

Health coverage in the Gig Economy – Experience from several countries

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The term “gig economy” was coined in early 2009,¹ at the height of financial crisis that impacted many of the world’s major economies. During this time, unemployment rates were high, government budgets were squeezed tight, and spending on public programs and social welfare was strained. Without formal employment, many people started freelancing at various short-term or part-time jobs to make ends meet. This new type of employment propelled the growth of internet-based platforms for ride hailing, food delivery, nanny services, and other service roles. These platforms act as intermediaries to match service providers with the customer base.

Since late 2019 and early 2020, the world has been dealing with the COVID-19 pandemic and encountering similar social and economic issues. While in person, face-to-face interactions have been greatly reduced, our connectivity through the internet and dependence on the digital platforms to manage day-to-day activities increased. Whether looking for food delivery from your favorite restaurant or a tutor to help with a child’s schoolwork, it is quite likely that a freelancer for the work can be found through an app.

Freelancing is hardly a new concept. The first use of the term appears in Sir Walter Scott’s novel, *Ivanhoe*, referring to an army of “free lances.” The concept itself dates to the Middle Ages when mercenaries would offer their services to those who paid the most.² Work-for-stipend arrangements existed long before the Middle Ages. The most ancient and common example being agricultural workers who were hired to help during busy planting and harvesting seasons. With the internet and digital platforms, searching for a match between customers and service providers becomes easier, faster, and less costly, especially if the job and the skillset can be described in standardized language (hence computerized codes).

Unlike formal employment arrangements, platforms often classify gig workers as independent contractors making them ineligible for benefits that come along with formal employment, such as minimum wages, unfair dismissal laws, Social Security benefits, pensions, and employer-sponsored health coverage. This application of independent contractor status to these workers has not been without controversy, with labor organizations claiming that workers should be entitled to workforce protections and the platforms claiming that the traditional employment model is not financially feasible. In some cases, regulators have gotten involved to mediate these questions.³ While the platform business model has been replicated in many countries—Uber in the U.S. vs. Didi in China vs. Ola in India—different countries are on different paths or at different levels of maturity.

¹ Such as Financial Times (<https://www.ft.com/content/b5a2b122-a41b-11e5-8218-6b8ff73aae15>) and the Harvard Business Review (<https://hbr.org/2020/06/will-the-pandemic-push-knowledge-work-into-the-gig-economy>).

² <https://www.merriam-webster.com/words-at-play/freelance-origin-meaning>.

³ For instance, <https://www.dol.gov/newsroom/releases/whd/whd20190429>, and <https://www.dol.gov/agencies/whd/flsa/2021-independent-contractor>.

For countries with national health coverage, such as the UK, employment status does not impact a person's eligibility and or benefit level, and thus gig workers are treated no differently than those who work traditional jobs or lack formal employment. However, despite access to health care coverage, these informal workers still lack some employment protection such as access to sick leave or paid time off. When gig workers seek health care, they face a trade-off between earning income while being sick and seeking treatment while losing the ability to work. There are also countries, such as the U.S., where most of the working population and their dependents obtain health coverage through employment. In situations like this, where and how gig workers obtain health coverage and what kind of coverage they get can have significant impacts on the entire healthcare and health insurance industry.

We, as business and actuarial professionals in the healthcare industry from different parts of the world, and as keen observers of healthcare coverage in the gig economy, collaborated on this paper to summarize our country-specific experiences. Our combined experience represents a mixture of big and smaller economies, of countries with national health and market-driven health insurance, of populations big and small, younger and older, etc. The goal of the paper is to synthesize common themes, note idiosyncratic features that may only apply to a specific country, and hopefully distill some useful lessons.

The rest of the paper is organized as follows. First, we summarize the common features of the gig workforce, such as demographic composition and the kinds of jobs. This is important to understand because population and socioeconomic characteristics are highly correlated with health status and health care needs. More standard economic and demographic statistics have yet to emerge to allow us to do cross-country comparisons. Second, we describe the healthcare coverage options available to gig workers in the countries that we have observed, and what policy initiatives and market-based solutions have been rolled out. Here we see that there is no "silver bullet" to address the health coverage issue for gig workers. Not every issue may be easily addressed using government policies and mandates, just like not every issue may be addressed in a free market. Lastly, we will present a set of key considerations with respect to market-based health coverage for gig workers.

Who are the Gig Workers?

For this paper, we refer to gig workers as those who **rely on digital platforms** to obtain work opportunities on a freelancing basis. Some of these workers may have a full-time or part-time job and are only doing gig work outside of their normal business hours. Some of them may rely solely on gig work through digital platforms to make a living. Different countries are at different stages of digitization in their economies. The world's two largest economies, the U.S. and China, have 27% and 19% of their workforce engaged in the gig economy, respectively. In the other countries we are monitoring, participation in the gig economy is expected to grow, especially during the COVID-19 pandemic. Please see Table 1 for more details. Please note that different countries may use different definitions of gig workers, which makes it somewhat difficult for cross-country comparisons. For instance, in the U.S., the percentage of population statistic includes individuals older than 65, whereas in China, the percentage of population statistic does not include those over 65, although it is conceivable that individuals over 65 are part of the gig workforce.

FIGURE 1: DEMOGRAPHIC CHARACTERISTICS OF THE GIG WORKERS

COUNTRY	DEMOGRAPHIC CHARACTERISTICS
United States	In 2020, 27% of all adults aged 18 and older earned some money from gig work, and 8% were regular gig workers. (1)
China	In 2020, there were approximately 200 million gig workers, accounting for 19% of the Chinese population between 18 and 64 years of age. (2)
United Kingdom	In 2018, 4.4% of the population participated in the gig economy; 54% were male. The average age of gig workers was younger than the general population. (3)
Germany	In 2018, 5% of the 18-to-64 population participated in the gig economy and the number of participants has been increasing since. (4)
Romania	In 2018, 10.5% of the population participated in the gig economy. 1.4% of the population had its main source of income doing gig work. (5)
Poland	In 2018, 0.5-2% of the working populations in nine of the largest Polish cities participated in the gig economy. The majority were young men. (6)

Sources:

(1) <https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-employment.htm>.

(2) http://www.gov.cn/zhengce/2021-05/12/content_5606086.htm.

(3) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf.

(4) <https://www.dgb.de/++co++c91ffd2-5fdc-11eb-b92c-001a4a160123>.

(5) Urzi Brancati, C., Pesole, A., Fernández-Macias, E. New evidence on platform workers in Europe. Results from the second COLLEEM survey, EUR 29958 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-12949-3, doi:10.2760/459278, JRC118570.

(6) The gig economy in Poland: evidence based on mobile big data, Beręsewicz et al, arXiv:2106.12827 [econ.GN].

The kinds of jobs that gig workers take on are very similar from country to country, with merchandise and food delivery, taxi drivers, tutors, caretakers/sitters, and household repairs being the most common types. Other more skilled and professional jobs are also available on niche digital platforms, such as data scientists, IT professionals, and clinicians.

Gig workers' lifestyle, demographic, and occupational characteristics are highly associated with health status, health risks, and other kinds of risks such as accidents and injuries. They routinely use the digital platforms to seek work, receive customer ratings, settle payments, etc., thereby leaving a significant digital footprint. Appropriate data may be used to understand the gig workforce for purpose of health policymaking, health risk management, and commercial health insurance design.

Health Coverage Options for Gig Workers

In this section, we summarize the coverage options available to gig workers, the policy initiatives various governments have undertaken, and the market-based solutions specifically geared toward gig workers. Please refer to Table 2 for details. Generally, for countries with national health service or national health insurance, employment status has little or no impact on access to health coverage. Gig workers may choose to purchase commercial insurance to supplement the existing coverage or reduce the wait time to see a doctor, provided they have the additional need and can also afford it.

FIGURE 2: HEALTH COVERAGE OPTIONS, PUBLIC POLICY INITIATIVES AND MARKET-BASED SOLUTIONS FOR GIG WORKERS

COUNTRY	HEALTH COVERAGE OPTIONS	PUBLIC POLICY INITIATIVES	MARKET-BASED APPROACHES SPECIFIC TO GIG WORKERS
United States	Entities using the services of gig workers are generally not obligated to provide the benefits that employees of these entities would be entitled to. Thus, gig workers typically must find alternatives to employer-provided health coverage. The two main options for gig workers are Affordable Care Act (ACA)-compliant individual plans and short-term health plans. The aged 65 or older population, including those who are engaged in the gig economy, have Medicare coverage.	<p>In March 2021, U.S. Congress passed the American Rescue Plan (ARP), which removed restrictions on subsidy eligibility and increased the level of benefits provided for those already receiving subsidies in 2021 and 2022. After the ARP passed, the average premium for rideshare and delivery drivers on their platform dropped from \$171 per month in March 2021 to \$80 per month. Now 37% of drivers pay less than \$1 per month for health coverage. ⁽⁶⁾</p> <p>In 2020, a ballot measure called Proposition 22 was passed in California. Proposition 22 essentially classified certain gig workers as somewhere between an independent contractor and an employee. Among other provisions, companies would be required to pay a stipend for health insurance to any driver working more than 15 hours a week. Such a model would keep gig workers in the individual or short-term markets, but make coverage more affordable and potentially reduce the number of uninsured. Proposition 22 was declared unconstitutional by a California Superior Court judge in August 2021, but is expected to be appealed. ⁽⁷⁾</p> <p>After the ARP was passed, The Centers for Medicare and Medicaid Services (CMS) engaged in efforts to promote enrollment in ACA-compliant coverage, particularly among gig workers. Several digital platforms, including DoorDash, Postmates, Lyft, and Uber, partnered with CMS to promote ACA Marketplace health plans to their drivers. ⁽⁸⁾</p>	Short-term health plans have been marketed specifically to gig workers. Unlike ACA-compliant individual market plans, short-term health plans may not be guaranteed issue, may be underwritten, may not guarantee renewability without additional underwriting, and may contain pre-existing condition exclusions. They also may not be required to cover the 10 essential health benefits required by ACA-compliant plans. With renewals, federal regulations allow short-term plans to last for up to three years. These requirements vary state to state, with some states banning short-term health plans altogether.

COUNTRY	HEALTH COVERAGE OPTIONS	PUBLIC POLICY INITIATIVES	MARKET-BASED APPROACHES SPECIFIC TO GIG WORKERS
China	<p>China's national social health insurance scheme covers more than 95% of the population and is divided into two separate risk pools—a risk pool for the formally employed population residing in urban areas funded largely by employee and employer payroll taxes, and a risk pool for other urban and rural residents funded through central and local government budgets with premium subsidies. Gig workers can enroll in either the resident pool or the urban employee pool.⁽⁹⁾ Generally, for those young and with stable income from gig jobs, it is more cost-effective to enroll in the employee risk pool, because while premium is higher than that of the resident pool, the benefit level is also higher. For those who are older and earning less income, it makes more economic sense to apply for resident coverage, because the resident coverage premium is low, and member cost-sharing decreases with age.</p>	<p>In July 2021, China's Ministry of Human Resources and Social Security, in collaboration with several other ministries and government oversight entities, issued guidance and proposed solutions to protect gig workers' social welfare and rights to public services in the platform economy.⁽¹⁰⁾ In September 2021, China's State Council passed the fourteenth five-year national social health insurance plan.⁽¹¹⁾ The plan includes a policy to allow gig workers to become eligible for the social health insurance benefits of their current city of residence as opposed to their registered place of residence, which is mostly their birthplace. At this time, there is no uniform policy or guidance at the national level on which risk pool the gig workers should be directed. Instead, the central government gives local governments flexibility in terms of covering the gig workers.</p>	<p>Commercial insurance designed specifically for gig workers to provide a basket of coverages that include medical, personal injuries, accidents, and deaths.</p>
United Kingdom	<p>Healthcare in the UK is available through the National Health Service (NHS) to every resident of the UK irrespective of their work status, and covers everything from a doctor's appointment to emergency surgery. The NHS is a broad-based tax system and access is not dependent on contribution status, but only residence status. Around 10.5%⁽¹⁾ of the population in the UK opt to pay out for private medical insurance (PMI) alongside having NHS. All UK residents including non-nationals can access services for free. Therefore, the primary health care needs of the gig workers are covered by NHS, although there may be access issues at all levels, particularly in the wake of COVID-19.</p>		<p>Insurtech entrants leverage digital platform and artificial intelligence algorithms to underwrite new members. They offer pay-as-you-go or monthly subscription plans, based on the behaviors and needs of the gig workers.</p> <p>UK-based insurtech companies like 'Dinghy' and 'Zego' are focusing on insuring this segment of the population but are currently involved in providing general insurance products and not health. Their range of services includes Professional Indemnity, Public Liability, Business Equipment Insurance and Freelancer Assist, Car Insurance, Scooter Insurance etc. Their unique selling points are:</p> <ul style="list-style-type: none"> ▪ Ability for freelancers to switch on/off their insurance and save money while not working. ▪ No upfront charge for insurance; instead billing occurs at the end of the month for the coverage used with no interest or fees. ▪ Quick update process: 3 minutes. ▪ Online claims processing 24/7.

COUNTRY	HEALTH COVERAGE OPTIONS	PUBLIC POLICY INITIATIVES	MARKET-BASED APPROACHES SPECIFIC TO GIG WORKERS
Germany	In Germany there is a dual health insurance system with a Statutory Health Insurance (SHI) pillar, complemented by Private Health Insurance (PHI). By law, all German residents are required to have health insurance. Under specific circumstances (e.g., gross income exceeds a given threshold of 64,350 EUR (74,000 USD) in 2021, self-employed, civil servants) German citizens can opt out of the SHI system and change to a full-coverage tariff in the PHI system (substitution of SHI). Approximately 90% of the German population is insured in the SHI.	There was a proposal of die Linke (a socialist party) in the German federal parliament calling for laws that require platforms to assume the responsibilities as employers. It claimed that the platform workers lacked labor protection, such as paid holidays, income in case of illness and so on. ⁽²⁾ This proposal was declined by the majority of the Social Committee. In November 2020, the German pension fund also claimed that the proposal of die Linke was not appropriate, as the great heterogeneity of the business models' regulatory approaches were not advisable in a gig economy. ⁽³⁾	Overall 10% of the German population is insured in the PHI. Only the main platform workers, who earn their most income through platform work and are self-employed may need a private health insurance. PHI benefit design is dependent on the member's own chosen tariff. The market of private healthcare insurance for platform workers is relatively small now, because only 7% of platform workers earn more than 18,000 EUR (20,700 USD) annually
Romania	Mandatory public health system. Independent workers who make less than a certain amount each year are exempt from paying contribution to the health system and from being subsequently covered, which may come as a disadvantage.		Gig workers can insure themselves in the private insurance or private medical subscription market, where coverage depends on the selected benefit level. However, they would still need to weigh the benefits and costs of the different systems, including the public health system because private health insurance may not be too expensive.
Poland	Compulsory employment-based health insurance includes the self-employed, which would rarely apply to gig workers. Freelancers are entitled to public health insurance free of charge if under age 26 or still studying if their spouse is covered by the compulsory health insurance. Otherwise, available options to gig workers are voluntary health insurance by the National Health Fund or a private insurance company. ⁽⁴⁾	Under private insurance, inpatient coverage is usually limited (only a discount is provided), and prescription drugs are usually not covered. Premiums are dependent on the scope of coverage, service level, and sales channel.	<ul style="list-style-type: none"> ▪ Useme.com (a legal and administrative solution for freelancers in many industries) offers medical coverage in Luxmed network (it is not obligatory to cooperate with useme.com to obtain the coverage). ▪ Insurance provided by AXA for Uber drivers (free of charge) with the reimbursement of medical and rehabilitation costs of up to EUR 7,500 (8,625 USD) in case of an accident. The insurance coverage is much broader and includes disability and death compensation, hospitalization, maternity/ paternity one-off payments, and other.

Sources:

- (1) Healthcare in the UK: a guide to the NHS | Expatica
- (2) <https://dip21.bundestag.de/dip21/btd/19/168/1916886.pdf>.
- (3) <https://www.ihre-vorsorge.de/nachrichten/lesen/bundestag-gig-worker-sind-nicht-immer-arbeitnehmer.html>.
- (4) "The gig economy in Poland: evidence based on mobile big data," Beręsewicz et al, arXiv:2106.12827 [econ.GN].
- (5) <https://www.federalreserve.gov/publications/2021-economic-well-being-of-us-households-in-2020-employment.htm>.
- (6) <https://www.forbes.com/sites/debgordon/2021/07/21/gig-workers-paying-54-less-for-health-insurance-new-data-shows/?sh=8b621c51689a>.
- (7) <https://www.latimes.com/business/story/2021-08-20/prop-22-unconstitutional>.
- (8) <https://www.hhs.gov/about/news/2021/05/26/cms-encourages-companies-promote-quality-affordable-health-coverage-for-gig-workers.html>.
- (9) http://www.gov.cn/zhengce/2021-05/12/content_5606086.htm.
- (10) http://www.gov.cn/zhengce/zhengceku/2021-07/23/content_5626761.htm.
- (11) http://www.gov.cn/zhengce/2021-09/16/content_5637884.htm.

Key Considerations in Commercial Health Insurance Design for Gig Workers

Insurers must be willing to adapt and innovate their product offerings to appeal to the expectations of freelancers and on-demand gig workers, some of which includes:

- **The Automated Process:** Gig workers and freelancers are tech savvy and self-directed consumers who do not necessarily want to speak to an insurance broker or agent. They step away from a buying process they view as too time-consuming and troublesome in favor of an option that provides them with an instant product or solution gratification. By adapting the process in which insurance policies are sold online or via mobile by making it more automated and reducing the time to issue, insurers and insurance brokers could see a huge shift in the number of gig workers purchasing their products.
- **On-Demand Coverage:** Gig workers are unimpressed by the traditional annual policy model of insurance and prefer more flexible policies, especially in terms of time constraints. They choose insurance products that allow them to protect themselves for shorter durations, such as day-to-day, month-to-month, or gig-to-gig. Therefore, allowing users to have more flexibility in the way in which they access and use insurance products could have a significant impact on how this group views the benefits of insurance policies. One of the health insurance products that could be bought like this is 'Personal Accident' cover. Gig workers will sign-up for this policy only when they are exposed to accident risk while commuting to the place of work during a gig that does not allow virtual jobs. They would wish to terminate the policy when transferred to another gig that allows work-from-home when there is less accident risk.
- **Product Flexibility -- Not all gig workers are alike:** The risks and needs of gig workers vary greatly and change constantly, therefore, it is important for insurance coverage to reflect this fact. Offering custom insurance packages that are specific to the individual could greatly help in keeping this section of the workforce insured. It is important for insurance providers to listen to the individual needs of gig workers and discuss the best way to keep them insured especially when the nature of their workforce changes so often.
- **Adverse Selection:** In countries where there are no national health services, it is conceivable that gig workers who anticipate needing health care soon are those who are more eager to seek coverage. Unlike adverse selection in a general population, gig workers have unique characteristics that may lend them to more accurate medical underwriting where it is permissible. For instance, gig workers have certain demographic distributions, concentrate in certain occupations, rely on digital platforms, and have certain socioeconomic characteristics. These attributes are either highly correlated with their health status or impact the healthcare cost and utilization patterns; hence, they are quite predictable.

Limits and Caveats

In conducting this research, we referenced numerous news articles and industry reports. We were able to do cross-validation of the statistics cited by these sources but are unable to independently verify the statistics ourselves.

The authors are employees at Milliman and do not have any interest in any of the businesses mentioned in this article.

The observations are entirely those of the authors and do not represent that of Milliman.

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