

Expanding Access to Health-Related Benefits for Independent Workers in Connecticut Through Portable Benefits

LIYA PALAGASHVILI

Senior Research Fellow, Mercatus Center at George Mason University

Connecticut Human Services Committee

Re: Governor's Bill No. 5041

March 17, 2026

Dear Members of the Committee:

My name is Dr. Liya Palagashvili. I am an economist and senior research fellow at the Mercatus Center at George Mason University. My research focuses on the independent workforce and portable benefits systems. Approximately seven years ago, I developed a policy framework for a voluntary portable benefits safe harbor designed to expand access to benefits for independent workers without altering their classification.

I am submitting testimony on Governor's Bill No. 5041, with particular attention to Section 5, which allows clients of independent workers to contribute to their portable benefits accounts.

The portable benefits component of the bill represents an important and timely step toward expanding access to health-related benefits for a growing and diverse segment of the workforce. Today more than a dozen states have passed laws, introduced legislation, or launched pilot programs to enable portable benefits for independent workers.

Independent Work as a Complement to Traditional Employment

The modern workforce includes both traditional employees and independent workers, and these groups serve different but complementary roles. Approximately 90 percent of workers have traditional W-2 employment, while roughly 10 percent participate in alternative work arrangements.¹ These forms of work are not in conflict—they coexist and often complement one another.

¹ Data were calculated using the "worker classification" variable on primary earnings from IPUMS CPS (database), accessed May 13, 2025, <https://cps.ipums.org/cps/>. The data are also consistent with the 2023 Contingent Worker Supplement to the Current Population Survey, which found that 10.2 percent of all US workers were in alternative work arrangements outside of traditional employment.

In Connecticut alone, more than 300,000 individuals engage in independent work as either a primary or a supplementary source of income, generating approximately \$22 billion in annual economic activity.²

Independent work provides flexibility, autonomy, and income opportunities that traditional employment often cannot.³ For many workers—especially caregivers, parents, and those managing health constraints—this flexibility is essential.⁴

According to the Bureau of Labor Statistics, more than 80 percent of independent workers report preferring their current work arrangement over traditional W-2 employment.⁵ At the same time, research shows that nearly 82 percent of independent workers want access to portable benefits—benefits that are tied to the worker rather than to a single employer.⁶

A Structural Gap in Access to Benefits

Employment and tax laws in the United States are built around two primary modes of work. The first is traditional (W-2) employment, which provides access to employer-sponsored benefits. The second is independent work, which offers flexibility and autonomy but typically does not include access to those benefits.

Under current law, benefits are closely tied to employer-employee relationships. As a result, when hiring parties provide benefits to independent workers, those benefits may be interpreted as evidence of an employment relationship under existing classification tests.⁷

This creates a clear barrier. Even when companies are willing to provide benefits, they often refrain from doing so because of legal uncertainty. In many cases, offering benefits could risk triggering reclassification, which would fundamentally change the worker’s status and eliminate the flexibility that defines independent work. The result is that many independent workers lack access to benefits—not because of low demand, but because of legal and structural constraints.

Portable Benefits as a Practical Solution

The portable benefits provision of the bill addresses these challenges by allowing portable benefits solutions to emerge.

² US Census Bureau, “Nonemployer Statistics 2023” (dataset), last updated April 3, 2025, <https://www.census.gov/programs-surveys/nonemployer-statistics/data/tables.html>.

³ 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.

⁴ Liya Palagashvili and Paola Suarez, “Women as Independent Workers in the Gig Economy” (Mercatus Working Paper, Mercatus Center at George Mason University, March 2021); Liz Hamel, Jamie Firth, and Mollyann Brodie, *Kaiser Family Foundation, CBS, and New York Times Non-Employed Poll* (Kaiser Family Foundation, December 11, 2014).

⁵ Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements—July 2023,” news release no. USDL-24-2267, November 8, 2024.

⁶ 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.

⁷ Liya Palagashvili, “Bringing Portable Benefits to America’s Independent Workforce: Overview” (Mercatus Policy Spotlight, Mercatus Center at George Mason University, August 2025).

Portable benefits accounts are owned by the worker, portable across jobs and clients, and funded through voluntary contributions. The key part of the bill clarifies that contributions to portable benefit accounts shall not be used as a criterion for determining worker classification.

This provision is essential. It removes a major legal barrier that has historically prevented hiring parties from offering benefits to independent workers. Importantly, it does so without changing existing worker classification standards. As a result, the bill enables benefits to flow to workers who are already independent, without altering the structure of the labor market.

Evidence from State-Level Experience

Evidence from states that have implemented portable benefits programs demonstrates that these policies can expand access to benefits and improve workers' financial security.

In Pennsylvania, Maryland, Georgia, and Utah, for example, companies have operated voluntary portable benefits pilot programs for independent workers. Evaluations of the Pennsylvania program show that nearly 75 percent of workers who previously lacked access to benefits gained access through the program.⁸ Among them, 81 percent reported feeling more financially secure, and 95 percent said they would feel more secure if the program were made permanent.⁹

Importantly, these programs were possible only once legal barriers were addressed. By clarifying that the provision of benefits does not affect worker classification, states have enabled companies to contribute to benefits accounts without triggering reclassification risk.

At the same time, broader labor market trends remain unchanged. My research team's preliminary evidence shows that in Utah, the number of W-2 employees continued to grow at a similar rate as before the enactment of the state's 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.

Conclusion

The portable benefits provision in Governor's Bill No. 5041 reflects a broader shift in how policymakers are approaching work and benefits. Rather than forcing a tradeoff between flexibility and security, this bill expands access to health-related benefits within the reality of today's workforce.

Independent work and traditional employment are not competing models—they are complementary parts of a diverse labor market. Portable benefits policies ensure that more workers—particularly caregivers, parents, and those in nontraditional work arrangements—can access both economic opportunity and health coverage.

Thank you for the opportunity to submit this testimony.

⁸ Nam D. Pham, *DoorDash's Portable Benefits Savings Program for App-Based Workers: A Success Case in Pennsylvania* (ndp | analytics, July 2025).

⁹ Pham, *DoorDash's Portable Benefits Savings Program for App-Based Workers*.