

The Gig Economy

by Sue C. Quimby, CPCU, AU, CIC, CPIW, DAE

The rise of the internet and the economic challenges of 2008/2009 brought a shift in how people work. People started offering goods and services directly to consumers via websites and apps. Advances in technology gave rise to accessibility and connectivity that was unimaginable just a few years ago. There are a number of benefits and drawbacks to the gig economy. Helping clients understand the requirements and risks associated with “gig” work is another value-added service of the professional insurance agent.

The gig economy can be defined as temporary short-term jobs/services offered by accessing websites or apps. There are basically two types – one where someone offers services such as car rides, lawn care, or delivery; and those involving tangible assets such as renting their home, car, or equipment, or selling items. Starting a gig job is easy. All that is required is access to the internet, a phone, and the necessary skills for the job.

Some of the most recognizable gig offerings include AirBNB, GrubHub, DoorDash, and Uber/Lyft. Virtually any type of service, from pet sitting/walking, to graphic design to proofreading/editing and data analysis can be offered via a phone app or online website.

How big is gig? There are currently over 57.3 million Americans working temporary/short term jobs. It is estimated that by 2023, more than half of US employees will be working in the gig economy or will have done so at some point in their working lives. The total economic impact of gig work is predicted to be nearly \$350 billion in 2021. In 2018, the data showed that transportation and asset-based services made

up nearly 90% of the total, with transportation leading the way at \$117.8 billion or 57.8%. Asset-based services come in at \$68.1 billion (30.3%). Handmade goods / household and miscellaneous services are at \$16.7 billion (8.2%) and professional services round out the list at \$7.7 billion or 3.8% (www.brodrmin.com). 44% of gig workers in the US list gig work as their primary source of income.

Why do people “gig?” Some are looking for flexibility in their work schedule – setting their own hours and choosing jobs that they like to do. Others do it out of necessity – perhaps they lost their job during the pandemic, or need flexibility to care for children or other family members. For others, gigging represents a way to supplement their income, or perhaps transition to retirement.

What are the drawbacks? Gig workers may not realize that they are not covered under their regular employer’s insurance. Furthermore, personal insurance such as homeowners and automobile usually does not cover someone while they are pursuing business activities. While some of the more well-known “gig” operations, such as AirBNB, may offer limited insurance type protection, it is essential for the individual owners to understand the gaps in coverage they may have when working in the gig economy.

General liability – coverage for damage to property of others or injury to others, is a minimum insurance requirement. Property



insurance is required for tools, equipment, stock, and office furnishings. Those who employ others in their operation need worker’s compensation. People offering professional services such as editing, proofreading, or legal advice should have a professional liability or errors and omissions policy. Life and health insurance are also recommended.

Changing times lead to changing opportunities. Freelance or gig workers represent a growing segment of the economy, providing needed products and services. This can be a great opportunity for those who want to be their own boss, as well as for insurance agents who can help protect these businesses. Helping gig/freelance workers address the risk and insurance issues they face is another value-added service of the true insurance professional.

This article was previously published in Insurance Advocate® magazine and is provided courtesy of MSO®, Inc. (The Mutual Service Office, Inc.) for non-commercial use only. For any other licensing requests or permissions, please contact squimby@msonet.com. © MSO®, Inc. 2021.

MSO provides advisory services for all property and casualty lines except workers compensation. This includes customized forms and manuals for insurers, MGA’s, and agents/brokers. Additional information is available at www.msonet.com.



For more information call (800) 935-6900 or visit us online at msonet.com