PROJECT OVERVIEW

Insurance and Gig Workers in Latin America

A behavioral sciences review

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Introduction

The "gig economy" has not only transformed our thinking about the places we stay and the ways we move around cities, but also the way work is structured and remunerated. As the platform companies put it, homeowners became hoteliers and drivers became transportation entrepreneurs as they enrolled to provide services through companies like Airbnb and Uber. In this way, they became "their own bosses," with the flexibility to decide when and for how long to be open for business, based on rates assigned by the platform. However, this also means they are less likely to be eligible for benefits such as health insurance and retirement savings, which typically are provided by employers in traditional job settings. Instead, the decision on how much to save and assign for such protections and other operating costs falls almost entirely on each of the workers.

In the U.S. alone, the gig economy is estimated to have almost doubled between 2018 and 2022, having gone from a gross volume of US$204 billion in 2018, to US$401.4 billion in 2022. It is forecasted to reach US$455.2 billion in 2023 (Statista, 2022). In Latin America, the region where this report focuses, the gig economy has shown a similar growing trend. Between 2013 and 2018, Uber's operations reached a coverage of 70% of the people living in 58 Latin American cities (or 34% of cities in the region) (Azuara et al., 2019), making it one of the fastest-growing regions for ride-hailing companies, according to a report from the Inter-American Development Bank (IADB).

The crucial role of—and lack thereof—insurance products to provide workers with a safety net to cope with emergencies also became clearer during the pandemic.

To be sure, the gig economy now encompasses many services and actors beyond ride-hailing and renting spare rooms, such as food delivery, home repairs, care work, and other chores that can be packaged and outsourced into tasks. With its flexibility, low transaction costs, and diversity of skills, the gig economy offers a promising alternative for groups historically excluded from the traditional job market, including those with disabilities or care-giving responsibilities at home, who are now able to unlock the potential value of their assets, whether it is their home, their car, their tools, or their skills and time. This became even clearer during COVID-19, when many employees lost their jobs or sources of income and turned to gig work as an alternative or a supplement to their reduced earnings. From a total of 40.9 million workers in 2017, the figure reached a total of 51.1 million gig workers in 2021 (Statista, 2022).[1]

1. From a total of 40.9 million workers in 2017, with 16.2 million full-time, 11.8 million for 15 hours per week, and 12.9 million at least once a month, it went up to 51.1 million gig workers in 2021, with 17 million full-time, 23.9 million at least once a month, and 10.2 million for 15 hours per week (Statista, 2022).

For those whose job responsibilities could not be fulfilled by working from home, including gig workers such as platform drivers and delivery workers, working without some type of insurance became a life-or-death decision, especially in countries where the public safety net is thin and workers must self-fund their own emergency expenses and/or insurance schemes, as is the case in the United States and many Latin American countries. Latin America was also one of the regions with the highest reported level of job and income losses. A survey found that 45% of households had at least one member who had lost their job, and 58% had a member who had had to close their business (as compared to 43% of businesses in the U.S.) (Bottan et al., 2020).

Despite the lack of public insurance schemes in the region, however, private insurance uptake is also low. According to a report by the Mapfre Foundation, an insurance company, public and private insurance is only 3% of GDP in the Latin American region, only less than half the global average of 6.8% (Malagon, 2022). Although this figure does not specifically apply to gig workers, it illustrates the landscape in which they operate and make decisions to protect themselves and manage the many risks they face in their work environment. In view of the specific obstacles faced by Latin American workers and the complexities of the gig economy ecosystem, as well as the challenges inherent in decision-making related to insurance, this report aims to present a comprehensive analysis of the behavioral and structural barriers of gig workers in Latin America to take up insurance products, and some ways in which they could better protect themselves in such a context.

1

Behavioral Sciences and Insurance

Classical economic models assume that humans are rational agents who make decisions based on rigorous analysis of the costs and benefits they imply. Behavioral economics, on the other hand, has provided evidence to demonstrate that real-world humans do not always make the most rational choices. As such, we often eat foods that are not good for our health, drive while texting, and fail to save enough for our retirement, thus putting our future selves at high risk.

Moreover, every day we are faced with an overwhelming number of decisions, both small and large, under conditions of uncertainty. Since we have limited cognitive bandwidth, we are unable to carefully weigh all the choices and their costs and benefits in a timely manner. Hence, we often rely on the power of heuristics to make decisions. Heuristics are mental short-cuts, or rules of thumb, that allow us to make "reasonably good" timely decisions without needing to understand all the complex nuances of a situation (Schoar & Datta, 2014).

Since we have limited cognitive bandwidth, we are unable to carefully weigh all the choices and their costs and benefits in a timely manner. Hence, we often rely on the power of heuristics (mental short-cuts) to make decisions.

In the realm of insurance, consumers have traditionally been assumed to have accurate information about the risks they face. Hence, they are expected to be capable of making informed decisions on insurance purchases by making explicit tradeoffs between the expected benefits and the costs of different policies. However, as Thaler wrote, "[W]aiting for a reward requires some mental effort" (1981, p. 202). Waiting without having certainty that we will obtain a certain benefit in the future requires some, or even more, mental effort. This, added to the fact that losses are weighted differently than gains (Thaler, 1981), must be factored into understanding why there is not a higher take-up rate of insurance.

Failing to wait for future benefits or weighing losses differently compared to gains are examples of behavioral biases. Behavioral biases are systematic and predictable errors in how people judge the

information around them and how they make decisions. For the present analysis, we classified the behavioral biases that intervene in insurance decision-making into the following three "buckets":

1. **Temporal biases**, which include biases that impact our perception of time and the timing of expected returns, rewards, and losses.

2. **Availability biases**, which focus on biases that impact the ease with which we recall instances of an event, influencing how available a situation is in our mind and the probabilities we assign to it.

3. **Attentional biases**, which are biases that influence which stimuli receive our attention and, hence, factor into our risk and probability calculations.

Additionally, the **scarcity bias** plays an important role in decision-making across all buckets given that it has the potential to change how people allocate their cognitive resources, imposing what is called a "bandwidth tax" (Mullainathan & Shafir, 2013). Because of the scarcity bias, people tend to engage or focus on some problems, neglecting others that may be equally or more important, but which may seem less pressing.

TEMPORAL BIASES

Insurance is one area where insights from behavioral economics play an important role in explaining and understanding individuals' decisions in the present. One concept in particular, **hyperbolic discounting**, has been key to unveiling the reasons and mechanisms that keep "rational" agents from protecting their future selves from unexpected risks. As Kunreuther et al. (2013) explained, "one major cause of misunderstanding about insurance among consumers is an unrealistic expectation about how they will feel about losses they may (or may not) experience" (H. C. Kunreuther et al., 2013). We humans do not have a complete picture of what the future will look like, so we tend to choose rewards that are immediate rather than those that happen in the future—even if the calculated rewards in the present may actually be smaller.

Another bias that plays an important role in our intertemporal decision-making processes is **myopic loss aversion**. It is because of myopic loss aversion that we tend to lose sight of short-term losses, so long as the long-term gains seem profitable. Benartzi and Thaler, for example, found evidence to prove that workers are more inclined to invest a higher amount of their retirement savings in stocks—which may

have higher risks—if they are shown the long-term rates of return as opposed to just one-year returns (Benartzi & Thaler, 2007). Gig workers may present this bias when making a decision on saving or investing some of their earnings given their constrained incomes and their need to fulfill present needs.

The difference between the expected outcome of an event and the actual outcome that follows is what is defined as **optimism bias**. Whether it is a large construction building, a digital product development project, or just cooking dinner, studies have consistently found that about 80% of humans display an optimism bias (Sharot, 2011, p. 942). For example, many individuals who live in flood-prone areas in the U.S., for example, have been found to fail to purchase flood insurance policy on a voluntary basis, even if they are subsidized by the federal government. Moreover, many of those who purchase such a policy end up canceling it years later when they have not experienced a flood, thus showing an optimism bias towards the probability that they will suffer a flood-related loss. "[O] ptimism errors seem to be an integral part of human nature, observed across gender, race, nationality, and age" (Sharot, 2011, p. 942).

When an event is psychologically distant, it is construed insufficiently, and thus the perceived risk is small. Hence, in the case of insuring against future, uncertain risks, other factors of psychological distance might also bias our risk perception.

It is important to note, however, that time is but one form of psychological distance that functions as a psychological barrier to action. **Construal level theory** suggests that individuals spontaneously imagine proximal events (along several dimensions of distance: spatial, temporal, social, or hypothetical) in terms of rich, concrete details, but construe distal events in terms of more general, simplified abstractions (Trope & Liberman, 2010). When an event is psychologically distant, it is construed insufficiently, and thus the perceived risk is small. Hence, in the case of insuring against future, uncertain risks, other factors of psychological distance might also bias our risk perception.

AVAILABILITY BIASES

The second group of biases focuses on the ease with which we recall instances of an event, influencing the way available events are in our mind and the probabilities we assign to them. One important heuristic in this realm is the **availability heuristic**. Kahneman & Tversky (1979) define the availability heuristic as a judgmental heuristic in which a person evaluates the probability of events by the ease with which relevant instances come to mind. As an example, if living in a flood-prone area,

one should more readily purchase flood insurance. However, if the area has not experienced flooding in the recent past, its residents will not readily recall floods and, hence, will not purchase insurance as readily. On the other hand, experiencing frequent flooding would lead one to purchase insurance because the ease of remembering such a flood would alter the perceived probability of a flood hitting them more readily. Similarly, having a history of health problems in the family would prompt an increased purchase of health insurance.

Multiple other biases can impact the ease with which we recall instances of an event, which changes how available a situation is in our mind, and hence, our perceived probability. One such bias is the **gambler's fallacy**, our belief that the probability of a random event occurring in the future is influenced by previous instances of that type of event. A common example is when a coin toss, which has a 50/50 probability of resulting in heads or tails in every instance, has yielded 4 heads in a row and one assumes that the probability of another head is somehow diminished because of the previous instances of drawing heads. For instance, Yin et al. (2016) found that, after a first experience with a typhoon, individuals' demand for insurance was largely dominated by availability, and so they were more likely to insure against typhoon risk in the short run. However, if they experienced a disaster multiple times, the "gambler's fallacy" (Croson & Sundali, 2005) would dominate, which would result in them thinking that another typhoon would be less common given how many they would have already faced.

When presented with information that favors our existing beliefs, we are more likely to accept it as true and even spread this information.

On the other hand, the media plays an enormous role in regulating what information reaches us and can thus impact how readily an event comes to our mind. With the onset of social media, fake news has become rampant and can persist due to another important cognitive bias: confirmation bias. **Confirmation bias** is the tendency to search for, interpret, favor, and recall information in a way that confirms or supports one's prior beliefs or values. As such, when presented with information that favors our existing beliefs, we are more likely to accept it as true and even spread this information.

In addition to media exposure and past experiences, we also follow in the footsteps of others in our reference network when we need to make a decision. This is known as **herding**. When following the herd, pluralistic ignorance might emerge, wherein we conform to a mistaken sense of the majority attitude. In other words, many people may privately condemn a behavior but (wrongly) expect their peers to endorse it or vice versa. An example is when students in college believe that it is "cool" to drink alcohol and, hence, drink to fit in. In the domain of insurance, research on flood insurance

uptake in Australia concluded that the likelihood of having flood insurance cover was associated with perceived social norms, but not perceived flood risk. In addition, perceived norms and risk were statistically related to each other. The study concluded that **social norms** played a mediating role between an insuring decision and the risk perception (Lo, 2013). Thus, the behavior of the people in our reference network can influence our perceived probabilities and alter our decisions.

Framing of insurance as a consumption (loss) rather than a long-term investment (gain) influences its uptake. Consequently, those who view insurance as a long-term investment rather than an immediate consumption are more likely to invest in it.

Finally, another important cognitive bias that impacts our decision-making is **loss aversion**—the pain of losing is psychologically twice as powerful as the pleasure of gaining. This makes decision makers risk seekers in the loss domain, and risk averse in the gain domain. In other words, the way information is presented, or framed, impacts how we make decisions because it makes the loss or the gain from a decision more—or less—available in our minds. The **framing effect** happens when our decisions are influenced by the way information is presented. Equivalent information can be more or less attractive, depending on what features are highlighted. Framing of insurance as a consumption (loss) rather than a long-term investment (gain) influences its uptake. Consequently, those who view insurance as a long-term investment rather than an immediate consumption are more likely to invest in it (Brown et al., 2008).

ATTENTIONAL BIASES

Limited or distracted attention can lead to distorted strategic foresight planning among individuals. **The ostrich effect** or **information avoidance bias** is a cognitive bias where people tend to avoid negative information. Instead of dealing with and solving a situation, individuals "bury their heads in the sand" in the way ostriches do. This deliberate avoidance can potentially lead to negative consequences (Galai & Sade, 2006). It has been mentioned to play a role in, for example, climate change denial (Golman et al., 2017). Research has found that people avoid information either as a conventional or as a strategic way to avoid learning about the situation and having to deal with it. Moreover, individuals use different methods to avoid information, including physical avoidance, inattention, biased interpretation of information, and forgetting. They also prefer avoiding critical information as a way to prevent loss, risk, and disappointment aversion, or due to anxiety.

Normalcy bias is another behavioral bias that plays a role in decision-making related to insurance. It is the tendency of humans to underestimate the likelihood or impact of a crisis or a disaster. A

study by Mileti and O'Brien found that people who tend to experience increased disasters are less likely to be prepared for a crisis than people who are new to experiencing disasters (Mileti & O'Brien, 1992). Normalcy bias can lead people to be underprepared for a disaster due to increased experience of catastrophe. In a study about Korean homeowners' willingness to pay (WTP) for earthquake insurance, researchers found that the level of WTP decreases with the increased number of earthquake experiences, which could be attributed to normalcy bias.

Consumers struggle to make decisions when they face too many options. Choice overload influences decision-making, reduces consumer satisfaction, or leads people to avoid making any decision.

The tendency to prefer things to remain the same and to resist change—even if it could be detrimental—is called **status quo bias**. Some possible reasons for the existence of status quo bias are the costs of searching and transitioning, the risk perception about alternate options, an avoidance to regret making the wrong choices, and the sunk costs of the current decision (Samuelson & Zeckhauser, 1988). In a study on private Medicare plans in Miami-Dade County, researchers found that participants enrolled in basic Medicare plans, even if they had an option for better quality plans. Insurance choices, particularly those in the realm of health, are complex, which can lead to status quo bias among participants.

We also know that decisions are influenced by the way information is delivered. Kunreuther, Novemsky, and Kahneman (2001) concluded that providing general information about risk does not affect individual decisions and risk judgment. However, providing descriptive information allows individuals to rationally assess the risk and increased risk perception. Botzen et al., (2013), for example, led a research study that estimated the effects of communicating risk of a flood hazard and its impact on demand for flood insurance. The willingness to pay (WTP) for insurance was highest in scenarios where the implications of flood hazards were discussed, as compared to the scenario with no corresponding communication. Effective communication thus showed an increase in WTP for multi-year and annual insurance in the control group.

Moreover, deciding among a multiple number of options tends to be overwhelming, which is also called **choice overload**. As Schwartz (2007) found, consumers struggle to make decisions when they face too many options. Choice overload influences decision-making, reduces consumer satisfaction, or leads people to avoid making any decision. Choice overload also contributes to unnecessary hassle and waste of time to decide among multiple options with increased fear of loss aversion. A study

on enrollment rates in Medicare Advantage found that rates tended to fall as the number of choices increased (McWilliams et al., 2011). Indeed, having too many options can sometimes lead to mental fatigue and keep individuals from making decisions.

Following the analysis of the behavioral biases that play a role in insurance-related decision-making, we propose utilizing the above classifications of biases as a framework or lens to examine specific populations who face particularly challenging situations due to their increased exposure to risk and misfortune. One of such populations is gig workers, who—given the shift in the working economy brought about by the COVID-19 pandemic and the decline of traditional employment structures—is a population that has been growing in recent years. Our hypothesis is that the behavioral biases that play a role in their insurance-related decisions might be augmented and warped by the hurdles they face. Thus, in the following sections, we will examine the ways in which the above-mentioned behavioral biases influence the insurance decisions of such an important workforce in the current economy.

2

Gig Workers

Gig workers operate in a flexible work arrangement, undertaking short-term projects or providing on-demand services. In the rapidly growing gig economy, where independent contractors and freelancers dominate the workforce, a significant challenge they face is the navigation of the complex landscape of insurance as a means to gauge the risks they face and protect themselves from misfortunes. While gig work offers certain comparative advantages over traditional employment, such as flexibility and autonomy, it also presents its own set of challenges.

The cognitive biases that were identified to exacerbate most prominently (although not exclusively) the decision to purchase insurance among gig workers are: loss aversion, status quo bias, confirmation bias, and optimism bias. These biases can collectively influence gig workers' decision-making processes, potentially leading them to operate with inadequate or insufficient coverage or to overlook essential aspects of insurance products.

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Next, we will highlight three challenges we identified as key since they impact gig workers' livelihood and well-being in fundamental ways and affect their decisions regarding insurance and risk management in crucial ways: lack of employer benefits, income volatility, and time poverty.

INSURANCE-RELATED CHALLENGES FOR GIG WORKERS

Lack of employer-provided benefits

In the gig economy, where individuals work on a freelance or independent basis, the concept of traditional employer benefits often differs from that of full-time employment. Gig workers typically operate as self-employed individuals or contractors, which means they are responsible for their own benefits and protections. Gig workers "sell their labor, products, and services directly to the market or through other intermediaries such as staffing agencies" (Cropanzano et al., 2023, p. 494).

The rise of independent freelancing or gig work has raised concerns regarding the labor models. The advent of the gig economy and online talent portals has given a new definition to "jobs," employees, and employers, which does not fit within the framework of current labor laws—presenting a major challenge and the need for new labor models.

Importantly, gig workers do not have a standard job that provides them with a stable income, benefits, and training, which are traditionally provided by firms. As such, they are responsible for finding such benefits, including their own health insurance (Cropanzano, et al., 2023, p. 496). Another challenge for gig workers that has been identified is the lack of a framework and governmental support to create a conducive environment for quality work and projects, worker protection, and access to benefits in the way that traditional jobs do (Donovan et al., 2016). The rise of independent freelancing or gig work has raised concerns regarding the labor models. Consequently, the advent of the gig economy and online talent portals has given a new definition to "jobs," employees, and employers, which does not fit within the framework of current labor laws—presenting a major challenge and the need for new labor models (Horney, 2016).

The lack of employer-provided benefits can also create a sense of inertia and reluctance to change among gig workers (Sinchaisri, 2021). They may perceive the effort required to research, understand, and select suitable insurance options as an additional burden on top of their existing responsibilities. This **status quo bias** can discourage them from exploring different insurance providers or policies, potentially leading them to stick with inadequate or suboptimal coverage that may not adequately protect them against their specific risks, thus leaving them inadequately or poorly protected.

Moreover, the gig economy often fosters a sense of self-reliance and entrepreneurial spirit among workers. Gig workers may thus exhibit an **optimism bias** (Cropanzano, et al., 2023, p. 508), believing that their own resourcefulness or adaptability will be sufficient to handle any adverse situation. This bias can lead them to underestimate the potential impact of disasters or misfortunes on their work and income, making them less inclined to prioritize purchasing insurance of any type.

Income volatility

Income volatility refers to the degree to which an individual's or household's income fluctuates over time. It can be caused by a variety of factors, such as changes to employment status, number of hours worked, variability in wages earned, or unexpected expenses. High levels of income volatility can make it difficult to plan and budget effectively or to save for emergencies or long-term goals—and can lead to financial instability. Gig workers, in particular, have limited control over what they earn and, thus, often experience income volatility influencing financial choices (Peetz & Robson, 2021).

When viewed through a behavioral lens, income volatility has the potential to enhance certain biases that influence insurance purchasing decisions. In the temporal realm, for example, having a volatile income induces a **scarcity mindset**, wherein individuals ruminate and direct cognitive resources towards remedying the source of scarcity, which leads to myopia and present bias (Sayre, 2022).

As a consequence of such income scarcity, workers are more vulnerable to hyperfocus on their present needs with the meager and volatile incomes they have, and forgo important long-term decisions, such as purchasing insurance or saving for retirement or for emergencies (Baillon et al., 2022). Moreover, West (2020) found that experiencing more income volatility is associated with greater financial impatience—the preference to receive a small sum of money immediately over a larger sum of money later. In other words, income volatility augments the workers' **present bias**.

Similarly, constrained liquidity also amplifies the **myopic loss aversion bias**, whereby we may lose sight of short-term losses as long as the long-term gains seem profitable. Since a majority of the workers' cognitive load is focused on meeting basic needs, they may not have full sight of the risks or costs incurred in their present work and finance arrangements, thinking that such arrangements can generate higher income in the long run, and thus not spend on items like insurance. Indeed, income volatility is associated with a lower willingness to save and a heightened tendency to make short-term financial decisions caused by a low locus of economic control (Peetz & Robson, 2021).

Given that income volatility hampers long term planning, it is evident that gig workers, who experience heightened instability in income, may not have the cognitive bandwidth to appropriately prepare for the future or for unexpected situations by pondering and investing in insurance products (Peetz & Robson, 2021).

Time poverty

Poverty is not caused only by a lack of financial resources. Low supply of time is another factor that causes humans to feel a scarcity mindset. Social scientists as far back as Gary Becker in 1965 (Chiappori & Lewbel, 2015), identified time as a key resource in the economic cycle. Time poverty is generally defined as "the chronic feeling of having too many things to do and not enough time to do them" (Giurge et al., 2020, p. 993). Consequently, it can also produce or contribute to a situation of poverty and a **scarcity mindset**.

When working hours are so long that they leave little or no time for non-work-related activities, individuals enter a situation where they can hardly fulfill personal responsibilities, enjoy leisure activities or social interactions, take care of their families, or even rest. This is a frequent situation for workers in low-income brackets, who often must hold multiple jobs with unpredictable work schedules and cannot afford to pay for elements of support or relief to help them cope, such as childcare or time off. Even with the time flexibility, they must choose their working hours. This is also the situation of gig workers, who, because of **hyperbolic discounting**, prioritize tasks that might provide them a benefit in the present, over others that may benefit their future selves, such as training, leisure, or taking care of themselves and their families by evaluating and purchasing insurance.

Such poverty creates an increased sense of scarcity, which inhibits workers from making decisions or changes that might improve other areas of their lives. It may also keep them from planning for emergencies or for the future, even if they may have experienced some misfortunate event before.

The combination of time poverty and absence of support to cover other areas of life outside work, like family and social responsibilities (Giurge et al., 2020, p. 1000), affects subjective well-being, mental health, work performance, creativity, and relationship quality (Giurge et al., 2020, p. 993). Such poverty creates an increased sense of scarcity, which inhibits workers from making decisions or changes that might improve other areas of their lives. It may also keep them from planning for emergencies or for the future, even if they may have experienced some misfortunate event before. In such cases, **optimism bias** plays a role by leading them to estimate that such events are unlikely to occur to them and that they will be able to overcome them should they happen.

Such a situation is particularly acute for gig workers, who frequently take on "multiple assignments with several organizations" (Cropanzano et al., 2023, p. 494), largely depending on their apparent availability of time. According to Giurge (2020, p. 993), the "acceleration of time, the shifting nature of work and its relationship with time" all contribute to time poverty. Gig work itself is a result of the combination of all three factors in the current economy, and gig workers have the challenge of overcoming present bias, making arrangements, and finding resources by themselves to better prepare for the future and for emergencies.

LATAM CONTEXT-SPECIFIC AND STRUCTURAL CHALLENGES

On top of the challenges identified earlier, gig workers in Latin American countries face structural barriers and challenges that are specific to the region. For example, **social security policies**, such as unemployment insurance and universal health insurance, are not prevalent across the region. This means that gig workers, as well as all other workers who are not formally employed, must find ways to fill those gaps. A study of Uber drivers in the region (Azuara et al., 2019) found that, while some drivers have health insurance through other jobs, about half of them are not covered by any health system or insurance. Moreover, less than a fifth of drivers in Latin America have life insurance, and more than half have liability or accident insurance.

> **Social security policies such as unemployment insurance and universal health insurance are not prevalent across the region.**

The same IADB study found that most drivers in Latin America are the main income providers for their households. Such a central role elevates the importance that being protected with some form of insurance has, or should have, for them. Their essential role as the breadwinners makes them and their families more vulnerable to risks, whether it's a minor traffic incident or a major health emergency. Moreover, given the disparate situations of the countries within the regions, the rate of migration is also relatively high. IADB found that 8% of Uber drivers in the region are also migrants, which adds to their vulnerability as foreign—and in some cases undocumented—residents.

On the other hand, about 50% of drivers in Latin America have another job in parallel with their Uber commitment, and only 25% of them drive exclusively for Uber. This means they drive an average of 19 hours per week, and most of them said they drive less than 30 hours a week. Regardless of the arrangement, however, only about a third of them (32%) appeared to have made any contributions to their retirement savings or had purchased an asset or financial product to support their retirement, showing high present bias in their focus on pressing immediate financial needs.

Perhaps because of the relatively recent emergence of the gig economy, only about 40% of drivers had transportation experience before joining Uber in Latin America, and only about 10% of them had worked as taxi drivers before. While this fact also means that 60% of new drivers may have found new income opportunities as Uber drivers, it also means a majority of them have little prior experience in the industry, which may lead them to have a biased perception of the risks they may face, and possibly also miscalculate the expenses and costs of potential risks and damages that the new enterprise entails. The survey found that, as a result of this miscalculation, drivers in Latin America underreported their income as compared to their administrative records, making them less likely to spend money on items like insurance given that they perceived their income as insufficient to cover for such expenses.

Lastly, it is important to note that most (71%) drivers were found to have financial accounts, which is not surprising given that it is one of the requirements to be paid by Uber to enroll and get paid by the platform. However, about half of them seemed to lack any savings, and 75% of them said they were in debt, which may lead to them to a scarcity mindset and undermine their cognitive capacity to make the more complex calculations required to decide on insurance and how to protect themselves from the potential risks of being a gig worker in the Latin American context.

One way they navigate some of these challenges is by resorting to communities of gig workers that have been formed. A study among migrant gig workers in China (Chen et al., 2022) found that social interaction had a positive effect on the well-being of gig workers, and the same holds true for Latin America (CEPAL & OIT, 2021). It is also true, however, that tight-knit social networks that do not have accurate information can also be fertile ground for misinformation and pluralistic ignorance, so it is important that such communities are supplied with the most accurate and timely information about resources available to members.

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Indeed, education has repeatedly been proposed as the solution to address many of the challenges in Latin America (and elsewhere). In the case of gig work, however, there is not a lack of education among gig workers. Drivers in Latin America are highly educated; 50% of them have a tertiary degree (college or similar). This means, then, that education by itself is an insufficient solution to support gig workers in their pursuit of financial resilience. Therefore, identifying ways to improve the context in which they work is fundamental to help them be better equipped to deal with emergencies and plan for the long term.

Conclusions

Traditional economic models, assuming rationality, have proven insufficient to accurately describe true complex and biased decision-making within the rapidly growing and ever-evolving gig economy. Behavioral sciences offer a set of insights and tools to understand and address some of the challenges and obstacles faced by gig workers on their journey to building financial resilience. To contribute to such an important goal, we identified and organized into three "buckets" the behavioral biases that seem to most profoundly and frequently affect gig and platform workers' decisions related to one of the key financial products to help them cope and overcome risk and navigate uncertainty: insurance uptake.

1. **Temporal biases** impact our perception of time and the timing of expected returns, rewards, and losses.
2. **Availability biases** impact the ease with which we recall instances of an event, influencing how available a situation is in our mind and the probabilities we assign to it.
3. **Attentional biases** influence which stimuli receive our attention and, hence, factor into our risk and probability calculations.

To better understand and address the unique challenges faced by gig workers, we organized them into three major categories:

1. **Lack of employer benefits:** With a lack of streamlined process or a safety net, gig workers often face optimism bias (causing them to be underprepared for disasters), as well as default bias and choice overload (which lead them to choose insufficient and suboptimal insurance policies).
2. **Income volatility:** Since scarcity and loss aversion is enhanced by lack of stability in income, gig workers are often prone to myopia bias and present bias because a majority of their cognitive bandwidth is utilized in securing their immediate basic needs.
3. **Time poverty:** Low supply of time is another factor that causes humans to feel a scarcity mindset, which forces them into the present bias, satisfying immediate needs instead of working towards the future.

Each of these challenges causes and is amplified to varying degrees by the behavioral biases identified in the decision to take up insurance products. In the case of workers in a region like Latin America, such challenges are even more complicated because of the weak public safety nets across countries.

RECOMMENDATIONS AND NEXT STEPS

The intersection of the prevalent challenges and behavioral biases provides policy makers, insurance providers, and employers with an ideal nexus to focus energy to uplift and protect the growing community of gig workers from unexpected future crises.

Some avenues of research that are promising and warrant further exploration include finding innovative ways to make benefits more tangible and hassle-free, such as an insurance company giving gig workers a replacement car instead of payment for a car crash in cases of traffic accidents. This would overcome the problems of time poverty and decision fatigue, while also making the benefit more psychologically near and activating construal level theory.

Another recommendation to improve insurance for gig workers is to create insurance bundles tailored for gig workers. For example, drivers might be incentivized to purchase health insurance if it is bundled with their car insurance to reduce choice overload. If car insurance is provided by the employer, schemes can appropriately leverage existing employer benefits to cover the gig worker more comprehensively.

The gig economy is growing rapidly. Insurance schemes, especially behavioral and research-backed schemes, to protect this nascent economy must also evolve simultaneously.

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