



AMERICA'S UNCOUNTED INDEPENDENT WORKFORCE

Introduction

As the U.S. economy transitioned from agrarian to industrial in the 19th and early 20th centuries, the way Americans worked also shifted dramatically from the farms to the factories. And now, in the 21st century, we're seeing another transition from full-time, long-term, traditional jobs for one employer to flexible, multiple projects for various clients. Independent workers—including the self-employed, on-call workers, temps, and part-timers—play an increasingly significant part in our nation's economy, having grown to almost one-third of the U.S. workforce as of 2005.ⁱ Not only is traditional employment being replaced by independent work, but employees are also increasingly relying on freelancing to supplement their traditional work.

When the federal government began to first track employment statistics back in the 1880s, policymakers were primarily concerned with who was employed and who was not, a binary view that fails to capture the complex way people work today. Rather than working a single job for one employer, independent workers take on multiple projects for various clients. Without a system that consistently surveys the new workforce, the national employment figures, which have long been heralded as an economic bellwether affecting markets, consumer spending, and even the fate of national elections, are obsolete. Without an accurate count of independent workers, it is impossible to quantify the sector's growth, their impact on the economy, and the extent of the challenges they face.

What is the independent workforce?

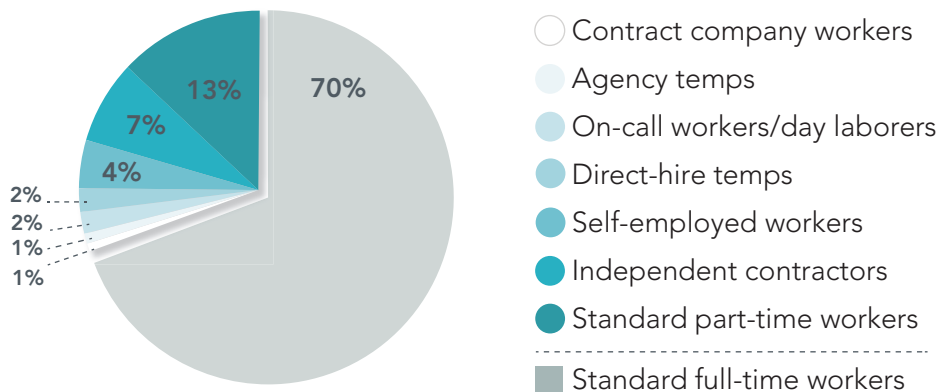
The independent workforce is the segment of the labor force that is employed outside of full-time, long-term, year-round employment with a single employer. Independent workers face distinct challenges, most importantly that they lack access to the support system of protections and benefits that traditional employees enjoy. In 2006, the Government Accountability Office (GAO) released a reportⁱⁱ which indicated that 42.6 million workers, or 30 percent of the workforce, were independent or contingent. They included the following work categories:

- Agency temporary workers
- Contract company workers
- Day laborers
- Direct-hire temps
- Independent contractors
- On-call workers
- Self-employed workers
- Standard part-time workers

Unfortunately, the data was based on the Contingent Work Supplement, a survey that was discontinued in 2005, leaving us with no current data on this workforce segment's size, six years and a national recession later.

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Independent workers comprise 30% of the U.S. workforce:



The 2011 Freelancers Union Annual Independent Worker Survey surveyed over 2,500 respondents representing all 50 states, and demonstrated that work in this country is evolving away from traditional work and into more flexible, contingent work: almost half of workers (46 percent) earned their income from two or more categories of work in the last year. This is in stark contrast to the government's monthly jobs numbers, which focus primarily on private wage and salary workers, government workers, and the self-employed. These figures don't account for the nuances and overlap between the different ways people work, nor the episodic nature of independent work.

Why did the independent workforce emerge?

Independent work arrangements support a global, mobile economy and are essential to maintaining competitiveness and creating jobs. Companies are turning to freelancers, temps, and other independent workers now more than ever to help out on a project-by-project basis or for specified periods of time. Historically, these are the first workers to be laid off during a recession and the first to be hired back during a recovery. But it's also indicative of a larger trend in the workforce, where businesses recognize the flexibility and cost savings that contractors provide them. Additionally, technological advances have fostered the emergence of freelancers and other independent workers who can easily complete tasks away from a physical office space while remaining in touch with clients using cell phones and laptops. As the firm Littler Mendelson reports, "The new demand for contingent workers, the economic recovery and the passage of national healthcare will serve as the perfect trifecta to catapult contingent work arrangements to previously unachievable levels."ⁱⁱⁱ

While flexible work helps businesses remain competitive, it also suits the needs and preferences of modern workers, many of whom are looking for meaningful work, not just something to pay the bills. The 2011 Freelancers Union Annual Independent Worker Survey asked respondents to rank the top five reasons for why they became independent workers, and overwhelmingly respondents selected personal preferences.

People work independently by choice:

75%	included "flexible schedule"
55%	included "diversity of projects"
49%	included "freedom from office politics"
48%	included "more creative control"
35%	included "can make more money"

The industries most represented by survey respondents were publishing/information services (8 percent), film/television (7 percent), and advertising, nonprofit, and graphic design (5 percent each). While these sectors are traditionally seen as freelance-friendly, survey respondents also worked as aestheticians, court reporters, ecologists, policy analysts, and stenographers for the deaf. Essentially, independent workers exist in practically every professional field.

How do independent workers impact the economy?

By all accounts, independent workers are driving the U.S. economy through new job creation:

- The Kauffman Foundation found that entrepreneurial activity in 2009 reached its highest peak in 14 years.^{iv}
- Littler Mendelson predicts that half of the workforce added after the recent recession will be comprised of contingent or independent workers, bringing them up to 35 percent of the total national workforce by 2020.^v
- Littler Mendelson also wrote that while general employment is expected to increase 1 percent annually from 2008 to 2018, temporary employment will grow twice as fast.^{vi}

In addition, independent workers impact the economy by hiring other workers. Twenty-seven percent of Freelancers Union Annual Independent Worker Survey respondents hired one or more categories of workers in 2010.

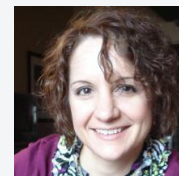
Freelancers create jobs:

21%	hired freelancers
3%	hired part-time workers
3%	hired temporary workers
2%	hired full-time employees

Unfortunately, however, the government doesn't track this specific statistic in its job numbers, yet another reason why the current count is not indicative of the current workforce.^{vii}

Why does an accurate count of the independent workforce matter?

Even though they comprise a significant chunk of the economy, it's easy to overlook independent workers' needs since they aren't consistently defined and tracked. Taken separately, the various sub-groups that comprise the independent workforce may seem relatively insignificant. But taken together, the size of the group is striking and marks a significant shift in the labor force. While these workers may seem distinct, they face the same challenges of working without access to traditional protections and benefits:



Independent Worker Spotlight

Nance Schick
New York, NY
Freelancers Union member

Nance Schick is a sole proprietor lawyer who started working independently in 2003 after having difficulty finding traditional full-time employment when her litigation firm was closing. While she hadn't anticipated being self-employed so early in her career, she actually prefers it: "I like working independently, and hopefully, I can use my knowledge to empower other people who want to do the same."

As a solo entrepreneur, Nance learned early on that hiring consultants allowed her to focus on her areas of expertise. Nance hired a bookkeeper, an accountant, a freelance web designer, a part-time paralegal, and a virtual assistant to support her business. As Nance said, "you have to allow people who are experts to do what you can't. They can do it with such efficiency that it totally pays for itself. The peace of mind is extraordinary."

Nance recognizes the shift in the U.S. workforce: "In a way, we've cycled back to the independent work that was done before the Industrial Revolution, when we were a country of entrepreneurs managing micro-businesses that provided our basic needs – like butcher shops and tailors. Each of us has unique knowledge and experience that others do not. That's what I love about entrepreneurship. I'm always meeting new people who have businesses I couldn't operate as well as they do, and I'm happy to know they are there if I ever need them."

Nance sees a gap in the marketplace, where larger corporations receive many types of support that independent workers do not.

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- They lack access to employer-sponsored health insurance and have to buy it on the individual market, which is often prohibitively expensive. Health insurance premiums on the individual market vary drastically from state to state, costing an annual average of \$5,609 for a family in Iowa to \$13,296 for a family in New York.^{viii} Most uninsured workers are self-employed or work for small firms where they likely aren't offered health benefits.^{ix} Freelancers Union reported that in 2009 alone, 18 percent of independent workers had to give up their health insurance.
- Independent workers are not protected by the Department of Labor when they are not paid by their clients. In 2010, 44 percent of independent workers had trouble getting paid for their work, translating into billions in lost compensation, according to Freelancers Union's 2011 survey.
- Many have episodic income, but when they experience dry spells, there is no unemployment insurance to carry them through. Freelancers Union's 2011 survey showed that a full 79 percent of freelancers experienced periods in 2010 without enough (or sometimes any) work.

If the government counted independent workers, they could design more effective policies that support what the workforce needs to succeed, thereby supporting our economy. Already we've seen the independent workforce overlooked in recent policy decisions: when unemployment protections were expanded in 2009, freelancers were excluded from the policy. Furthermore, policymakers often fail to consider the effects that new laws may have on independent workers: a provision in the 2010 Affordable Care Act, which was unrelated to health insurance access, created a tax filing nightmare for freelancers. The provision stated that anyone who purchased \$600 or more in business goods or services in a year from any one vendor would be required to issue a 1099 form to that vendor. So, for example, a freelance designer who bought an iMac from the Apple store would have to send Apple a 1099 form.

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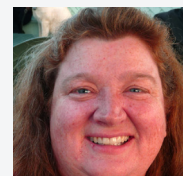


Government programs that promote small business generally focus on companies with scores of employees and millions of dollars in annual revenue, which is short-sighted. Many of the businesses I know are considerably smaller than this, with one or two founders or only a few employees. These truly small businesses could also benefit from state and federal programs, including better access to capital.

This country started life as a nation of individual business people, but our government supports that form of business very poorly. One of the strengths of our country lies in independent workers, who can generate security for themselves much better than any large corporation can do.

-Richard Cass, Technical/Business Consultant & Freelancers Union member

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Independent Worker Spotlight

Teresa Trujilo
Fullerton, CA
Freelancers Union member

Teresa is a graphic designer, specializing in designing and printing textbooks and training materials. She runs an incorporated small business with her husband, and turned to independent work 11 years ago after leaving a job as a corporate executive at Kinko's. She chose to work independently because she wanted more flexibility in her schedule so she could spend more time at home with her family.

The economic downturn dramatically affected her business, forcing her to let two employees go. Now, she hires workers on a contract basis, usually for a couple of weeks at a time, depending on project load. She used to maintain an office outside her home, but when the landlord raised the rent by 20 percent, she moved the business into her own home.

Some of the greatest challenges Teresa has encountered as an independent worker include access to affordable health insurance, keeping up with technology, and client nonpayment. She forgoes health insurance, even though she has a pre-existing condition, explaining that it's been more affordable to pay out of pocket rather than paying the \$12,000 a year in premiums on the individual market. Having a digital printing business necessitates upgrading software every two years and customizing computers, which can be costly. While she usually requires written agreements and an up-front payment, she's also faced nonpayment on an average of \$2,500 annually from clients.

Teresa feels that the most positive thing about being an independent worker is the flexibility and portability. She is planning to move her business from California to Kentucky to save on costs, while still being able to maintain most of her clients.

Policy Recommendations

We already know that independent workers comprise a significant sector of the workforce (almost one-third at last count^x) and are anticipated to account for half of all new jobs after the recession ends,^{xi} but these figures are based on piecemeal studies analyzing different categories of workers. The federal government, which has the greatest infrastructure and scalability for measuring national workforce statistics, must evolve how they understand, measure, and support the workforce as it exists now and in the future. Until the federal government develops an ongoing, comprehensive, and consistent way of tracking independent workers, they are ignoring a crucial, and growing, segment of the economy that is transforming the U.S. workforce.

Policymakers, legislators, academics, economists, and the press rely primarily on data from the Bureau of Labor Statistics (BLS), the lead agency tracking workforce trends, to take the pulse of the nation's economy and to plan and evaluate government programs. To address the glaring omission of independent worker data, we recommend:

- Counting independent workers using consistent definitions and in an ongoing fashion;
- Including independent workers in standard labor statistics and economic measurements;
- Quantifying the impact of independent workers on the U.S. economy; and
- Assessing the impact (or exclusion) of proposed policies on independent workers.

Congress can support these efforts by passing the BLS's 2012 budget request to revive the Contingent Work Supplement, which has not been conducted since 2005. From privately-conducted national surveys and anecdotal evidence, it is clear that workers are increasingly moving away from traditional full-time employment to temporary, part-time, and/or contract work, but this information is not sufficient to convince policymakers that independent workers are the lynchpin to our economy. As policymakers look to the monthly BLS jobs numbers to help shape their decisions, it's time to give the BLS the resources it needs to update its analysis and reporting of the modern workforce.

With reliable government figures, policymakers could no longer ignore independent workers, the strength they bring to our economy, and the challenges they face. An accurate count could mean that the ignored one-third of our workforce could have access to the same basic benefits, protections, and supports that the other two-thirds already receives.



- i. Government Accountability Office (2006) *Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification*. www.gao.gov/new.items/d06656.pdf.
- ii. Ibid
- iii. Littler Mendelson (2010) *The Littler Ten: Employment, Labor and Benefit Law Trends for Navigating the New Decade*. www.littler.com/PressPublications/Documents/Littler%20Report/WP_LittlerTen_10-5-10.pdf.
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- xi. Littler Mendelson (2010) *The Littler Ten: Employment, Labor and Benefit Law Trends for Navigating the New Decade*. www.littler.com/PressPublications/Documents/Littler%20Report/WP_LittlerTen_10-5-10.pdf.