed before, self-employed workers are generally excluded. Fundamentally, the question of whether individuals are to be insured is different from the question of who is to provide the insurance. "The view that society must take measures to ensure that everyone is insured against certain major risks does not, in itself, imply that the government should directly provide that insurance".[100] As a matter of fact, in many countries, car, fire and even health insurance are **compulsory but provided by private-sector insurers.**

Second, **social insurance** involves some redistribution and is typically not based on actuarial principles. As discussed before, in the case of voluntary social insurance schemes, uniform premiums inevitably lead to adverse selection. Mandatory social insurance schemes may be effective in addressing this issue, which can be avoided by making low-risk individuals pay for high risks. However, as they generally treat participants similarly in terms of pricing and benefits, **such schemes do little in terms of promoting incentives for risk prevention** – a major and societally highly relevant benefit offered by (risk-based) private insurance mechanisms, where premiums reflect individual risks and are not driven by a person's income.[101]

95 PPMI 2021. The number of those who derive their main or even exclusive income from platform work is estimated to be significantly smaller.
96 De Groen et al. 2021.
97 PPMI 2021.
98 European Commission 2021.
99 Pestieau 1994.
100 Stiglitz 1983.
101 Feldstein 2005. However, with regards to gig platform workers, there are specific obstacles, such as the high-risk characteristics of some 'on-location' activities such as ride-hailing, delivery of goods, cleaning or care services. (see section 5.2). In addition, the regulatory and commercial scope for risk-based pricing may be limited in areas such as disability, health and pension insurance.

Third, from an individual gig worker's perspective, private insurance may offer **personalised insurance packages and generally competitive premiums** according to their risk profile. In addition, collecting premiums through innovative ways (e.g. directly via platform apps) can, in principle, expand coverage and include platform workers who would otherwise be left out of social insurance programmes.

Collecting premiums through innovative ways (e.g. directly via platform apps) could expand coverage and include platform workers who would otherwise be left out of social insurance programmes.

Fourth, in developing countries in particular, standalone public schemes may not be the most effective way of covering individual risks. **Weak taxation capacity** is a major constraint on social insurance systems. People's ability and willingness to buy protection through competitive insurance premiums may be far greater than their government's capacity to mobilise tax revenues. Also, there tends to be a **lack of trust in government-run programmes,** given the deficits in transparency and political stability. Having said all this, for private insurance to make sense, loadings for costs and profits need to remain below the risk premium that risk-averse individuals are willing to pay.[102] Microinsurance offers interesting lessons on how to maximise the cost efficiency of producing and distributing coverage.[103]

In general, it should be noted that every contributory form of social protection, including private insurance, is dependent on an individual's ability to work and earn a certain level of regular income. **Affordability** as a barrier to purchasing insurance therefore **matters most for those with low and irregular incomes.** This needs to be kept in mind when discussing a 'decoupling' of social protection from employment.

Market mechanisms may offer some relief as a growing number of platforms offer voluntary benefits to gig workers, such as health and accidental insurance, in order to entice and secure the loyalty of gig workers in what is becoming an increasingly competitive market place.[104]

"Insurance solutions for gig workers need to be highly flexible and are transactional in nature. In order to be viable, such policies must charge premiums that reflect the volatility of most gig workers' earnings. Such policies could be underwritten based on a wealth of real-time, mostly smart phone-based data. The major challenge, as with most traditional insurance solutions, too, is distribution."

Tim Beardsall, *Head of Propositions Innovation and Insights, AIA*

5.2 Private insurance products for gig workers – A value chain perspective on innovation[105]

In responding to gig worker needs, traditional insurers face challenges like policy pricing, which is dependent upon years of historical loss information and legacy systems. The nature of gig work, however, requires **speed, responsiveness, frictionless online transactions and very flexible, short-term coverage.** In the context of income risks in particular, gig workers are typically not willing to pay annual insurance premiums.[106]

Insurtechs with simple, digital, on-demand policies are currently particularly well-equipped to tap into this growing segment of the market, especially in the area of transportation services. They usually operate from state-of-the-art platforms and leverage AI algorithms that make traditional underwriting processes obsolete and allow risk pricing for flexible, pay-as-you-go coverage, based on the behaviours and needs of the workers.

The nature of gig work requires speed, responsiveness, frictionless online transactions and very flexible, short-term coverage.

Against this backdrop, the following sections illuminate the scope for innovation across key links of the insurance value chain, with the aim of developing propositions that meet the needs of both gig workers and digital labour platforms.

102 The Geneva Association 2020.
103 Kousky et al. 2021.
104 Freudenberg et al. 2019; Mishel 2018; section 5.2 of this report. This trend also presents an opportunity for insurers to develop group benefits solutions for digital labour platforms.
105 This section primarily reflects views and insights collected from our panel of interviewees.
106 Exposures to key risks such as mortality, longevity and health, however, do not primarily depend on the workflow.

> "More people are seeking out alternative work arrangements due to the scarcity of salaried jobs in a pandemic environment. This trend highlights the absence of appropriate safety nets, especially for young people who are starting out as gig workers, who are not eligible for employee benefits and have insufficient social security savings. Against this backdrop, insurers have started addressing the protection gap for this growing share of the workforce by offering simple, flexible and affordable policies that would cover them when they are unable to work due to injuries or illnesses."
>
> ***Steven Leong,*** *SVP, Consumer & Digital Distribution, Mitsui Sumitomo Insurance (MSIG) Singapore*

5.2.1 Marketing

Gig workers are generally younger and more digitally savvy than the average labour force.[107] At the same time, 89% of those gig workers who have not made any voluntary insurance purchases are **unaware of specific insurance policies** that would address their needs. Of this same group, 56% considered (but did not end up) buying insurance, with 43% saying that price was the main obstacle, closely followed – and more interesting in the context of marketing – by **not knowing what kind of insurance to buy** (37%).[108]

> Of gig workers in the U.S. who have not voluntarily purchased insurance, 89% are unaware of policies to address their needs and 56% considered but did not buy insurance, primarily due to price, closely followed by not knowing what kind of insurance to buy.

As confirmed by some of the expert interviews conducted for this report, insurers have started digitising, i.e. embedding into platform apps, their gig market and customer research, segmentation strategies, customer retention and engagement strategies as well as branding and advertising activities.

Digital marketing programmes that use search engine optimisation and marketing are unlikely to be fit for purpose when targeting the gig work community. **Application Programming Interfaces (APIs),** which enable companies to open up their applications' data and functionality to third parties, provide insurers with opportunities to move beyond advertising to **cultivate more authentic engagements with consumers by becoming an actual part of a digital labour platform's workflow.** Rather than clicking on an ad which takes them to a website where they can learn more about an insurance product and potentially make a purchase, APIs give gig workers the ability to flexibly add insurance coverage.[109]

> "Following the financial crisis, many people in the U.S. were left behind by the commercial banks, particularly those with lower than median incomes and poor credit scores. As a result, those with low credit scores no longer have access to cheap credit from banks or insurance from major carriers. Gig workers live in the world of sub-prime credit and non-standard auto. This growing yet underserved community of gig workers clearly requires more innovative and inclusive automotive financial services, as auto expenses are typically 40–45% of their take-home pay, with interest and fees making up half of that expense. Using rideshare and delivery data instead of credit scores for pricing auto insurance, for example, can help close the gap created by conventional insurance policies that penalise gig workers for having poor or no credit, leaving them underinsured and with higher premiums."
>
> ***Marty Young,*** *Co-founder and CEO, Buckle*

5.2.2 Product development

The protection needs of gig platform workers are constantly in a state of shift. Therefore, traditional annual insurance contracts seem too rigid and impractical for this segment of the workforce. **On-demand coverage,** i.e. flexible policies in terms of time constraints, are preferred for personal accident in particular. Given the unpredictability of platform work, most workers expect products that allow them to protect themselves for shorter durations, such as day-to-day, month-to-month, or gig-to-gig. They look for **insurance that can be activated and deactivated** and allows them to **pay as they go** as well as to easily adjust limits and coverages.[110]

107 Pew Research Center 2021 (data for the U.S.)
108 Cake & Arrow 2017 (data for the U.S.)
109 Ibid.
110 NAIC 2021; Deloitte 2019. For pension and health insurance, gig workers are likely to prefer portable solutions that are available regardless of which platform the workers use.

Box 3: Three examples of insurance for gig platform workers

Vehicle Interruption Cover (AXA XL/Uber)
This cover provides an innovative, on-demand insurance solution designed to help Uber drivers across the U.K. offset loss of earnings if they are unable to work because their vehicle is immobilised following an accident. The solution works alongside Uber's newly implemented U.K. loyalty programme – UberPro. Vehicle Interruption Cover provides a lump-sum benefit of up to GBP 450 to drivers if their vehicle is damaged following an accident and is off the road for 24 hours or more. Cover is available for drivers on the Uber app and is fully flexible to fit drivers' workstyles: drivers can sign up to the new product in a few clicks via the Uber app and the premium is automatically collected from completed Uber trips. Cancellation is available immediately, also on the Uber app.

Partner Protection insurance (Allianz Partners/Uber)
Allianz Partners and Uber provide protection and security for independent drivers and couriers who partner with Uber and Uber Eats in 23 European countries. The coverage includes various compensation payments for loss of income in case of on-trip accidents, injury or hospitalisations. In addition, active Uber partners also enjoy off-trip benefits, for example paid sick leave for up to 15 days, maternity and paternity payments, and inconvenience compensations for court attendance.

The Partner Protection programme, which was introduced by Uber in 2017, is designed to cater specifically to the needs of independent drivers and couriers, who use the Uber app to access flexible earning opportunities. It is free of charge and automatically available to all independent partners who meet the respective Uber eligibility criteria, with all costs borne by Uber.

Freelancer CashPlus (MSIG Singapore)
This online product aims to provide daily cash for underserved gig workers who are unable to work due to hospitalisation or prolonged medical leave. Responding to the unique needs of this underserved segment, Freelancer CashPlus aims to simplify insurance for gig workers with flexible options, affordable premiums and hassle-free policy issuance. Given the variability in gig work, MSIG has weighed up customers' potential concerns over an annual policy commitment. With MSIG's Freelancer CashPlus, a gig worker can stay protected with weekly premiums from as low as SGD 6.89 for a basic plan. MSIG offers a simple purchase experience for this product, which is only available through its website. Approval of cover is instant and there is no medical examination required.

GrabInsure Critical Illness: Pay Per Trip Insurance
In 2020, Grab, the leading super app and ride-sharing platform in Southeast Asia, launched a flexible pay-per-trip micro premium and accumulative coverage proposition together with NTUC Income, a leading Singaporean insurer. Known as Critical Illness: Pay Per Trip (CIPPT), the microinsurance plan can be subscribed to via Grab's driver-partner app and allows premiums to be deducted from their in-app cash wallet.

CIPPT is a critical illness insurance plan that allows Grab driver-partners to pay for premiums on a per-trip basis. For as low as SGD 0.10 per trip completed, Grab driver-partners can accumulate insurance coverage of a sum assured of up to SGD 200,000 for 360 days, in the event that the insured is diagnosed with a critical illness covered under the plan.

Source: The Geneva Association

The heterogenity of the gig workforce also makes **maximum product flexibility** an imperative. Gig workers perform many different types of work, from driving for a delivery platform to designing websites. The risks and needs of these workers vary widely, and they expect their insurance coverage to reflect their budget and the unique risks of their particular area of work.[115]

111 AXA 2019.
112 Allianz 2021.
113 MSIG 2020.
114 Finews Asia 2019.
115 KPMG 2019; section 5.2.4 of this report.

Irrespective of specific product features, a **digitally-connected experience** is crucial to the success of insurance products targeted at gig workers, who are used to opening an app and getting where they need to be in a series of automated steps. In order to meet this requirement insurance needs to be embedded in the platform apps, from quoting and buying to claiming.[116]

"One obvious solution to gig economy protection gaps is insurance. However, such solutions need to be straightforward and simple to understand. Connectivity and straight-through processing on digital platforms are additional key success factors. In principle, such policies could be issued directly to platforms but this can raise issues around 'insurable interest' as beneficiaries may not be employed directly by the platform. Regulators could potentially clarify this issue, which would remove a key obstacle in offering insurance protection to gig workers."

***Karl Gray,** Head of Insurance EMEA, Uber*

5.2.3 Distribution

Gig workers tend to be tech savvy and self-directed consumers whose daily lives are primarily conducted through apps or over the internet. Therefore, they expect that buying an insurance product is as simple as booking another gig.

By **automating the process through which insurance policies are sold online or via mobile,** insurers could more effectively tap into the potential offered by the gig worker community and, at the same time, respond to the changing buying preferences of non-gig workers. **Platform apps** are considered the most straightforward and fertile ground for insurers to sell coverage. **APIs** allow to power on-demand insurance programmes which integrate insurance into the sign-up process for taskers, drivers and other contractors or service providers, and offer tailored coverage based on straight-through processing.[117]

By automating the process through which insurance policies are sold online or via mobile, insurers could more effectively tap into the potential offered by gig workers.

Distribution by embedding insurance in platform apps not only reflects the buying habits and preferences of gig workers, it is also an imperative given that many of them generate low and irregular incomes. This requires distribution **costs to be reduced to the absolute minimum**.[118]

"Given the disposable income of gig workers, stripping out any unnecessary cost is one of the preconditions for making platform worker insurance viable. To achieve this, Insurtech-style digitalisation must be pushed to its extreme, also for better addressing the specificities of this class of businesses, for example by embedding flexible usage-based insurance options in platform apps – options which cater for those with low and irregular incomes. For insurers, it is challenging to adapt traditional offerings, which are typically tailored to permanent roles with a reliable, stable income and different risk characteristics, although the open-group contracts aimed at self-employed workers could be another starting point in the quest for a solution."

***Andrea Carlesi,** Head of Catastrophe Modelling, Generali*

5.2.4 Underwriting

From an underwriting perspective, many gig workers, especially physical labourers, exhibit a **challenging risk profile.** The absence of regulatory frameworks, such as those found for traditional employment, means there are major **concerns about worker health, safety and well-being.** Health risks may arise due to little workplace support for physical and mental health. Safety hazards may result from a lack of training and unregulated physical work environments. Negative mental health outcomes could be triggered by permanent income insecurity, tight deadlines, time pressures and the lack of sick pay protection.[119]

As an example, in the U.S., according to the Bureau of Labor Statistics (BLS), gig workers reported a wide range of negative experiences while on jobs secured through platforms; 11% had their personal property damaged, 7% had personal property stolen and 6% of respondents suffered an injury, twice as many as suffered by full-time employed workers.[120]

116 Cake & Arrow 2017.
117 RGA 2021; Zurich 2020; Huckstep 2019.
118 Some of the lessons from microinsurance might be drawn upon to design and distribute low-cost insurance to low-income segments of the gig economy. RGA 2021.
119 Kaldahl 2020.
120 BLS 2016 (comparable, more recent data is unavailable).

"Mutualisation might be an option for tackling the challenges presented by the sub-standard risk profiles of most gig workers. But this requires sufficiently large risk pools, which are difficult to create without resorting to policy intervention, i.e. mandatory schemes. Another important challenge is the portability of the coverage, especially in case of personal protection or savings/pension products. Gig workers usually work for several platforms, change them over time or could even switch back to salaried work. In the absence of portable solutions sold directly to gig workers it will be tough to build sustainable insurance propositions for this rapidly growing segment. Again, policymakers could play a major role in cracking this nut."

Stefano Bison, *Group Head of Business Development & Innovation, Generali*

Further, the gig economy tends to attract **younger workers,** with **little work history and experience with occupational safety hazards.** This inexperience, in combination with high-risk gigs such as passenger transportation and freight delivery services, makes these workers more prone to on-the-job injuries.[121] Last but not least, **income from gig work is neither stable nor reliable,** defying key assumptions behind traditional underwriting.[122]

An offsetting factor, however, is the **ubiquity of smart-phone-based and real-time data** from both platforms and individual gig workers.[123] The wealth of data, in combination with online transacting, should facilitate risk assessment and pricing and can be used to generate highly accurate custom quotes.[124]

"Blue collar gig workers are often classified as high risk, given their exposure and general absence of employment-based health and safety assistance. However, many of those workers have accumulated multi-year professional experience and you can argue that they are keenly aware of their risk because, ultimately, it's their subsistence which is at stake. From that perspective, over time, they may actually prove to be the better risks who, more than others, see the necessity of protecting themselves. Insurers like Chubb are helping to narrow the gig worker protection gap by leveraging API-technology to embed contextual insurance offerings as a native feature within its partners' digital channels – significantly improving accessibility."

Ana de Montvert, *Head Digital Business Development EMEA, Chubb*

Having said this, insurers' appetite for individual gig worker risks still tends to be limited. Typically, given the key importance of mutualisation in the context of 'sub-standard risks', carriers prefer to provide group coverage to platforms and workers' associations, avoiding any individual underwriting.[125] This approach, however, raises challenges as far as the portability of benefits – a key prerequisite to a sustainable gig worker insurance market – is concerned.[126]

Insurers' appetite for individual gig worker risks tends to be limited. Carriers prefer to provide group coverage to platforms and workers' associations.

5.2.5 Claims management

Claims management is typically the most visible, customer-facing element of the insurance value chain. Therefore, and this is particularly true for tech-savvy gig workers, claimants will measure their experience against that from other customer-centric sectors and companies such as digital labour platforms.

Insurers serving the gig worker community have thus started streamlining or even **fully automating straight-through mobile processing for many basic claims.** For example, telematics data (including video imagery) can be instantaneously captured during a vehicle accident and downloaded from the cloud to automatically trigger a first notification of loss entry, following which, via intuitive apps, insureds can submit photos of damage to initiate the claims process. The analysis of **social media data can help detect fraudulent claims.** AI embedded in the mobile experience can be equally harnessed to spot fraudulent behaviour. And **Robotic Process Automation,** based on software robots that emulate human actions when interacting with digital systems and software, can provide real-time updates to gig workers on their claim status and automatically pay claims within certain parameters.[127] A **seamless end-to-end experience accelerates time-to-resolution,** which is particularly important to gig workers who live 'paycheck to paycheck'. Figure 7 summarises the key elements of insurance innovation designed to make the industry fit for gig-based work patterns.

121 OHS 2019.
122 The difficulty of proving their regular current and future income makes it challenging for gig workers to access traditional income protection products, which provide coverage against a financial loss if a person finds themself unable to work for health or disability reasons. CII 2021.
123 AIG 2017.
124 Swiss Re 2020a.
125 QBE 2021; RGA 2019.
126 See section 6 for recommendations.
127 EY 2017; McKinsey 2019.

Figure 7: Insurance value chain innovation for gig-based work

Marketing	Product development	Distribution	Underwriting	Claims management
• Embed customer research, segmentation, engagement and advertising into platform apps • Leverage APIs	• On demand, pay as you go • Flexible activation and deactivation • Customised to heterogeneous risk profiles • Digital connectivity throughout product experience	• Automate sales process (online, mobile) • Sell through platform apps • Integrate insurance into the sign-up process for workers	• Maximise risk pools • Special focus on younger, inexperienced workers • Take into account increasing experience and risk awareness of gig workers • Leverage ubiquity of smart phone-based real-time data	• Straight-through mobile processing for basic claims • Accelerate time-to-resolution through AI and Robotic Process Automation • Harness AI and social media for fraud detection

Source: The Geneva Association

The Geneva Association estimates that gig economy platform work in the U.S. and EU potentially offers a combined annual premium volume of about USD 10 billion, with the following assumptions:

- Digital labour platforms in the U.S. and EU charge an average 20% commission rate. Based on their estimated annual revenues of USD 35 billion[128] and USD 15 billion,[129] respectively, this translates to an estimated gross gig worker income of USD 250 billion and USD 200 billion after commission.

- Income generated by primary gig workers amounts to USD 100 billion.

- Primary gig platform workers have the capacity to spend 10% of their income on private insurance coverage in order to narrow protection gaps.

128 ILO 2021a.
129 PPMI 2021.

6. Conclusions and recommendations

The COVID-19 pandemic has further accelerated the triumphant march of digitalisation, on the back of customer habits and preferences that have changed for good. This shift, in combination with pre-pandemic drivers such as advances in AI and ubiquitous connectivity, suggests a continued growth of gig platform work. However, for traditional employees, the pandemic has been a catalyst towards **flexible and remote working,** which is **rapidly becoming mainstream.** Salaried employees increasingly enjoy some of the flexibility of gig workers without having to forego the benefits and security associated with their status. This speaks in favour of a slowing rise of gig platform working going forward.

Recent empirical studies paint a contradictory picture. McKinsey found that 62% of independent workers in the U.S. would prefer to work as permanent employees,[130] consistent with previous research, according to which less than a third of independent workers actively choose this option as their full-time occupation.[131] In a global survey, on the other hand, Maxis found that over half of under-30s and a third of full-time workers are more likely to enter non-traditional work as a result of the pandemic. Maybe surprisingly, more workers are considering gig economy work because of COVID-19, rather than seeking the safety of full-time employment and the benefits associated with it, suggesting a **stronger quest for flexibility and fundamentally new working patterns.**[132]

> The pandemic presents a powerful case for striking a new social contract that includes gig workers.

The pandemic presents a **powerful case for striking a new social contract that includes gig workers.** Governments, platforms and private insurers, in collaboration with giggers and their professional associations, need to redesign protection frameworks to ensure that all forms of modern work are secure and sustainable.[133] The potential role of private insurers will be determined by existing jurisdiction-specific social security systems and policy reforms driven by COVID-19. Against this backdrop, we offer the following recommendations for key stakeholders.

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130 McKinsey 2021 (based on a survey of more than 25,000 U.S. adults).
131 McKinsey 2016.
132 Maxis 2021 (based on a survey of more than 1,200 employees in the U.K., U.S., UAE, France, Spain, South Africa, Mexico and Indonesia).
133 Adecco 2019.

6.1 Governments and policymakers

1. **Remove disincentives to offering group benefits to gig workers.** If platforms were to provide certain benefits they may be required to reclassify gig workers as employees. This would entail high costs as platforms would be obliged to provide workers with the whole spectrum of benefits to which traditional employees are eligible. Many platforms live on thin margins and employee reclassification and other measures could jeopardise their business models and adversely affect job options for gig workers. Platforms should therefore be able to offer group benefits without recognising gig workers as employees.

2. **Encourage the portability of benefits.** Workers, whether employed or self-employed, should be able to carry benefits from job to job without losing coverage. Policymakers could consider implementing a system of portable benefits that includes independent workers and allows businesses to support their labour force and platform workers to choose the flexibility and autonomy of the gig economy without having to sacrifice benefits. In order to promote portable benefits and make insurance for gig workers truly sustainable governments could, for example, disconnect the provision of benefits from the employment status of the worker.

To promote portable benefits and make insurance for gig workers sustainable, governments could disconnect the provision of benefits from the employment status of workers.

3. **Offer gig workers tax deductions,** especially those workers with no or little platform contributions. This proven approach could be particularly useful in the context of health insurance and pension plans as gig workers do not (fully) benefit from statutory and voluntary occupational schemes.

6.2 Insurers

1. **Harness heightened post-pandemic risk awareness.** Gig workers may emerge from the COVID-19 crisis far more aware of their own risk and less confident in their ability to manage and mitigate this risk on their own. In addition to considering more individual insurance coverage they may also be looking for ways to collectively join forces with other gig workers to mitigate risk for everyone.

2. **Innovate across the entire value chain.** Offer on-demand, usage-based 'pay-as-you-go' products.

   a. Embed insurance in platform apps, both for utmost convenience and distribution cost-efficiency. Leverage platform data to quantify gig worker exposure and address issues such as fluctuating income from multiple sources.

   b. Offer group products, which do not require underwriting at the individual level.

   c. Automate straight-through processing for basic claims.

3. **Make commercial insurance available to individuals.** For gig workers, the lines between commercial and personal insurance are blurry. Such grey zones may give rise to serious protection gaps.

4. **Find ways to hold onto gig workers as policyholders as they move in and out of the gig economy.** For example, if a gig policyholder joins a traditional employer with group benefits, they could put their gig benefit plan on hold (for a fee) for a specified maximum period. If the worker returns to the gig economy during this period, benefits could be reinstated.

6.3 Platforms

1. **Leverage group benefit programmes** (e.g. covering sickness, injury, and maternity and paternity payments) **to retain workers and meet societal expectations.** Platform workers typically have multiple jobs as they are keen to 'diversify their bets'. This accelerating trend heats up competition for workers among platforms. At the same time, as gig work increasingly challenges the traditional relationship between employer and employee (and the 'duty of care' associated with it), platforms will come under public pressure to take better care of their workers.

2. **Integrate mental health coverage in group schemes** to cater to platform workers' higher levels of anxiety and the stress associated with working for oneself.

3. **Promote auto-enrollment of workers into protection plans,** with the opportunity to opt out.

In summary, COVID-19 has increased the importance of and urgency around the case for a new social contract that reflects the changing nature of work. Due to rising levels of public debt, governments are increasingly unlikely to be insurers of last resort in the future. At the same time, the pandemic has made the workforce (both employed and self-employed) more risk averse, with a greater need and appetite for insurance protection. Both public and private solutions are required to ensure that future social protection is more flexible, agile and secure to meet people's needs throughout their working lives, regardless of how they choose to work.

Public and private solutions are required to ensure future social protection is more flexible, agile and secure to meet people's needs throughout their working lives, regardless of how they choose to work.

Annex:
Zeroing in on social security for gig workers in five major jurisdictionss[134]

The following section digs deeper into the social protection available to gig economy platform workers in five major, mature economies: Germany, Italy, Japan, the U.K. and the U.S.

Germany

Employees in Germany make regular contributions to the social security system. This comprehensive, collective, pay-as-you-go-funded scheme is designed to protect the livelihood of anyone who might require extra support, primarily in the event of sickness, old age or unemployment. The contribution burden is split evenly between the employee and the employer. In addition, state-funded, means-tested social security is available for every citizen.

Currently, around 90% of the German population is covered by the statutory health insurance scheme, including most gig workers. Gig workers have the choice between taking out private health insurance or voluntarily contributing to the statutory scheme, which covers most medical costs, including hospital treatment, dental care and medicines. Contributing to the statutory health insurance scheme also entitles gig workers to sickness and maternity benefits, unless the worker opts out. Anyone with health insurance (whether statutory or private) is covered for long-term care due to old age, accident or illness.

Obligatory participation in the statutory pension insurance scheme for anyone working in Germany (including platform workers) is part of the new German government's political agenda. Opting out in favour of an appropriate private scheme is expected to be possible.

Occupational accident insurance offers protection and assistance in the event of workplace accidents or job-related illnesses. Every employee is automatically covered and the contributions are funded entirely by the employer. For certain self-employed workers (e.g. farmers and health workers), insurance is mandatory. Gig workers are not covered.

Italy

Italy operates a state-run compulsory system of social security, which is managed by the National Institute of Social Security (INPS). It mainly covers retirement (public pensions), as well as claims (in terms of lost income) for illness, maternity leave and unemployment. INPS is primarily funded via compulsory contributions (by all employees, employers and self-employed/independent workers not already covered by their own arrangements) and taxes. For gig workers with an irregular income of below EUR 5,000 per year, the INPS scheme is not compulsory and there is currently no dedicated scheme for these workers. Gig workers may be covered by INPS if they earn more than EUR 5,000 per year (in which case they must seek coverage under the separate scheme for autonomous workers). In cases expressly provided for by law, it is possible to opt to pay voluntary contributions to an 'individual INPS account' to cover gaps in benefits (e.g. for unemployment periods). For those covered by INPS, sick pay is a statutory benefit in the event of temporary inability to work due to illness, as is maternity leave.

Workers' compensation is managed by the State via the National Institute for Insurance against Accidents at Work (INAIL,). It covers workers' compensation in case of work accidents, death in the workplace and occupational disease. Coverage is compulsory and contributions are funded by employers. INAIL provides temporary benefits and annuities in the event of permanent disability and compensation in the event of death. Gig platform workers are covered if employed or if they work as riders.

The National Health Service is available to all and is funded through taxes. This covers medical care due to illness, injury, etc., although the payment of a prescription charge may be required to access the service.

134 All information is compiled from official websites and reflects findings from interviews with country experts.

Japan

Social insurance in Japan is comprised of pension, health, workers' accident and unemployment compensation.

All Japanese residents contribute to pension insurance. Permanent, regular employees are enrolled in the employees' pension insurance scheme. This consists of a basic pension and a compensation-tied component, paid for by contributions divided between the employee and the employer. Everyone else, including gig platform workers and those working less than 20 hours a week for a given employer, must join the basic national pension scheme, which is partially funded by tax revenue.

Universal health insurance in Japan provides medical coverage for all insured residents. It also provides allowances in the event of childbirth, injury, sickness and death. Again, there is basic national health insurance for non-salaried residents (who are solely responsible for premium payments) and employees' health insurance for salaried workers and their dependents, half of which is paid by the employer and half by the employee.

Workers' accident compensation insurance provides a medical care allowance for work- and commuting-related injuries, diseases and deaths, as well as compensation allowance for unpaid medical leave periods of more than four days. Premiums are covered by the employer. Gig workers are not covered.

United Kingdom

The main pillars of the U.K. social security system are the National Insurance Scheme (NIS), which provides cash benefits for sickness, unemployment, death of a partner, retirement, etc. People earn entitlement to these benefits by paying NIS contributions. Self-employed workers (including gig workers) whose earnings exceed a certain threshold also pay contributions, usually at a flat rate. The other major pillar is the National Health Service (NHS), which provides medical treatment, normally free of charge to all residents.

Gig workers are eligible for sickness cash benefits if they have been self-employed for at least two years and have two full years of NIS contributions. There is no general eligibility for statutory sick pay.

Self-employed workers are not entitled to statutory maternity pay but they are eligible for maternity allowance if they have been self-employed for at least 26 weeks.

In the event of disability, self-employed gig workers can apply for Employment and Support Allowance if they have paid enough NIS contributions, usually in the last two to three years.

The basic, government-administered State Pension is based on the number of qualifying years gained through NIS contributions paid or credited throughout the applicant's (including gig workers) working life.

Industrial injury benefits are payable if a worker becomes disabled as a result of an accident at work. Entitlement to benefits does not depend on the amount of NIS contributions paid. These benefits are not payable to self-employed workers.

United States

In the U.S., the term Social Security refers to the federal old age, survivors and disability insurance program. Social Security is funded primarily through payroll withholdings or contributions by the self-employed who pay the combined employee and employer amount.

Health insurance in the U.S. is typically tied to an employment relationship. Self-employed gig workers need to buy their own coverage from private health insurance companies. The Health Insurance Marketplace, the state-run platform created under the Affordable Care Act, or Obamacare, is one option and offers self-employed health insurance with mandated benefits. In addition, some workers will qualify for tax credits and deductions that can offset premiums. More recently, as a result of incentives offered by the American Rescue Plan passed in March 2021, more gig workers are enrolling in health insurance plans. Except for a few states and subject to minimum earnings and employment length requirements, paid sick leave is typically not available to gig workers.

Under state laws, which govern the employment relationship, workers' compensation insurance, which must be purchased by employers, only covers employees.

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The gig economy offers benefits for both workers and consumers. However, compared to traditional employees, gig workers are more exposed to risks such as loss of income, out-of-pocket medical expenses, underprovision for retirement and professional liability. This report examines the nature and scale of the protection gaps facing gig workers and explores how insurers, policymakers and digital labour platforms can work to provide innovative solutions that will mitigate risk exposures and make this new way of working more secure and sustainable.

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