

PORTABLE BENEFITS:

Protecting People in the New World of Work



In a fast-changing economy characterized by part-time work, gigs, frequent changes of employers and reskilling, Canada should consider creating a nimble benefits and pension system that is tied to the worker rather than the employer and ensures ease of access, portability, coverage and generosity. **By Sunil Johal and Wendy Cukier**



SUMMARY AND RECOMMENDATIONS

The traditional, single-earner household supported by stable, full-time income, pension and benefits is increasingly the relic of a bygone era. Temporary and part-time employment have increased steadily in recent decades and the prospect looms of the digital gig economy fuelling a surge in task-based, on-demand forms of work. Even large employers have tended to gut defined benefit plans to cut costs.

The standard employment relationship in the post-war period, when most of Canada's social programs were designed, was characterized by employers that provided retirement income security and extended health benefits. These employer-provided supports are backstopped by universal government programs providing relatively modest benefits such as the Canada Pension Plan, Old Age Security or provincial pharmaceutical programs for low-income residents and seniors.

Yet, this is no longer the reality for many workers in Canada. Non-standard work, such as temporary, part-time, and self-employed positions, has accounted for 60 percent of job growth in advanced economies since the mid-1990s. These positions tend to have far less access to pensions and benefits. In 2011, fewer than a quarter of Ontario workers who

Canadians live and work very differently today than they did 50 years ago. The emerging gig economy and changing business practices are diminishing stable, full-time work and, as a consequence, more workers are finding themselves without adequate pension or benefit coverage. The solution may be to explore a nimbler, targeted model for providing benefits called portable benefits.

To move forward on this key employment issue, more information and analysis are needed on the potential costs and advantages of a portable benefits plan, as well as the impact that such plans would have on under-represented groups. Federal, provincial and territorial governments should, at a minimum:

1. **Conduct detailed analysis of the costs and benefits as well as the feasibility (economic, operational, technological, political, legal) of a portable benefits model**
2. **Consult extensively with stakeholders to understand their diverse interests and needs**
3. **Evaluate existing models of portable benefits, beginning with the Washington State case study referenced within this policy brief**

engaged in non-standard employment had medical insurance (23%), dental coverage (22.8%), life/disability insurance (17.5%) or an employer pension plan (16.6%). By comparison, three-quarters of workers in standard employment relationships (e.g., full-time, indefinite positions) had access to medical and dental insurance, and more than half had a pension plan.

However, in the 21st century more and more workers are not employed by such companies, which leads them to ask: If I am not able to access sufficient pension and benefit coverage through my own work efforts, and government programs don't cover me either, where should I turn?

Portable benefits may be the logical next step

One notion is starting to gain traction: that of a portable benefits account that workers, employers—and potentially even the government—pay into to increase benefit levels and access in areas such as pharmacare, life insurance, vision care and mental health services. One of the advantages of portable benefits is that it is tied to the employee, not the employer. Not only would portable benefits offer flexibility and advantages for workers, but the broader access that portable benefits would provide might also remove some disincentives to employment reported among marginalized groups. For example, single parents and persons with disabilities on social assistance have reported that a significant “cost” of accepting employment is the loss of government-provided benefits, such as drugs and dental. Portable benefits could significantly reduce this disincentive to employment.

The Province of Ontario recognized the challenge of losing government-provided benefits by offering the Transitional Health Benefit if the recipient is no longer financially eligible for Ontario Disability Support Payment income as a result of employment earnings, paid training or income from self-employment—and if comparable benefits are not provided by the employer. But this is not the case across Canada. Fundamentally, this type of re-alignment of incentives and disincentives between programs and work status is rooted in the notion that it is

better for people to be working than collecting social assistance.

From a systems perspective, there is some evidence that expanding access to certain types of benefits—for example mental health services, dental, physiotherapy and other allied health services—can reduce overall health costs by preventing the occurrence or intensification of illnesses that will require more expensive interventions later, or that could result in disability. And many reports suggest that entrepreneurship and small- and medium-sized enterprises are drivers of economic growth, but their inability to provide stable benefits may be an impediment to attracting and retaining the talent they need. Portable benefits could help solve these issues.

Applicable to all employment classifications

A portable benefits approach could offer workers in part-time, temporary and gig roles the opportunity to have some level of coverage for their medical, health and retirement needs without either requiring high levels of public investment or unnecessarily burdening employers with high additional costs for these types of roles—as well as averting other social costs and potentially driving increased entrepreneurship.

Fundamentally, a portable benefits model would remove the question of employment classification from the benefits equation. Whether a worker is engaged in full-time, part-time, temporary or gig employment, they ought to be entitled to benefits. Employers and workers could both be mandated to pay a portion of earnings into a protected, centrally administered account, which could be withdrawn for certain purposes (e.g. upon retirement for gen-



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A wide range of options for a portable benefits model

The exact scale and model of the portable benefits account could vary widely. In practice, we are already seeing similar models in certain sectors. For example, in New York City, the Black Car Fund, which has provided worker's compensation benefits for livery and black car drivers since 1999, has recently expanded its mandate to include vision coverage and appointments with doctors for Uber and Lyft drivers.

Canada's 1.7 million workers in the non-profit sector, nearly half of whom are on contract or working part time, may soon be able to participate in a portable retirement savings scheme. Common Wealth is working with Prosper Canada, the Maytree Foundation, Boys and Girls Clubs of Canada and the United Way Greater Toronto to assess interest amongst workers in a plan that would deliver lower fees than mutual funds, portability between jobs, flexible contribution rates and optional employer contributions.

Others have suggested that new platforms creat-

ing new opportunities for flexible working arrangements can also provide new types of safety nets for workers. For example, Wonolo is an online platform with an occupational accident insurance mandate. Some have argued that this model should be expanded to provide online platforms that connect people with benefits and coverage suitable to their individual circumstances.

Sectoral approaches are appealing because they are easy to implement among commonly situated workers. However, a more universal approach to portable benefits spearheaded by the federal government would realize far greater cost savings and efficiencies through scale, and by spreading risk amongst a broader pool of workers. A federal approach could also leverage the Canada Pension Plan and Employment Insurance programs operated by Service Canada and Employment and Skills Development Canada.

Another key design consideration, beyond who creates and administers the program, is the scope of the program. The range of benefits used during an initial implementation (whether it be a broad range of benefits or a small selection) would be a significant factor determining the expense and scope of the program. Whether or not the program were

universal would also be an important factor, as a universal program could reduce contribution rates significantly. Including skills-training funds could benefit a broad swath of workers who aren't currently eligible for employment insurance and associated training programs, and may be of particular relevance in a future world of work where people are frequently bouncing between different roles that require upskilling and reskilling.

A RAFT OF QUESTIONS MUST BE ANSWERED

While much discussion has taken place from different perspectives about the potential advantages of portable benefits—and many models have been generated and pilot projects launched—a number of challenges remain to implementing such a program in Canada. At this stage, there seem to be more questions than solutions, and a number of issues have surfaced that warrant further exploration. Some bodies, such as the Aspen Institute, have begun to develop guidelines for potential projects.

Among the questions that have been raised are:

- Who qualifies? How are entitlements accumulated and tracked? Some have

suggested the idea of an “hour bank,” which would require a minimum number of hours per month but could accumulate (and be verified) across multiple employers. Some models apply to gig workers for specific employers (e.g. Uber) or across specific industries or subscribing to specific platforms. Ideally, the model would be universal and apply to the full range of non-standard workers. Additionally, there are questions about opting in or opting out of a potential program.

- What is covered? Are the benefits selected from a suite of options that can be adapted to the circumstances of an individual—for example, life stage and needs? Are there basic packages with add-ons for additional costs? How would a new model fit with existing programs such as RRSPs, the CPP and EI, and avoid duplication?
- Who pays? How are costs shared among government, employers and beneficiaries? Or are surcharges levied on customers by companies employing gig workers?
- Who manages? How will the relationships be navigated between private service providers, employers, employees and government? How

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are different levels of government involved?

In the United States, several private sector organizations, social enterprises and unions have moved into the space, creating opportunities for new collaborations and public-private partnerships.

- How can technology be leveraged to provide a platform for tracking and supporting a shared benefits system? There are risks associated with efforts to develop large, centralized platforms, and also with fragmentation across multiple platforms. Work should be done quickly to assess options and ensure there is a coordinated approach that could, analogous to health records, devolve to systems where individuals hold their records with a trusted intermediary to validate, track and verify.
- What are the barriers to implementation? Establishing portable benefits would require significant rethinking of existing labour law. Failing an innovative platform or self-organized blockchain solution, portable benefits would require a certain level of bureaucracy to develop, administer and enforce.

More information is needed to assess the costs and benefits of such an initiative as well as its potential impact on under-represented groups, individually and systemically. Providing mechanisms to enhance health in under-served segments of the population, and remove disincentives to employment and self-employment, would appear to have significant value not just for individuals but also for system-wide outcomes and fiscal concerns. However, given the range of interests and diverse stakeholders, extensive consultation would be required.

A PORTABLE BENEFITS CASE STUDY FROM THE STATE OF WASHINGTON

The U.S. state of Washington introduced a portable benefits bill during the 2017 legislative session, and again during the 2018 session. The bill, which earned public support from Uber, the Service Employees International Union and entrepreneur Rick Hanauer, establishes a portable benefits fund to cover any business that “facilitates the provision of services by workers to consumers seeking services and where the provision of services is taxed under 1099 status.” Businesses subject to the law would be required to:

- contribute an amount determined by the state labour department for workers’ compensation
- contribute 15 percent of the total fee collected from a consumer transaction for a provided service, or \$2 for every hour that the worker provided services to the consumer, whichever is less
- make monthly contributions to the fund

In addition to workers’ compensation, the benefit providers could provide a range of other benefit options—determined with worker input—from health insurance, to paid time off, to retirement benefits.

More detailed analysis is needed of the costs and benefits as well as the feasibility (economic, operational, technological, political, legal) of a portable benefits model. Additionally, evaluating existing programs (e.g. [the new Washington State project](#)) or developing small-scale evaluations of pilot projects might allow for the concept to be trialed in a low-risk environment to inform intelligent policy and implementation, perhaps supported through social finance. While legislative approaches might be considered, so too might localized “ben-

efits innovation zones” in smaller, self-contained jurisdictions.

Portable benefits approaches could address a range of different challenges associated with the present and future of work. As Canada continues to grapple with the challenges of transitioning into a 21st century digital economy, our approaches to the provision of benefits should also be reconsidered for their ease of access, portability, coverage and generosity.

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