Plymouth Institute for Free Enterprise

Improve Benefit Portability

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ADVANCING AMERICAN FREEDOM

TOPLINE: Individuals—not employers—should be in charge of choosing their benefits like health insurance, and they shouldn't have to work for a particular company to get them.

BACKGROUND: Few workers stay with a single employer for their entire career, and those who start businesses or work independently don't have employers at all. Yet health insurance and many other benefits remain tethered to an employer-dominated system. This creates "job lock" that limits better opportunities. Many parents, for example, would prefer flexible jobs when kids are young, but they want and need workplace benefits that would be harder and more expensive to get on their own.

Instead of forcing workers into traditional employment to obtain benefits, policymakers can allow benefits to travel with workers throughout their careers. Utah has pioneered this approach, allowing any private or public company to offer portable benefit plans and creating a safe harbor for companies to contribute to portable benefit plans without it triggering an employee-employer relationship (and the associated employer obligations). This resulted in Lyft, for example, piloting a program in which it contributes a percentage of drivers' earnings into a portable account that they can use for health and dental insurance, retirement savings, and paid time off. Multiple other states are following Utah's lead.

Action Items (Congress and States):

- Congress should establish a legal framework for **portable, worker-owned benefit accounts** and **create a safe harbor for companies to voluntarily contribute to workers' portable accounts** without creating an employment relationship.
- States should **enact laws similar to Utah's**, allowing companies to offer portable benefit plans and creating a safe harbor for companies that contribute to them.

How It Would Make Life More Affordable:

- Larger pools of participants reduce costs by utilizing economies of scale.
- More people could pursue flexible work that could reduce or eliminate other costs like childcare and transportation.
- Greater labor mobility and workforce participation would increase productivity, expand economic output, and put downward pressure on prices.

Related Federal Legislation: Unlocking Benefits for Independent Workers Act (S. 2210).

Related State Legislation: Portable Benefits Plan (Utah S.B. 233 [2023], enacted law).

BOTTOMLINE: Policymakers should end employers' monopoly on benefits and let workers choose and own their benefits.