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POLICY SPOTLIGHT

Bringing Portable Benefits to Connecticut's Independent Workforce

Modernizing benefit laws could empower nearly 330,000 workers in Connecticut

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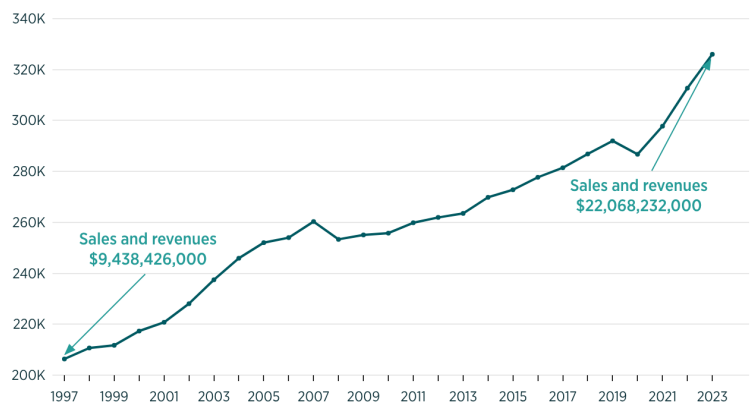
In today's economy, nearly 330,000 Connecticut residents are freelancers, contractors, or self-employed workers. They include rideshare and delivery drivers, truckers, freelance creatives, real estate agents, hairstylists, childcare providers, professional consultants, and countless other occupations. US Census Bureau data show that this is a growing workforce, generating about \$22 billion annually in revenue or sales for the state (figure 1).

Yet because these workers operate outside traditional employment, they often lack job-based benefits such as health insurance, retirement plans, and paid leave—not because companies are unwilling to offer the benefits, but because outdated laws make it risky to provide them to nonemployees. In Connecticut, providing benefits can trigger reclassification as an “employee.”

Many self-employed workers could gain access to benefits if companies were legally allowed to contribute to portable benefit plans on their behalf.

FIGURE 1. Growth in self-employment in Connecticut, 1997 to 2023

Number of establishments



Source: US Census Bureau, *Nonemployer Statistics (NES)*, last modified May 9, 2024, <https://www.census.gov/programs-surveys/nonemployer-statistics.html>.



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What Are Portable Benefits?

Portable benefits are a solution designed for today's flexible workforce. Tied to the individual worker—not a job or employer—portable benefits allow independent workers to receive contributions from multiple companies into a single worker-owned account managed by a bank or third-party platform. These accounts can support health insurance premiums, paid time off, retirement savings, and more.¹

Momentum Across the States

Several states are leading the way:

- **Maryland and Pennsylvania:** Governors in these states supported DoorDash portable benefits pilots providing funds for paid time off, health insurance, and similar benefits, with Pennsylvania delivering over \$1.3 million in benefits and 77% of participants reporting greater financial security.
- **Georgia, Idaho, Louisiana, Tennessee, Utah, West Virginia, and Wyoming:** These states have enacted recent portable benefits reforms that remove the legal barriers for companies to offer benefits to independent workers.
- **Alabama and Kansas:** These states enacted tax-advantaged portable benefits laws that remove legal barriers and encourage participation by both independent workers and employers.

The Worker's Case for Portable Benefits

- **Preference for independent work:** According to the Bureau of Labor Statistics, 80.3% of independent workers prefer to stay independent; only 8.2% prefer W-2 work.
- **Support for benefits:** 80.1% of self-employed workers want access to portable benefits.
- **Desire for balance:** Workers want security without sacrificing flexibility and independence.

Independent workers in Connecticut's top 10 industries would benefit from portable benefits laws:

- | | |
|--|---|
| 1. Professional, Scientific, and Technical | 6. Retail Trade |
| 2. Real Estate & Rental Leasing | 7. Other Services (e.g., repair, personal care) |
| 3. Construction | 8. Administrative & Support Services |
| 4. Transportation & Warehousing | 9. Finance & Insurance |
| 5. Health Care & Social Assistance | 10. Arts, Entertainment, Recreation |

The Business Case for Portable Benefits

- **Workforce stability:** Helps attract and retain a more reliable and engaged independent workforce
- **Legal clarity:** Enables companies to offer benefits without fearing legal backlash
- **Operational flexibility:** The voluntary, opt-in model avoids mandates for resource-constrained businesses, while empowering better-resourced companies to support their independent workers

Policy Recommendation for Connecticut

Connecticut can join the national movement by allowing workers to create portable benefits accounts and companies to contribute to portable benefits funds without triggering worker reclassification rules. In doing so, Connecticut can support a modern, inclusive economy that aligns with how people actually work today—empowering businesses to innovate and enabling workers to thrive.

¹ See <https://www.mercatus.org/research/policy-briefs/flexible-and-portable-benefits-independent-workers-state-policy-guide>.