



Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

EXECUTIVE SUMMARY

Introduction

The American workforce has changed forever; independent workers (freelancers, temps, independent contractors, part-timers, and the self-employed) now make up one-third of the workforce in the United States. Despite being battered by the worst economic downturn in recent history, these workers—who drive economic growth and recovery—have no social safety net to fall back on. In 2009, Freelancers Union conducted an online survey of over 3,000 independent workers to quantify their challenges in the recession. They are unemployed and underemployed in large numbers, struggle with unpaid wages, and often forgo health insurance coverage to make ends meet. Traditional employees depend on an employer-based social safety net to get through hard times but no such system exists for independent workers. Freelancers Union proposes innovative solutions to protect these vital workers and build the next social safety net for the new economy.

Unemployment

Periods of unemployment create major challenges for independent workers, many of whom are ineligible for unemployment insurance.

- 81% of independent workers surveyed did not have enough work in 2009.
- 49% experienced periods without any work.
- 32% experienced periods where they wanted more work.
- 37% relied on credit cards.
- 12% were forced to rely on some form of government assistance to meet their basic needs, up from 6% in 2007.

Unpaid Wages

When clients do not pay, freelancers waste countless hours chasing unpaid wages at a significant loss to themselves and the economy at large.

- 40% of survey respondents had trouble getting paid their owed wages in the last year.
- Cumulatively, survey respondents spent more than 17,000 hours pursuing unpaid wages over the course of the last year and were unable to collect over \$3 million.
- The average survey respondent was unable to collect nearly \$6,000.

Health Insurance

Many freelancers sacrificed their health coverage in 2009 because they could no longer afford it.

- 18% of survey respondents had to give up health insurance in the last year.
- 35% of respondents who had health insurance had to change their plans in the last year to ones that offered fewer benefits because they could no longer afford the more comprehensive ones.
- 47% of survey respondents say their biggest concern is the lack of affordable health insurance.

Conclusion

Independent workers are driving job growth in America, yet they must manage these enormous challenges—from unemployment to unpaid wages—on their own. This situation is not only inequitable; it harms the national economy by destabilizing a crucial segment of the workforce. The recession has exacerbated the challenges that independent workers face, but absent dramatic policy changes, these issues will continue to confront this growing workforce long after the economy has recovered. Freelancers Union proposes innovative solutions to protect independent workers now and in the future.

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

Introduction

The 21st century workforce is dramatically different than the industrial workforce of the last century. One-third of workers—42.6 million people—work independently as freelancers, consultants, independent contractors, temps, part-timers, and self-employed entrepreneurs,¹ and their numbers continue to grow. These workers are driving economic growth and recovery. In January 2010, the economy added 52,000 temporary positions,² while lay offs from full-time traditional employment continued. Employers—faced with a prolonged recession, rising health and retirement costs, and global competition—depend on independent workers to build their businesses, particularly in key sectors like technology, media, and healthcare. In New York City alone, the self-employed accounted for nearly two-thirds of job growth since 1975.³

Despite their significant contribution to the economy, independent workers lack the social protections guaranteed to traditional employees under the old New Deal model of work. They do not qualify for unemployment insurance, are excluded from wage protections, and lack access to group-rate benefits, all because they don't get a W2. It's no surprise, then, that last year's recession hit these workers harder than most.

From October to November 2009, Freelancers Union conducted an online survey of over 3,000 independent workers from across the United States. The results demonstrate the devastating effect our failure to update the social safety net has on the U.S. workforce and the economy at large. Independent workers are unemployed and under-employed in substantial numbers, relying on credit cards and government assistance to get by. They struggle with deadbeat clients who do not pay for completed work, losing millions of dollars each year. And since they must find and finance key benefits like health and disability insurance and retirement on their own, the economic downturn forced many to forgo these crucial protections all together.

In order to support this 21st century innovating workforce, we must create a new social safety net that adequately protects the tens of millions of independent entrepreneurs who are driving economic growth and recovery. This report highlights the unique struggles of independent workers in 2009 and proposes innovative solutions to protect independent workers now and in the future.

Freelancers in Every State & Industry

More than 3,000 individuals responded to this year's Freelancers Union survey. Respondents live in 49 states (all but South Dakota are represented) and Washington, D.C. The majority live in New York (47%) or California (14%). Ninety-two percent are independent contractors, with others being temporary or part-time workers.

These freelancers work in a variety of industries, though it is notable that even the most popular industries claim less than 10% of respondents. Film/television (8%), publishing/information services (6%), and advertising (5%) are the largest industries represented, followed by education/training (4%), health care/hospitals (4%), and nonprofit (4%). Writers and graphic designers are the most common occupations, with 9% and 7% of respondents respectively. Other top occupations include web designer/developer, accountant/bookkeeper, and marketing professional. The relatively even distribution



"It's a difficult time to be a self-employed American. There's a lot of talk about small independent businesses helping to stimulate the economy, but the government seems to be helping everyone but us."

- Jason Carreiro
Freelance Art Director/ Designer



Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce



of independent workers throughout diverse sectors of the economy demonstrates the pervasive nature of this new mode of work.

Survey respondents skew female; 57% are women and 43% are men. The average age is 45 years old. Gross median income is \$43,000 for individuals and \$60,000 for households (average household size of two). Respondents primarily work at home (48%), at their client's place of business (35%), at their own workspace (7%), or at co-working spaces (2%). Those respondents who live outside New York are more likely to work primarily at home (54%) than those in New York (41%) and less likely to work at a client's place of business (29% compared to 41%).

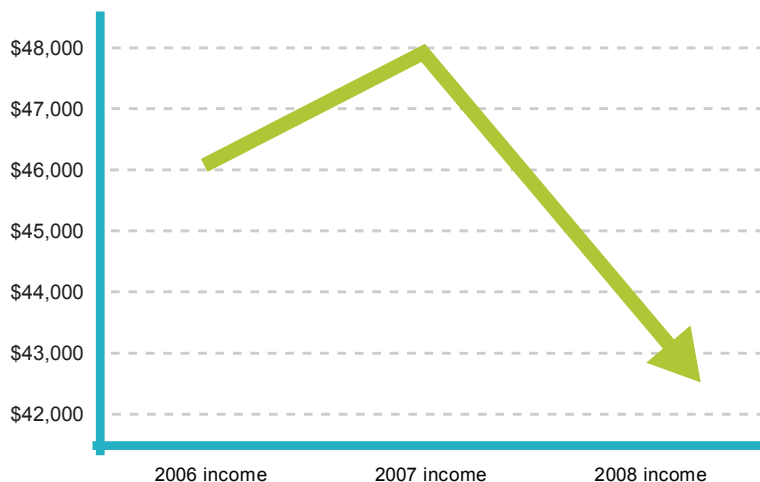
More Freelancers, Less Income

The economic downturn created many new freelancers and put significant financial strain on those already engaged in independent work. Faced with layoffs and reduced hours, many workers turned to freelance gigs to get by. Of the workers who recently turned to freelancing (less than two years ago), 38% did so in part because they were laid off from full-time traditional employment.

While in the past, workers often freelanced to augment traditional employment, they increasingly depend on independent work as their primary source of income. The number of respondents who work as both an independent worker and a traditional employee fell from 29% in 2007 to 18% in 2009—from one in three workers, to one in five.

Even as the number of full-time freelancers increased, independent workers saw their incomes decline dramatically in 2009. Though their total number of clients remained steady, with five being the median client load, individual income decreased by 9% over the last year, to \$43,000 in 2008 (from \$47,000 in 2007 and \$46,000 in 2006). Whether due to increased competition from new freelancers, reduced job opportunities, or both, the trend in lower incomes will continue for many; 59% of respondents anticipate having both lower individual and household incomes for 2009 tax filings.

Individual Annual Income



Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

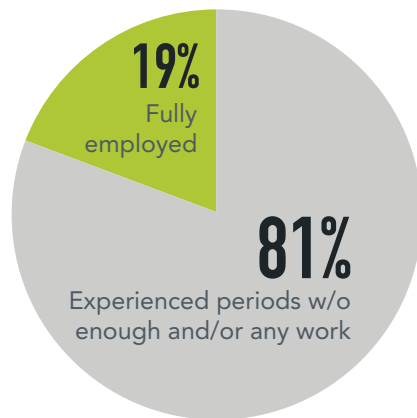


No Unemployment Insurance to Fall Back On

Faced with growing unemployment and underemployment, freelancers turned to credit cards and government assistance to get through the recession.

- 81% of independent workers surveyed did not have enough work in 2009.
- 49% experienced periods without any work.
- 32% experienced periods where they wanted more work.
- 37% relied on credit cards.
- 12% were forced to rely on some form of government assistance to meet their basic needs, double what it was in 2007.

Like the rest of the workforce, freelancers struggled with unemployment in 2009. While just 2% of respondents were unemployed in 2007, that number doubled to 4% in 2008. Fully 10% of survey respondents were unemployed in 2009. These numbers are alarming, but they only capture the currently unemployed. In total, 49% of survey respondents experienced periods of unemployment in the last year, with a median of 16 weeks without any work.



Unsurprisingly, freelancers were underemployed in greater numbers too. When asked, "In the last year, were there periods of time when you did not have work or did not work as much as you needed to," only 19% indicated that they had a full workload throughout the year. While independent work is, by nature, episodic, this figure is still a full 10 percentage points below what independent workers experienced in 2006, in which 29% had a full workload for the entire year.

In 2009, the unemployed were out of work for longer periods of time than usual. In 2008, the median duration of unemployment was 20 weeks, while that number rose to 27 weeks in 2009. Since some workers were unemployed for a much longer time, the averages are much higher, at 37 weeks in 2008 and 41 weeks in 2009. Without unemployment insurance to fall back on, these long periods of unemployment can be devastating for independent workers and their families, often wiping out other vital forms of protection such as retirement or college savings.

Despite their high rates of unemployment, independent workers rarely qualify for unemployment insurance because they are not technically "employees." Even traditional workers who qualify for unemployment benefits can be disqualified by a small amount of self-employment income. Compounding that inequity, independent workers were largely excluded from targeted government assistance for the unemployed in 2009, such as the American Recovery and Reinvestment Act, even though they were unemployed at the same rates as traditional employees.

Freelancers have to rely on themselves to get through periods of unemployment. Though many survey respondents use savings they set aside for that purpose (46%) to make ends meet, their savings are often insufficient to see them through long periods

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

without work. In 2009, 49% of survey respondents dipped into savings they set aside for other purposes (like retirement), 37% built up credit card debt, 26% borrowed money from family and friends, 9% sold cars or other items, and 5% took out loans to manage periods of unemployment. Notably, 12% of survey respondents turned to government assistance to meet their basic needs in 2009, up from 6% in 2007.

Freelancers Managed Unemployment in Different Ways:

49%	Used savings that they had set aside for other purposes
46%	Used savings that they had set aside for that purpose
37%	Used credit cards
26%	Borrowed money from a relative or friend
14%	Took a job outside their field
12%	Received government assistance
9%	Sold a car or other item
5%	Took out a loan

When freelancers must turn to government assistance to get through periods of unemployment, society pays the cost. Additionally, allowing workers to drain their retirement accounts, build up credit card debt, and default on their mortgages undermines the country's economic security. We must update our unemployment system to include these essential workers.

Though the volatile nature of freelance work could overtax the existing unemployment insurance system, a parallel program allowing freelancers to set aside savings in a tax-advantaged account holds promise. Freelancers could access these funds to pay for basic expenses such as health care, utilities, child care, or tuition during times of long-term unemployment. Based on recent research in the field of asset-building, this program could help freelancers smooth income volatility in the short-term and build savings over the long-term.⁴ Fully 91% of survey respondents expressed interest in contributing to a tax-advantaged savings account to weather these periods of unemployment and would be willing to set aside \$100 a month to build such a cushion.

No Recourse for Nonpayment

When clients do not pay, freelancers waste countless working hours chasing unpaid wages, at significant loss to themselves and the economy at large.

- 40% of survey respondents had trouble getting paid their owed wages in the last year.
- Cumulatively, survey respondents spent more than 17,000 hours pursuing unpaid wages over the course of the last year and were unable to collect a total of over \$3 million.
- The average survey respondent could not collect nearly \$6,000.

Freelancer Spotlight: Unemployment

Jenny Troester of Glenside, PA, has been doing freelance graphic design since 1998 when she was laid off from her full-time job. She does "a little bit of everything," working with clients on a project basis and picking up work at production houses when she needs extra cash. Jenny loves her job because of "the flexibility and the chance to be creative."

Jenny relies on word of mouth and networking to bring in clients and has always been able to keep a steady stream of business. But 2009 was the first year that her business ran a deficit. "2009 was brutal. There were times when no one would even pick up the phone to talk about projects—even in places where I had always been able to get work."

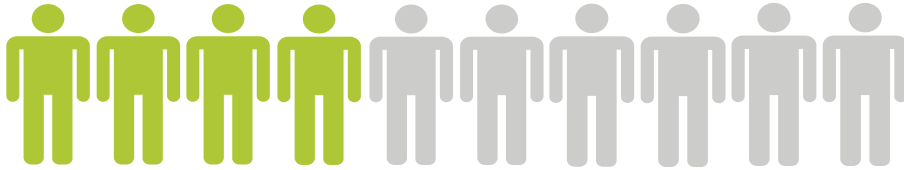
Jenny's income has dropped by 80%. As an independent contractor, she can't collect unemployment insurance, so to make ends meet she's been forced to drain her savings account and pay for basic expenses by credit card. Because of one bad year, Jenny now has wiped out all of her savings and totaled over \$15,000 in credit card debt.

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce



Client nonpayment remains a unique and persistent issue for independent workers, 40% of whom had trouble getting paid their owed wages in the last year. In fact, a previous Freelancers Union survey found that 77% of independent worker respondents experienced client nonpayment during their freelance career.⁵

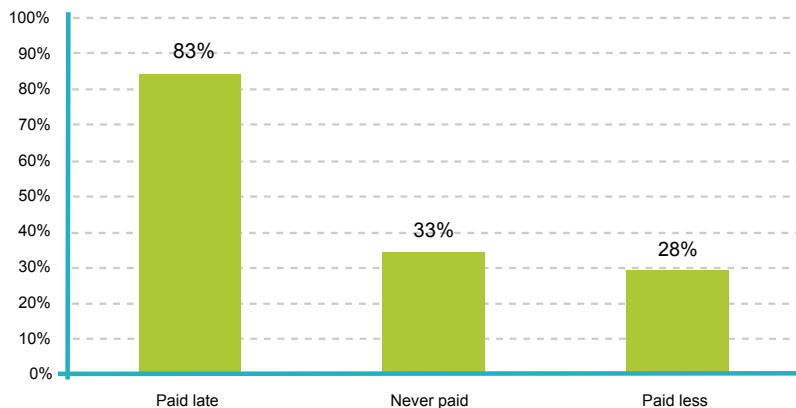
4 in 10 freelancers faced client nonpayment in 2009



Freelancers often struggle to collect payments on time. Of those respondents who had trouble getting paid over the last year, 83% were paid after the agreed-upon date, averaging 52 days late, with 30 days being the median number. For companies, there is little incentive to pay freelancers on time, since independent workers lack the infrastructure that many businesses employ to collect unpaid invoices and have little leverage to force prompt payment.

Worse than late payments, 33% of respondents were never paid by at least one client in 2009. These workers were unable to collect a median of \$1,200, though many could not collect a much higher amount, raising the average to \$5,745—14% higher than the amount independent workers were unable to collect in 2006. Even for those independent workers who were eventually paid, 28% were paid less than the agreed-upon amount. Bankruptcy poses a particular problem for freelancers in the recession as they are among the last to receive payment in bankruptcy settlements.

2009 Nonpayment Experiences



Nonpayment inflicts a heavy toll on the individual worker and the broader economy. Cumulatively, the survey respondents spent more than 17,000 hours pursuing unpaid wages over the course of the last year and were unable to collect a total of over \$3 million. For the workers, time spent chasing wages is time that could be spent on current work or obtaining new business. Additionally, freelancers could have spent lost wages growing their business or shoring up their economic security by contributing to a

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce



retirement account. This loss in productivity and income also impacts the economy at large. City, state, and federal governments lose not only tax income, but also the positive multiplier effects that freelancers' increased income would inevitably produce as they purchase goods and services in their communities and beyond.

Independent contractors have little recourse when clients refuse to pay. Though many could go to small claims court, they rarely do so. Only 4% of respondents hired an attorney in 2009 to pursue unpaid wages. This is in part due to fear of alienating current or potential clients, in addition to the administrative hassle and expense of submitting such a claim. Instead of court, independent workers primarily rely on calls and emails (which 87% of respondents indicated they do) to get clients to pay. Given the limited tools at their disposal, it is no wonder that so many independent workers suffer from client non-payment.

How Freelancers Handled Client Nonpayment:

87%	Repeated calls and/or emails to clients requesting payment
26%	Sent demand letters to clients
14%	Charged late payment fees
4%	Hired an attorney to pursue unpaid wages/invoices
2%	Took clients to small claims court

Traditional employees can file claims with their state departments of labor when employers fail to pay them. In such cases, state labor inspectors follow up on cases, and the Attorney General may pursue the damages for the worker. In states with strong labor laws, such as New York, individual employers may be responsible for penalties up to \$20,000 and face jail time.⁶ Unfortunately, most independent workers are not included under these labor laws and do not benefit from their protections. The workforce no longer fits into the legal definitions that provided the foundation for the New Deal. States should amend their labor laws to include independent workers in the wage claim process, among other labor protections generally granted to employees.

Though written contracts could provide some base level of protection from unpaid wages, only 33% of respondents always use written contracts when working with clients, leaving most respondents unnecessarily vulnerable to nonpayment. Interestingly, only 27% of New Yorkers always use written contracts, as opposed to 38% outside New York. Independent workers would benefit from affordable legal services to help them draft contracts to protect themselves. It is worth noting that, unlike traditional employees, freelancers must learn legal, bookkeeping, and marketing skills in addition to their specific trade or profession. Local governments and community organizations should promote affordable access to these services.

Freelancer Spotlight: Unpaid Wages

Alex Maiorescu is an IT and marketing consultant from Brooklyn, NY. He has been an independent worker for the past eight years, after being laid off. He loves the flexibility of his work but has struggled with client nonpayment.

Alex shared his perspective in dealing with deadbeat clients, stating, "I've gotten paid by most but sometimes it takes months to process a transaction. A typical delay is 60 days to get paid, but I've had clients go six months not paying from the time they've received the invoice."

In 2009, one of Alex's clients failed to pay him \$10,000 for completed work. Alex continues to call and email the client and has spent "at least three full days worth of work" chasing his payments down but to no avail.

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

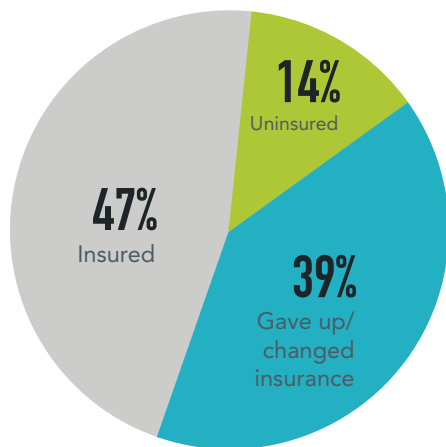


Health Insurance Coverage Dropped

Many freelancers sacrificed their health coverage in 2009 because they could no longer afford it.

- 18% of survey respondents had to give up health insurance in the last year.
- 35% who had health insurance had to change their plans to ones that offered fewer benefits because they could not afford it.
- 47% say their biggest concern is the lack of affordable health insurance.

Lack of affordable health insurance is the work obstacle that most concerns independent workers, with 47% of respondents indicating it is their greatest concern, above a lack of unemployment protection, over-taxation, client nonpayment, and worker misclassification. Without access to employer-provided health insurance, independent workers are uninsured in significant numbers. Fourteen percent of survey respondents were uninsured last year, up from 12% in 2008.




In total, 39% of all respondents cut their health coverage in 2009 because they could no longer afford it. Notably, 18% had to give up their health insurance all together (up from 13% in the 2008 survey), and 35% of those who had health insurance changed their plans to ones that offered fewer benefits because they could no longer afford the more comprehensive ones (up from 29% in the 2008 survey).

Without access to employer-sponsored health plans, independent workers must fend for themselves on the individual health insurance market,

which is much more expensive than the group-rate plans offered through employers. In New York County, for example, the average cost of an individual point of service (POS) plan on the individual market is \$1,667,⁷ far beyond the reach of most middle-income families.

Independent workers need portable, affordable benefits they can take with them from job-to-job. Though the old system of employer-provided insurance does not work for them, there are aspects of that system worth replicating. Employers play an important function in grouping people together, making health insurance more affordable by spreading costs across the whole pool. They also vet plans, help their employees navigate a confusing array of options, and provide support in disputes with insurance companies. We could look to other groups to provide similar functions, such as nonprofits, churches, and unions, and make portable, affordable health insurance available to the new workforce.

In both 2008 and 2009, 76% of survey respondents indicated that they would prefer to get health insurance through a membership organization, professional association, or nonprofit organization, more so than directly from an insurance company, through an employer, or through the government.⁸ One such example already exists. In New



Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

York, Freelancers Union has provided portable, affordable group rate benefits to New York's independent workers since 2001. In 2009, it launched Freelancers Insurance Company (FIC), the country's first social-purpose insurance company, financed by \$17 million from the Ford, Rockefeller, and Robert Wood Johnson Foundations, among others.

FIC provides health insurance to over 23,000 New Yorkers that is 75% cheaper than comparable plans available on the individual market. It provides a viable option for the middle- and lower-income workers that Congress and private insurers have so far failed to serve. Wholly owned by the nonprofit Freelancers Union, FIC is developing innovative new approaches to cost-containment and preventive care, including discounted mental health and nurse practitioner networks.

Market-based, FIC does not rely on government funding to provide independent workers with the group-rate coverage that traditional employees have had for years. Instead, it is capitalized by social-purpose, low-interest loans which it will repay over time. This low-cost financing is tied to social outcomes, such as covering low-income workers, and is key to keeping premiums affordable.

In addition to favorable financing, FIC depends on state regulatory or legislative changes to allow independent workers to group together for the purposes of obtaining insurance. In New York State, the legislature recognized that Freelancers Union provides an innovative and cost-effective solution to covering the uninsured, and passed legislation codifying its model into law in 2009. The federal government and other states should pass legislation to allow for the expansion of this model nationwide.

Recommendations

Independent workers are the backbone of the modern economy, yet they face tremendous challenges pursuing careers within a system designed to support an older model of the workforce. Without access to unemployment insurance, workplace protections, or group-rate benefits, independent workers are far more vulnerable to fluctuations in the economy than are traditional employees.

Yet freelancers' struggles in 2009 are not just evidence of one group's difficult year. Today's temps, independent contractors, and freelancers are harbingers of tomorrow's new, more mobile economy. And as employers continue to cut benefits like health insurance and retirement, traditional, full-time workers may soon find themselves in need of a new safety net as well. As the old jobs disappear, the system of protections we built around them will continue to erode.

We need sustainable, innovative solutions that protect the workers of the new economy, just as the New Deal protected industrial workers of the 20th century and paved the way for a prosperous middle class. Freelancers Union recommends the following solutions, both within and outside government, to protect 21st century workers:


Freelancer Spotlight: Health Insurance

Barbara Jatkola is a self-employed editor from Jaffrey, NH. Barbara turned to independent work more than 25 years ago because of a desire to do work on her own schedule. She loves working from home and being able to focus without the distraction of other workers.

The greatest obstacle Barbara faces as an independent worker is accessing benefits, most notably affordable health insurance. Barbara's husband is also self-employed, so both are excluded from the traditional social safety net.

Barbara and her husband access health insurance directly through an insurance company. The cost for their plan has nearly doubled over the past year, and now takes up 27% of their income.

As Barbara stated, "financially, it is putting a huge strain on our budget. We had been saving for retirement for several years, but now we can no longer afford to put away anything else because our income is being eaten up by the growth of insurance costs. We've had to eliminate our annual vacation, and I'm working even more to help pay for these increasing premium costs."



Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

Expand Unemployment Protection:

Independent workers' complete exclusion from unemployment insurance leaves them especially vulnerable to fluctuations in the economy. Though the volatile nature of their incomes could overtax the existing unemployment system, a parallel system built around tax-advantaged savings accounts hold promise, especially given recent innovations in the field of asset-building. Such accounts could also help counteract the double tax burden that most independent workers shoulder through the self-employment tax.

To provide unemployment protection, policymakers should:

- **Establish a program to allow workers to save for periods of unemployment in tax advantaged savings accounts.** Through research and work with actuaries, Freelancers Union concludes that true insurance is not the appropriate vehicle for providing unemployment protection to independent workers; the volatile nature of their work makes it very difficult to designate an insurable event. A savings vehicle better meets the realities of independent workers' episodic income flow. Freelancers Union proposes a two-year pilot to test the viability and scalability of tax-advantaged accounts as a means to protect independent workers during periods of unemployment.
- **Include independent workers in new programs designed to assist workers through periods of unemployment.** Recent government programs to ease the effects of the recession have largely excluded independent workers. In the last year alone, employees received more unemployment insurance benefits for a longer duration of time and had greater access to retraining programs, while independent workers did not qualify for these programs. Moving forward, independent workers deserve the same consideration in any policies or programs that are developed to alleviate the strain that unemployment creates on meeting one's basic expenses.

Expand Worker Protections to Include Independent Workers:

Since the 1930s, the U.S. has built a system of worker protections around the employer-employee relationship, including wage and hour laws, workman's compensation, and anti-discrimination laws. Independent workers are excluded from these protections, even though they make up one-third of the workforce.

To update and expand these protections to include ALL workers, policymakers should:

- **Amend state labor laws to include independent contractors in their wage and hour claims systems.** While state labor laws differ, most restrict their department of labor's jurisdiction to traditional employees. These laws give the state Commissioner the right to investigate and penalize employers who do not pay their employees, a right that should be expanded to include companies who do not pay their independent contractors. New York State already set a precedent for this expansion by including sales representatives, who are classified as independent contractors, under labor laws. Policymakers should expand these protections to include all workers.

Document the Independent Workforce:

The U.S. government fails to count independent workers in a consistent and ongoing way. In fact, the Bureau of Labor Statistics discontinued the Contingent Work Supplement, the only data source tracking these workers in any comprehensive way, in 2005. Without reliable data, it is impossible to quantify the growth of this sector relative to others, the impact these workers have on the economy, the extent of the challenges they face, or the likely impact of proposed policies to address those challenges.

To address this glaring omission, state and federal agencies should:

- **Count independent workers using consistent definitions and in an ongoing fashion at the local, state, and national level.** Data on the independent workforce comes from a variety of sources and is not consistent in terms of definitions or the data being captured. For example, the Current Population Survey tracks part-time and self-employed workers, but it fails to include the definitions used by the Government Accountability Office (GAO), which considers eight different categories of workers to be "contingent". Internal Revenue Service (IRS) and Bureau of Labor Statistics (BLS) categories further complicate the issue, making it impossible to get an accurate picture of this workforce.
- **Include independent workers in standard labor statistics and measurements of the economy.** Much of the data regularly tracked and reported to assess the state of the workforce (the BLS monthly jobs report, for example), fails to include independent workers. For example, the government uses new unemployment claims as a means to document the unemployed, but this measure fails to include the workers who do not qualify for this protection. As the lead (*cont.*)

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce

- **Establish individual liability for the owners and shareholders of companies that don't pay independent contractors and a right of action for third parties to bring these cases to court.** Many states hold owners and shareholders of companies personally liable in traditional wage claim cases. In New York, for example, employers may be liable for up to \$20,000 in damages and even face up to one year of jail time for failing to pay their workers. Companies who fail to pay their independent workers should be subject to the same penalties.

Increase Independent Workers' Access to Affordable, Portable Benefits:

Workers can no longer depend on a single employer to provide health coverage. They need portable, affordable benefits that provide comprehensive coverage and can stay with them from job to job. Freelancers consistently report that access to health insurance is their biggest challenge, with 49% of survey respondents indicating it is their greatest concern. Thus far, Congress and private insurers have failed to fill this vital need. In New York State, however, Freelancers Union uses an innovative, market-based approach to provide affordable group-rate coverage to over 23,000 workers at no cost to government.

To help freelancers access affordable health insurance, policymakers should:

- **Allow freelancers to group together for the purposes of obtaining health insurance.** Employers have been the primary means of creating insurance risk pools since World War II, but they are no longer sufficient to serve one-third of the workforce. Policymakers should allow other groups, such as nonprofits, churches, and unions, to serve the same function employers once did, and provide portable, affordable benefits to these vulnerable workers.
- **Provide low-cost social capital to support innovative, market-based models of benefits delivery.** The cost of capital has a direct impact on premium prices. Most insurance companies are financed by venture capitalists, who demand up to 30% returns on their investments, often at the cost of the consumer. Governments have long used low cost capital to support market-based solutions to social problems. Examples include affordable housing funds and economic development initiatives. Policymakers could use similar principles to provide low cost financing to social purpose insurers, who in turn meet social goals by covering more low-income or vulnerable populations.
- **Allow the self-employed to fully deduct their health insurance premiums before assessing their self-employment tax.** While employer provided health insurance is completely subsidized by the federal government through the employer tax exclusion, costing taxpayers billions in lost revenue a year,⁹ the self-employed must still pay taxes on the money they spend on health insurance. Given that they already bear the full cost of health insurance alone, this is a gross inequity that must be remedied.

Document the Independent Workforce: (cont.)

agency tracking workforce trends, the BLS should update its definitions and reporting to include the new workforce.

- **Quantify the economic impact of independent workers on the economy.** Despite the fact that independent workers have a huge impact on the economy, there is little data available to quantify or analyze these trends. For example, one study in New York City found that the self-employed drove two-thirds of job growth since 1975,¹⁰ but no such study exists at the national level. Policymakers should request such reports at the state and federal or other local levels.
- **Assess the impact (or exclusion) of proposed policies on independent workers.** Policymakers often fail to consider the effects that new policies may have on independent workers. This is true in the case of new taxes, such as the Metropolitan Commuter Transportation Mobility Tax recently passed in New York, which places an undue burden on freelancers by requiring them to file quarterly but on a different schedule from their existing quarterly tax payments. This oversight also occurs with new benefits such as the expansion of unemployment protections in 2009 or new jobs incentives in 2010, both of which excluded this sector of the workforce.

Independent, Innovative, and Unprotected: How the Old Safety Net Is Failing America's New Workforce



Conclusion

Independent workers now make up one-third of the workforce in the United States and despite being battered by the worst economic downturn in recent history, they lack any social safety net to fall back on. The New Deal model of worker protections, including unemployment insurance, labor protections and group-rate health insurance, fails to meet their needs in every way. Yet independent work is the foundation of the new, more mobile economy. Freelancers Union's 2009 survey reveals the fragile state of independent workers and serves as a clarion call for innovative solutions and policy changes to help stabilize and support America's new workforce now and in the future.

Endnotes

- ¹ Government Accountability Office (2006) *Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification*
- ² Bureau of Labor Statistics (2010)
- ³ Office of the New York City Comptroller (2007) *Economic Notes*
- ⁴ Cramer, R. & Siu, C. (2009) *The Assets Report*, New America Foundation
- ⁵ Freelancers Union's 2007 Survey
- ⁶ Article 6, § 198-a., New York State Labor Law
- ⁷ New York State Insurance Department (2010) www.ins.state.ny.us/hmorates/html/hmonewyo.htm
- ⁸ Survey participants were given five different ranks: "Most preferable", "Preferable", "Neutral", "Not preferable", and "Least preferable". This calculation is based on respondents who answered "Most preferable" or "Preferable". Responses for other options include 61% for "Through the government", 37% "Through an employer," and 37% for "Directly from the insurance company".
- ⁹ Klein, E. (2009) Health reform for beginners: The employer tax exclusion http://voices.washingtonpost.com/ezra-klein/2009/05/health_reform_for_beginners_th.html
- ¹⁰ Office of the New York City Comptroller (2007) *Economic Notes*

Authored By

Sara Horowitz
Althea Erickson
Gabrielle Wuolo



Freelancers Union

20 Jay Street, Suite 700
Brooklyn, NY 11201
718.532.1515
www.freelancersunion.org