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**ROLE OF THE GIG ECONOMY IN THE INSURANCE
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Dr. Ben Kajwang PhD



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Dr. Ben Kajwang PhD, ACII(UK), AIRM(UK), FIIU, FIIK, CPT, Chartered Insurer
Chief Executive Officer, College of Insurance, Nairobi, Kenya
Corresponding Author Email: bkajwang@coi.ac.ke

ABSTRACT

Purpose: The recent rise in the gig economy has led to change in supply and demand of labour globally. People have opted to work as freelancers or contractors on projects of multiple companies. On the other hand, have also seen it beneficial to outsource for gig workers whenever they need them to work for a specific period since it has helped them cut on the labour costs of hiring permanent employees. The goal of this study is to identify and discuss the roles of the gig economy in the insurance sector. The purpose of this work is to enhance the reader's understanding on what is a gig economy and its role in the insurance sector.

Methodology: A desktop literature review was used for this purpose. Relevant seminal references and journal articles for the study were identified using Google Scholar. The inclusion criteria entailed papers that were not over five years old.

Findings: The study concluded that gig workers are excluded from pool of benefits that permanent employees enjoy, such as insurance coverage, paid sick leaves, paid vacations and pension plans. Hence the gig economy has provided a business opportunity to the insurance sector to provide insurance benefits to gig workers especially where the social security and protections plans are mandatory.

Unique contribution to theory, practice and policy: The study recommended that it is important for gig economy to partner with the insurance sector so as to provide mandatory social security and protection plans to all gig workers. In addition, the insurance sector should outsource for gig workers whenever they are needed since they have access to digital platforms that help them provide quality services to their customers.

Keywords: *GIG, Economy, Insurance Sector*

INTRODUCTION

The term “gig” comes from musicians and describes a job that lasts for only a specified period of time (Abraham, Haltiwanger, Sandusky & Spletzer, 2019). A gig economy involves the exchange of labour for money between individuals or companies via digital platforms that actively facilitate matching between providers and customers, on a short-term and payment-by-task basis. In a gig economy, gig workers use digital platforms to negotiate discrete parcels of work directly with customers and clients. The labor market majorly involves freelance, temporary or independent contract work and the forms of work in the gig economy include crowdwork and work-on-demand via apps (Brinkley, 2016).

A gig worker is someone you hire to perform temporary or freelance work for your business. The types of gig workers include; photographers, performers, tutors, consultants, handymen, fitness trainers and ride-sharing drivers. These workers mainly do not appear on the payroll, this is to mean that they are not deducted any taxes from their salary. In the recent economy, there has been a rise in gig workers who prefer working as short-term, temporary or independent contractors for one or a variety of employers instead of in-office full time job for a single company (Lepanjuuri, Wishart & Cornick, 2018).

The phrase gig economy was coined by well-known journalist Tina Brown to describe the flexible job market post 2008-recession. What started as a means of survival in the absence of a full-time job is today a \$1.3 trillion economy in the US alone. Yet, despite their huge contribution to national economies, gig workers do not qualify for health, liability and disability benefits offered by traditional jobs. They have to buy their own protection and the open market has very limited insurance coverage options. Many are unaware that their personal policies will not cover them on the job. A majority of them remain uninsured or underinsured. It is time the insurance industry took steps to address this large protection gap. Traditional insurers have not been active in the gig market despite their popularity and vast loss data. General liability, accident protection and disability are standard products offered to employers in the commercial space. Though customized versions of these products are vital for the gig workforce, established players have not yet been able to serve the gig market on scale. By contrast, InsurTech players are a step ahead in providing the desired flexibility and customization. They offer on-demand protection by the hour and the ability to choose limits at an affordable price to the gig workforce. To offer such benefits, they have relied on technology (predominantly AI) and external ecosystem partners (Suggu, 2021).

In India, while start-ups have been the earliest adopters of the gig economy, multinational companies are slowly picking up pace and embracing the idea of having contract workers for jobs that can be outsourced. Project-based contracting also keeps the operating expenses low as hiring someone full-time for a project would shoot up the payroll expense by a significant margin. However, when you're working on a contract basis, employers are not required to provide you with basic facilities like insurance, and they do not either. This is creating a gap where a large section of the workforce does not have any coverage at all. A lot of insurance companies still do not have coverage for any mishaps that occur at work, and hence, it creates a very risky situation for people who have to travel or work in high risk situations under contract but with no security. In most cases, members of the gig economy also must get life insurance on their own as they don't come under traditional labour laws. These laws were designed with full-

time employment in mind but with economic slowdown and the recent economic depression, part-time contract-based jobs have been on an all-time high because of the flexibility it offers (Donovan, Bradley & Shimabukuru, 2016).

The main change in insurance policies that is required to insure these people is of the exclusion type and not the inclusion type. What that translates into is that contract-based jobs can be of varied risk factor – from walking a puppy every evening to driving cabs for Uber in an accident prone zone. Thus, insurance companies will need to account for every scenario and exclude only super high-risk situations rather than having a set list of conditions where the insurance policy will kick in and exclude every other scenario. The demand for this kind of insurance policy is very high among tech companies who are the primary growth drivers of the digital and gig economy (Donovan, Bradley & Shimabukuru, 2016).

The gig economy is a free-market system that is mediated through online platforms and has received much attention in the recent years. It is centralized on digital services and platforms that have disrupted the normal way labour markets work throughout the world. It has also been considered as a form of self-employment that is apparent in the administrative and private sector transactions data. Many individuals took gig works as secondary revenue streams or side hustles which later become primary sources of income even with the recent Covid-19 market changes. This is as a result of the benefits that comes with the gig economy where there is independence and flexibility when it comes to one's schedules (Donovan, Bradley & Shimabukuru, 2016).

Freelance workers have fled traditional employment making the traditional terms of insurance no longer relevant. These individuals do not have the same opportunities as their full-employment counterparts in terms of company benefits, nor do they need annual policies. Therefore, without the necessary adaptations from insurance providers, they are on the verge of quickly becoming one of the most underinsured generations to date. Gig workers and freelancers such as photographers or music instructors enjoy the independence and freedom that the gig economy offers them. These individuals are not tied down to just one role but rather work many different 'gigs' for a plethora of different businesses or individuals at the same time. And for this reason, the boundaries of the gig economy are constantly changing presenting new needs and risks on a month-by-month basis. With the needs of freelancers is constantly in a state of shift, so too will be the protection that they need. This can make the traditional annual insurance contracts we are all used to seem too rigid and impractical for their needs. However, many insurance providers and companies have been unwilling in the past to drastically change the way that they offer insurance products. Therefore, causing a battle for insurers to catch up with freelance workers (Simona, 2019).

Technology, for sure, has played an important role for this new business and employment model. The current cutting-edge digital online platforms, along with the proliferation of mobile applications, have paved the way for the gig economy by enabling an instantaneous matching of supply and demand, bringing together service providers with people needing those services. Fundamentally, there are two main kinds of gig digital platforms: the labor based ones, which enable workers to provide activities, completing tasks like driving a car (e.g. Uber), delivering parcels and food (e.g. Deliveroo), assembling flat-pack furniture (e.g. TaskRabbit) and the asset based ones which allow people to rent or sell their unused assets (e.g. Airbnb, eBay). These platforms have evolved and have enabled over time the transformation of the gig economy from

a C2C market, with individuals offering/demanding products from each other like on eBay founded back in 1995, into a B2C market with new models exploiting underused assets or skills. The gig economy is also a B2B market, highlighting transactions between different sectors and the need for new insurance products (Simona, 2019).

One of the hallmarks of the digital disruption era has been the emergence and evolution of the gig worker space, or the short-term jobs performed by freelancer and independent contractors all around the globe. These jobs, which may have started as secondary revenue streams or side hustles, have become the primary source of income for many workers even in spite of COVID-19 market changes. While gig economy workers enjoy independence and flexibility when it comes to their schedule, for many there's a steep cost to that kind of freedom -- no holiday pay, no health benefits, and very little job security. As pressure to introduce new regulations for gig workers grows, an opportunity has emerged within the insurance and insurtech space to create new products and coverages that address the needs of workers and the platform businesses who employ them (Fischer,2021).

Gig workers and freelancers are tech savvy and self-directed consumers who don't necessarily want to speak to an insurance broker or agent. These individuals conduct all of their daily work and life processes through apps or over the Internet due to the autonomy that it provides. So, for this reason, buying an insurance product must as easy as it is for them to book another gig or order an Uber. Without an automated process, the insurance industry will find it very difficult to sell insurance policies to the gig working economy. Freelancers and gig workers step away from a buying process that is too time-consuming and troublesome in favour 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, making it more automated and user-friendly, insurers and insurance brokers could see a huge shift in the number of gig workers protecting themselves (Jauntin, 2021).

While the fight for expanding health insurance coverage and benefits is sure to continue, there is a growing understanding that the work of gig employees carries specific risks that require coverage beyond the protections of personal insurance. For these gig workers and their employers, protection gaps are a serious issue. Some specialized insurtech startups have responded by creating flexible, tailored and on-demand insurance policies customized for the gig economy. Qover has introduced a line of products specifically for the Gig and Disruptive Mobility space, offering innovative insurance solutions including professional liability insurance, accident insurance and income protection for gig workers who need a financial safety net in the event of illness or an accident. These types of short-term, pay-as-you-go, embedded policies are perfectly aligned with the gig economy – often relying on AI and other novel data technologies to bypass more traditional (and slower moving) underwriting processes (Fischer,2021).

Because the gig economy is a new, flexible, and short-term model of work, it does not provide the benefits and the protections that come with traditional full-time employment, such as life and health insurance, unemployment insurance, paid vacation or days off and minimum wage protection. Gig workers (and consumers), as they are not covered by their employers' insurance, may be exposed to greater risks than traditional employees. Furthermore, they may not even be fully aware of all the risks they are exposed to, as gig work does not fall neatly into commercial or personal insurance. In fact, personal insurance will not cover accidents that arise, for example,

from transporting passengers with your car for commercial use; and the coverage, which some ride-sharing platforms do provide, is not robust enough and might still expose employees to liability. Therefore, the gig economy has created a significant insurance and protection gap for these kinds of workers. And that's why this represents a great opportunity for the insurance industry: there is a new lucrative opportunity to provide tailored insurance policies for gig workers, as this new model of work demands new ways of thinking about insurance, with products that are flexible and able to be customized to particular needs (Simona, 2019).

The success and rapid growth of the gig economy demands a closer look at both the social protections these workers require and what happens if those measures aren't put into place. While we can't predict exactly how the gig worker space will continue to evolve, market trends and labor activism both spell opportunity for the insurance industry. Insurers should be looking at partnerships and products that address protection gaps within the space and that allow for the kind of flexibility and scalability the gig economy requires (Simona, 2019).

LITERATURE REVIEW

A study by Malos, Lester and Virick (2018) in California, United States revealed that the success and rapid growth of the gig economy demands a closer look at both the social protections of gig workers require and what happens if those measures aren't put into place. Gig workers and their employers have experienced specific risks that require coverage which most of them are excluded from this benefit pool. There have been mixed reactions in the rise in debates on whether gig employees of companies like Uber, Lyft and DoorDash should be given access to healthcare benefits and unemployment insurance. Further as the gig worker space continues to evolve, market trends and labor activism both present opportunity for the insurance industry. Hence some specialized in- surtech startups like Qover have responded by creating flexible, tailored and on-demand insurance policies customized for the gig economy.

Another study by Bieber and Moggia (2020) in United States revealed that the work-on-demand, a form of work in gig economy, has risen over the recent decades especially on a social level where there has been an increase in the granularity of work contracts in firms. This means firms only buy the exact amount of labour they need and at the particular moment they need it. The higher granularity of labour market transactions leads to an expansion of the reach of markets, as a result affecting the market forces of labour supply and demand. Unlike the on-demand workers, permanent employees in organizations benefit from social insurance coverage, dismissal protection, five-day work week and paid sick leaves. However, the insurance sector has come up with a social insurance cover that can be of benefit to on-demand worker such as unemployment coverage which offers little support to cushion short-term income fluctuations.

Research by Dazzi (2019) in United Kingdom, Europe indicated that since Covid-19 disrupted the global economy, there has been a shift in consumption trends impacting competition for the gig economy platforms, for example, increase reliance on food deliveries. This shift includes a focus on workers' rights, and specifically what kinds of protections employers should be offering all of their employees, especially for those platforms whose business models rely upon a freelance workforce. The Uber management in the UK agreed to re-classify seventy thousand of its drivers by entitling them to benefits like accident covers, vacation pay and pension plan. This

provided an opportunity for the insurance industry to partner with the uber management to offer insurance accident covers for their employees.

Further, a study by Brinkley (2016) in United Kingdom revealed that freelancers in a gig economy are own account self-employed in the top three occupational categories that is, managers, professionals and associate professionals and technical jobs. The study indicated that there has been significant rise in the number of freelancers between 1992 to 2015 in line with the growth of employment in the three top occupations, and a faster growth spurt after 2010 in line with the surge in self-employment. This faster growth of self-employment has led to a mix of underlying structural changes, including changes in business models and enabling technologies in the insurance sector and temporary factors such as the loss of permanent employee jobs in the recession.

A study by Eling and Lehmann (2018) in Geneva revealed that gig businesses like Uber have been classified as employers who entitle their drivers to benefits such as paid holidays, sick leaves and pensions as compensation for the risks they are exposed to. To respond to the specific risks that Uber drivers are exposed to, the insurance sector has introduced a line of products specifically for the Gig and Disruptive Mobility space, offering innovative insurance solutions including professional liability insurance, accident insurance and income protection for gig workers who need a financial safety net in the event of illness or an accident. These innovative insurance solutions are short-term and embedded on policies that perfectly align with the gig economy, where the improved data technologies have helped in doing-away with traditional, slow-moving underwriting processes.

A study by Hou, Lu and Schimmele (2019) in Canada revealed that gig workers are usually employed by firms or individuals to complete a specific task or to work for a specific period of time for which they are paid a negotiated sum. This includes independent contractors or freelancers with particular qualifications and on-demand workers hired for jobs mediated through the growing number of online platforms. Some insurance companies have considered hiring independent contractors or freelancers to develop their online websites, operation systems and manage digital marketing platforms that they use to advertise the products they offer. The independent contractors or freelancers are considered for these jobs due to their expertise in technological advancements and content creation.

A study by Huws, Spencer, Syrdal and Holts (2017) in Netherlands revealed that crowdwork, which is one of the forms of work in the gig economy exposed crowdworkers on a range of physical and psycho-social health hazards. Some of these were linked to working long hours, including long and unpredictable waiting periods (for which they were not paid). Workers also reported social and criminal risks including sexual harassment, assault and tasks that involved errands relating to drug dealing and handling stolen goods. As a result, there has been considerations to partner with the insurance industry to ensure statutory rights for platform workers in relation to insurance coverage, data protection, and health and safety.

Further a study by Huws, Spencer, Syrdal and Holts (2017) in Austria, Sweden, Switzerland and Germany outlined that most crowdworkers worked as full-time employees due to the flexibility of crowdworks. However, they experienced unfavorable working conditions that led to stress and grievances. The source of stress and grievances were difficulty in communicating with platform

personnel, arbitrary terminations, perceptions that platforms always take the side of clients against workers and frequent changes to payment and other systems. Thus, there has been consideration by policymakers in the gig economy to implement the minimum wage regulation, terms of suspension or termination of employment and the rights to challenge customer ratings. The policymakers can also partner with the insurance sector to build compelling benefits for the crowdworkers that will enhance reputation and talent management.

A study by Wasilwa and Maangi on the impacts of the gig economy in some countries in Africa revealed that the gig economy facilitates upskilling with gig workers in order to provide better and quality services to their customers. In Nigeria, the Gokada, a bike rider hailing app launched the Gokada Riders Training School to facilitate different forms of training for its riders. In south Africa, SweepSouth which trains domestic workers on effective cleaning during Covid-19, computer and management skills. While in Kenya the FundisApp was used to train artisans on soft skills to enhance their communication with clients and on digital literacy to enhance their social media skills. Access to such skills through the gig economy apps creates a pool of skills which the insurance sector may take advantage by employing on-demand workers who will provide efficient and quality services.

Research by Haripershad and Johnston (2017, July) on the impact of gig economy in Western Cape, South Africa indicated that the use of on-demand services such as Uber have been increasing globally as well as in Western Cape Town. On-demand services have disrupted traditional industries and have provided consumers with more convenient, technology-driven services. Successful companies operating in the gig economy like Uber have app-driven systems that allow consumers to receive a product or service via a smartphone. In addition, workers may receive a job through the smartphone or mobile application. Such kind of technology-driven services can also be used in the insurance sector, where insurers can partner with on-demand workers to upgrade their online operating systems into app-driven systems that their customers can easily use to access and purchase various insurance products.

A study by Hunt et al. (2019) in Kenya and South Africa revealed that domestic gig workers who provided cleaning services in various organizations or at individual level, were treated rudely and aggressively and abused by clients. On the other hand, ride hailing apps such as Uber, drivers are at risk of being carjacked, robbed or murdered. These challenges have resulted to slow growth of gig jobs and negatively affecting the welfare of gig workers. In addition, gig workers are not assured of mandatory coverage of social security and protection plans from their employers or at a personal level for those who are self-employed. Hence this provides an opportunity for the insurance sector to come up with insurance products that can provide accident covers, temporary incapacity in case of sickness and rider liability insurance.

A study by Naomi (2019) in Uganda indicated that the gig economy also includes sharing economy where peer-to-peer short term rental or labor services, such as Airbnb and Uber are provided. This has enabled individuals to participate in on-demand works such as delivery services and cleaning services. Likewise, the gig economy has increased demand for motorcycle drivers in the market, including for motorcycle taxi drivers connected to motorcycle taxi app platforms and e-commerce motorcycle delivery drivers. To increase work efficiency and employability skills of gig workers, the gig economy has partnered with the insurance sector to

provide property damage liability insurance to motorcycle drivers and accident covers for domestic gig workers.

Research by Iazzolino (2021) in Nairobi, Kenya outlined some of the challenges that Uber drivers face when the gig platforms construct their drivers as independent contractors. They include unfavorable price policies even when there is increase in fuel and during rush-hour traffics on the main roads. They also experienced unfavorable control mechanisms of ride-hailing platforms which lead to tension between the drivers and their employers. Such unfavorable conditions have led to striking of uber drivers contesting for their rights where sometimes the management fails to provide better regulation. As a result, uber drivers have sought for automobile liability insurance, professional liability insurance and income protection that covers them during financial crisis.

Kaine and Josserand (2019) noted that the gig economy has captured public and policy interest and is growing as an area of academic inquiry, prompting debate about the future of work, labour regulation, and the impact of technology and job quality. This special issue provides a timely intervention into that debate with this article providing an introductory overview, positioning the articles within a comprehensive literature review of existing scholarship on the gig economy. These articles add to our understanding of the organisation and experience of work in the digitally enabled gig economy in a variety of national settings. They explore aspects such as job quality, forms of collectivity, identity development, and algorithmic management and control. This article also delineates avenues for further research regarding conditions for gig workers, the impact of gig work and information, technology and gig work.

CONCLUSION

The gig economy is a digital economy which consists of individuals who work under temporary contracts and can either work part-time or full-time. The benefits of the gig economy are independence and flexibility to plan the work time schedule. However, gig workers are excluded from pool of benefits that permanent employees enjoy, such as insurance coverage, paid sick leaves, paid vacations and pension plans. This has provided a business opportunity to the insurance sector to provide such benefits to gig workers especially where the social security and protections plans are mandatory. In addition, gig workers have enhanced employability skills in digitalization hence when needed to carryout short-term tasks in the digital arena, they provide efficient and quality services which are better than those who are permanently employed. This has led to insurance organizations outsourcing for gig workers whenever necessary and reduce the labour costs of hiring employees permanently.

RECOMMENDATION

Based on the findings from the literature review: The insurance sector should outsource for gig workers whenever they are needed since they have access to digital platforms that help them provide quality services to their customers. It is important for gig economy to partner with the insurance sector so as to provide mandatory social security and protection plans to all gig workers. The gig economy policymakers should implement statutory rights for their platforms workers that are in relation to insurance coverage, data protection, health and safety. The

policymakers can also partner with the insurance sector to build compelling benefits for the crowdworkers that will enhance reputation and talent management. The insurance sector should come up with innovative insurance solutions which are short-term and embedded on policies that perfectly align with the gig economy, where the improved data technologies have helped in doing-away with traditional, slow-moving underwriting processes.

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