

## Kansas's Portable Benefits Bill: Legalizing Access to Benefits for Self-Employed Workers

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Kansas House Committee on Insurance

Re: H.B. 2602 (Portable Benefits for Independent Workers)

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Dear Members of the House Committee on Insurance:

My name is Liya Palagashvili. I am an economist, senior research fellow, and director of the Labor Policy Program at the Mercatus Center at George Mason University. I am submitting written testimony on H.B. 2602, a bill that allows clients of independent workers to contribute to the workers' portable benefits accounts.

For almost a decade now, my research has centered on self-employment and the independent workforce, with a focus on the advantages of portable benefits systems for this workforce.

Today, state governments are grappling with the rise in self-employment. In Kansas, there are almost 220,000 self-employed workers, who generated about \$12.4 billion in revenues in 2023 alone.<sup>1</sup> The number of self-employed workers is expected to grow significantly over the next decade.

This workforce spans a range of industries, skill levels, and educational attainment. Examples include musicians, realtors, delivery drivers, yoga instructors, software developers, graphic designers, landscapers, and online merchants.

Today, I address the following four points:

1. Current laws in Kansas and across the United States restrict hiring parties from providing self-employed workers with benefits, thereby leaving a growing fraction of the workforce without access to traditional benefits.

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<sup>1</sup> US Census Bureau, "Nonemployer Statistics 2023" (dataset), last updated April 3, 2025, <https://www.census.gov/programs-surveys/nonemployer-statistics/data/tables.html>.

2. Experience from other states shows that portable benefits programs can expand access to benefits for self-employed workers through voluntary, legally permitted arrangements.
3. Self-employed workers would gain from increased access to benefits while maintaining the flexibility and autonomy of their work arrangements.
4. Portable benefits reforms do not change the composition of the labor market; instead, they allow self-employed workers access to some benefits without altering worker classification.

### Laws Restrict Benefits for Self-Employed Workers

Employment and tax laws govern two primary modes of work. The first is traditional (W-2) employment, which comes with traditional, generally tax-advantaged, benefits. This kind of employment comes without the true independence and work autonomy that many workers desire or may require for personal reasons. The second is self-employment, which provides work autonomy and independence but generally requires workers to forgo traditional workplace benefits. As self-employment grows, an increasing share of the workforce does not have access to traditional benefits.

Laws in Kansas and across the United States currently restrict the flow of benefits to self-employed workers.<sup>2</sup> These laws do not allow hiring parties to voluntarily provide self-employed workers with benefits, precisely because these benefits—healthcare, retirement, vacation days, and paid or sick leave—have conventionally been tied to employer–employee relationships.

Therefore, under most current state systems, if a hiring party were to provide benefits to self-employed workers, those workers would likely have to be reclassified as employees and consequently lose their independence and flexibility. Removing this legal barrier could enable organizations to voluntarily provide benefits to self-employed workers. Some businesses might offer a “menu of benefits,” while others may focus on one or two individual benefits. Larger companies might even provide a more complete set of benefits.

Many organizations have already indicated that they want to—and are ready to—provide independent contractors with benefits where permitted by state law. Indeed, several companies are already doing so in states that allow it, such as Utah, Pennsylvania, and Georgia.

### Evidence from Portable Benefits Programs in Other States

In Pennsylvania and Georgia, for example, DoorDash has operated voluntary portable benefits pilot programs for independent contractors. Evaluations of these pilots show that roughly two-thirds to three-quarters of participating workers gained access to benefits they previously lacked, more than 70 percent reported feeling more financially secure as a result of the programs, and *more than 90 percent indicated they would feel more secure if the programs were made permanent*.<sup>3</sup> In both states, a majority of participants opened interest-bearing savings accounts they did not previously have, and workers used benefit funds for purposes such as emergency savings, paid time off, retirement, and health-related expenses.

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<sup>2</sup> Liya Palagashvili, “Bringing Portable Benefits to Kansas’s Independent Workforce: Overview” (Mercatus Policy Spotlight, Mercatus Center at George Mason University, October 2025).

<sup>3</sup> Palagashvili, “Bringing Portable Benefits to Kansas’s Independent Workforce.”

Or take the case of Utah. Three years ago, I testified before the Utah Legislature on a portable benefits bill that eliminates the presence of benefits as a factor in worker classification tests.<sup>4</sup> This bill was passed and went into effect in May 2023. As a result, Target's Shipt launched a pilot benefits program in Utah, partnering with the benefits company Stride. Other companies followed, including Lyft, which launched a portable benefits program that adds 7 percent on top of earnings to each participating driver's benefits account.

Building on these developments, in 2025 two additional states—Tennessee and Alabama—passed portable benefits legislation and are now positioned to support similar voluntary benefits programs for self-employed workers.

To reiterate, those state programs for self-employed workers were only possible due to legal changes. In Kansas, it is not currently possible for self-employed workers to receive benefits. The first step to providing portable benefits in Kansas is to allow for the establishment of portable benefits accounts and to remove the presence of benefits as a factor in the worker classification tests.

### **Self-Employed Workers Value Autonomy and Flexibility**

A 2023 Bureau of Labor Statistics survey found that 80.3 percent of self-employed workers prefer their current work arrangements over W-2 employment.<sup>5</sup> Over a dozen additional surveys indicate that workers value the work autonomy and flexibility of self-employment. This is true especially for those with caregiving obligations or other circumstances that make traditional employment challenging. In fact, approximately 46 percent of freelancers say they need the flexibility freelancing offers, due to personal circumstances—such as health issues or family obligations—that make traditional employment impossible.<sup>6</sup>

Self-employment can be particularly transformative for women who are the primary caregivers in their households.<sup>7</sup> One study found that self-employment rates are higher for women who have young children, and that self-employed female workers have more flexibility in their work location, hours, and schedule than women in traditional employment.<sup>8</sup>

In a nationwide survey, researchers also found that about 75 percent of self-identified homemakers, or stay-at-home mothers, indicated that they would likely return to work if they had flexible options.<sup>9</sup> In another survey of 2,000 self-employed women, 96 percent cited flexible hours as the primary benefit

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<sup>4</sup> Liya Palagashvili, "Utah's Portable Benefits Bill: Supporting Gig Workers and the Independent Workforce" (Testimony Before the Utah Senate Business and Labor Committee, Mercatus Center at George Mason University, February 21, 2023).

<sup>5</sup> Bureau of Labor Statistics, "Contingent and Alternative Employment Arrangements—July 2023," news release no. USDL-24-2267, November 8, 2024.

<sup>6</sup> Adam Ozimek, "Freelance Forward Economist Report," *Upwork*, December 8, 2021.

<sup>7</sup> Liya Palagashvili and Paola Suarez, "Women as Independent Workers in the Gig Economy" (Mercatus Working Paper, Mercatus Center at George Mason University, March 2021).

<sup>8</sup> Katherine Lim, "Do American Mothers Use Self-Employment as a Flexible Work Alternative?," *Review of Economics of the Household* 17, no. 3 (2019): 805–42.

<sup>9</sup> Liz Hamel, Jamie Firth, and Mollyann Brodie, *Kaiser Family Foundation, CBS, and New York Times Non-Employed Poll* (Kaiser Family Foundation, December 11, 2014).

of this type of work.<sup>10</sup> Indeed, 70 percent of these self-employed women were primary caregivers: A quarter had recently left their full-time employment for self-employment, and 60 percent indicated that they did so because they wanted flexibility or needed more time to care for a child, parent, or other relative.

Self-employment is an important source of income for a large number of working Americans, especially working mothers, many of whom are unable to take on traditional employment. At the same time, self-employment also has a significant shortcoming: Self-employed workers do not have access to the traditional benefits afforded to traditional employees. About 81 percent of self-employed workers indicated they would like access to flexible or portable benefits—benefits that are not tied to a particular job or employer.<sup>11</sup>

To better meet the needs of the growing self-employed workforce, Kansas could reform laws to give self-employed workers access to benefits.

### **Portable Benefit Reforms Legalize Access to Benefits for Self-Employed Workers**

Legalizing access to portable benefits does not increase worker misclassification—that is, when businesses wrongly label employees as independent contractors to avoid providing benefits or complying with labor laws. This is because businesses are still required to follow their state’s worker classification test—whether it be the common-law, ABC, or another state test. Businesses are also still required to follow federal agency worker classification tests. If federal and state regulators find that a business is misclassifying workers, that business is still in violation of federal and state laws. The proposed portable benefits reforms would have no impact on that determination.

Indeed, my analysis shows that in Utah, the number of W-2 employees continued to grow at a similar rate as before the enactment of the Portable Benefits Bill, which went into effect in 2023. Likewise, the growth rate of self-employed workers remained unchanged. In other words, the portable benefits bill had no impact on the growth of W-2 employees or self-employed workers in Utah.

These findings support the notion that portable benefits complement, and do not replace, traditional employment and that self-employed workers can gain access to benefits without disrupting labor market composition.

### **Conclusion**

Kansas has an opportunity to modernize its labor laws to support self-employed workers, a growing and diverse segment of its workforce. To do this, policymakers in Kansas can consider the following:

1. Remove the unintentional legal barriers that block self-employed workers from receiving benefits, even when hiring parties are willing to provide them.
2. Respect that self-employed workers value flexibility and autonomy—but also want access to benefits, especially those balancing work with caregiving responsibilities or health needs.

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<sup>10</sup> Hyperwallet, *The Future of Gig Work Is Female: A Study on the Behaviors and Career Aspirations of Women in the Gig Economy* (2017).

<sup>11</sup> Tito Boeri et al., “Solo Self-Employment and Alternative Work Arrangements: A Cross-Country Perspective on the Changing Composition of Jobs,” *Journal of Economic Perspectives* 34, no. 1 (2020): 183.

3. Legalize portable benefits to expand access to benefits for self-employed workers, without altering worker classification rules or disrupting labor market trends.

By enacting targeted reforms that enable businesses to voluntarily offer portable benefits—without triggering reclassification risks—Kansas would not only support the economic well-being of almost 220,000 self-employed residents, but also encourage innovation and fairness in the evolving world of work.