



Mobile Workers, Immobile Health Benefits

The State of Independent Work

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Prepared by Working Today

Working Today is a non-profit organization that represents the needs and concerns of the growing independent workforce through advocacy, information and service.

SUMMARY

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Major findings

As quintessential examples of the new economy workforce, new media and high-tech workers are highly mobile, regularly moving from project to project and employer to employer. Those working independently— as freelancers, the self-employed, temp agency employees, and part-time employees— do not have access to a safety net that is appropriate to the way they work today. Working Today recently conducted an online survey of this workforce in New York City’s Silicon Alley. We found the following:

- 30% of new media and high-tech independent workers have no health insurance;
- 31% of new media and high-tech independent workers rely on COBRA to get health insurance;
- 59% of these independent workers have had an interruption in their health insurance coverage in the last three years; and
- 80% of those surveyed have switched between independent work and traditional employment at least once in the last three years.

Independent workers and traditional employees alike must be able to build a new safety net, one that enables, rather than limits, workforce mobility

Solution

Independent workers and traditional employees alike must be able to build a new safety net, one that enables, rather than limits, workforce mobility. For today’s workforce, benefits must be portable. That is, they must be tied to the individual, rather than the employer. To make this possible, independent workers must be able to join in groups to get the benefits they need and to become a constituency that participates in public debates and helps both to shape public policy decisions and to build a new model of delivering benefits to today’s flexible workforce.

Recommendations

Working Today recommends the following immediate public policy changes to begin making workforce mobility viable.

- **Establish refundable tax credits for health insurance payments** for both independent and traditional workers.
- **Provide employers with a full tax break** for contributing to the health insurance of all of their workers, regardless of their employment status.
- **Encourage worker associations, nonprofits, community groups, churches, and unions to use the power of their numbers to offer consumers reasonably-priced group health insurance.**
- **Enable these organizations to sponsor portable 401(k)-style retirement plans for members, thereby giving people additional options for retirement investments.**
- **Update unemployment insurance eligibility rules** to cover all workers, regardless of their employment status.
- **Reform the nation's anti-discrimination laws** so that they include independent workers.

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Introduction

The Growing Irrelevance of the Industrial Model of Work & Benefits Delivery

New media and high-tech independent workers are the new economy personified. Until very recently they embodied the seemingly endless opportunities and possibilities of a booming era. Today, we are beginning to see the underbelly of the new economy. Those young, savvy independent workers are walking a tightrope from project to project without a safety net underneath them. This is because public policy and the American system of delivering benefits to working people— particularly health insurance— have not kept pace with dramatic changes in the structure of work. The safety net of the industrial era, a time in which long-term employment with a single employer was the dominant form of work, remains relatively intact, but the workforce is mobile today. The old model, with benefits and protections securely fastened to employers, no longer is relevant to 30% of today's workforce and many of New York City's new media and high-tech workers (Figure 1). The current economic downturn, particularly in the new media and high-tech industries, is making it clear that it is time to rethink America's safety net.

As companies seek to maintain their competitive edge, flexibility has fast become the new employment standard.

Today's paradigm of work is flexibility and frequent change. Consumers have learned to expect exactly what they want, when they want it. Thus, as companies seek to maintain their competitive edge, flexibility has fast become the new employment standard. Companies— whether they make cars or sell expertise— are organizing their businesses such that labor and supplies are variable, rather than fixed, costs. That is, they are structuring their operations around teams and projects that they put together and disassemble with rapid-fire speed.

In an economy that requires a nimble workforce, independent workers need a system that is as portable as they are. They must be able to get the benefits they need— health insurance, retirement savings plans, protection for times of unemployment, a mechanism to defend themselves against discrimination and more— in ways that support rather than limit their mobility. Thus, public policy must adapt to this era and allow access to benefits to be uncoupled from specific employers; in today's world, benefits must be attached to individuals so that they can carry their own

FIGURE 1

America's Independent and Traditional Workforce □

Category of Worker	Number of Workers (in thousands)	Percentage of Total Workforce
Agency temps	1,188	0.9
Direct-Hire temps	3,227	2.5
On-call workers and day laborers	2,180	1.7
Contract company workers	769	0.6
Independent contractors	8,247	6.3
Self-employed workers	6,280	4.8
Standard part-time workers	17,380	13.2
Subtotal (independent workforce)	39,271	29.9*
Standard (or traditional) full-time workers	92,222	70.1
Total workforce	131,493	100.0

*Percentages do not add up to subtotal because of rounding.

safety net with them as they traverse the world of work. As yet, such a system does not exist.

Silicon Alley: New York City's New Media Industry

A Snapshot of the Industry Today

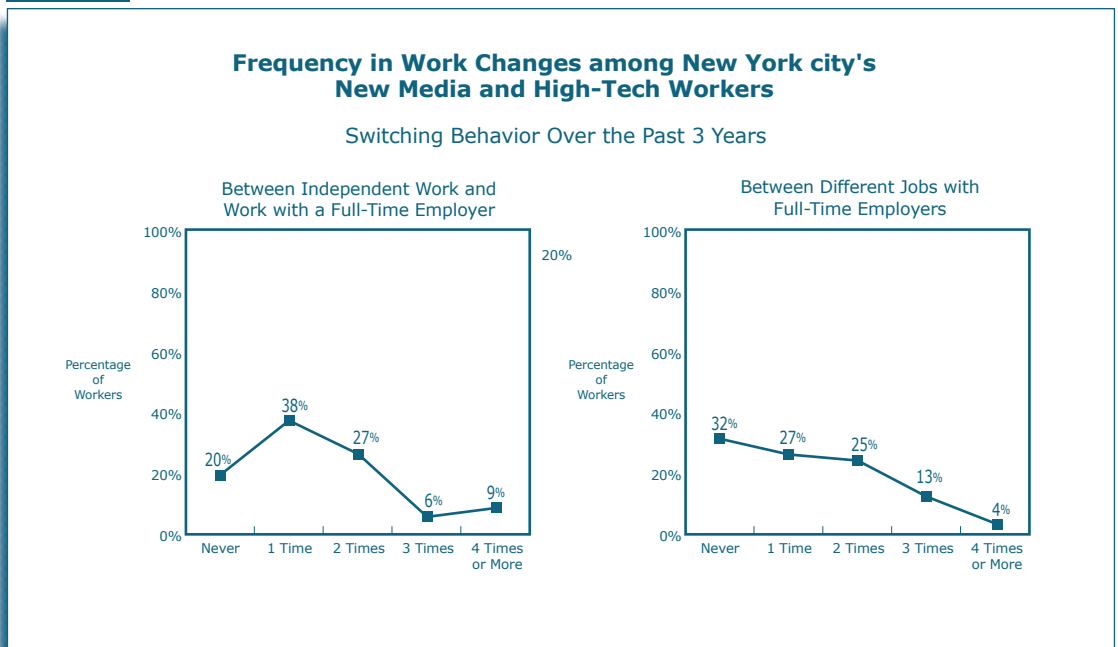
Less than a year ago, economic forecasts predicted no end to the growth and opportunity that the Internet and e-business presented. New York City's Silicon Alley, a national center for Web content and design, while small geographically, represented seemingly limitless possibilities. In July 2000, the New York New Media Association (NYNMA) reported that New York City's new media industry had grown by 43% per year between 1997 and 1999. At that time, nearly 140,000 people were working in the industry, with nearly 34,000 of them (or 24%) in either freelance or part-time positions. Experts predicted that the industry would continue to grow at this phenomenal rate.

But as quickly as the new media industry took off, it is crashing today. While there is little hard data, there is no doubt that many Silicon Alley companies have closed or have curtailed their operations in recent months.

The New Media Workforce

The new media workforce provides the quintessential illustration of the fluid nature of work today. In February 2001, Working

FIGURE 2

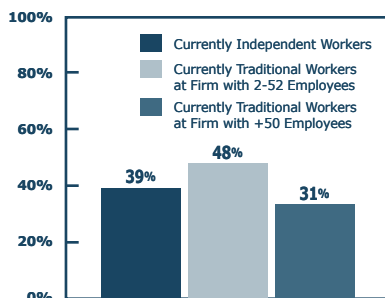


Today conducted an online survey of new media and high-tech workers, focusing particularly on those who have worked independently in New York City for at least part of the last three years. The survey confirms that mobility is the rule rather than the exception: new media independent workers and traditional employees alike are switching jobs regularly. In the last three years, 80% have moved between independent work and full-time employment at least once; during the same period, 69% of today's full-time new media and high-tech employees moved between employers at least once (Figure 2).). Thirty-nine percent (39%) of today's independent workers expect to be working independently three years from now. Many of today's employees expect to be working as independents in the next three years— 48% of those employed by small employers (those with between 2 and 50 employees) and 33% of those employed in companies that have more than 50 employees (Figure 3). Clearly, the new media and

FIGURE 3

Flow between Independent & Traditional work among New York City's New Media and High-Tech Workers

By Current Work Arrangement



high-tech workforce is not a part of—and does not expect to be—a long-term, stable work relationship.

Inadequate Health Coverage

Fluid work arrangements present significant challenges to the new media workforce, given our current system of benefits delivery. Perhaps foremost among these is its limited access— indeed often nonexistent access— to affordable health insurance. Whether they are independent workers or traditional employees, frequent job switching means interrupted health insurance, at best, and at worst, and not infrequently, no coverage at all. Thirty percent (30%) of survey respondents.

currently working independently have no health insurance. Of respondents with coverage, 59% of independent workers and 41% of full-time employees in small firms have experienced an interruption in their health coverage (which means, of course, no coverage) within the last three years (Figure 4).

While it is becoming more commonly known that freelancers and those in other nontraditional work arrangements often go without health insurance, the survey also illustrates that traditional employees are experiencing some of the same problems. Short-term work— even if it is performed as a traditional full-time employee— renders it unlikely that a person will have access to

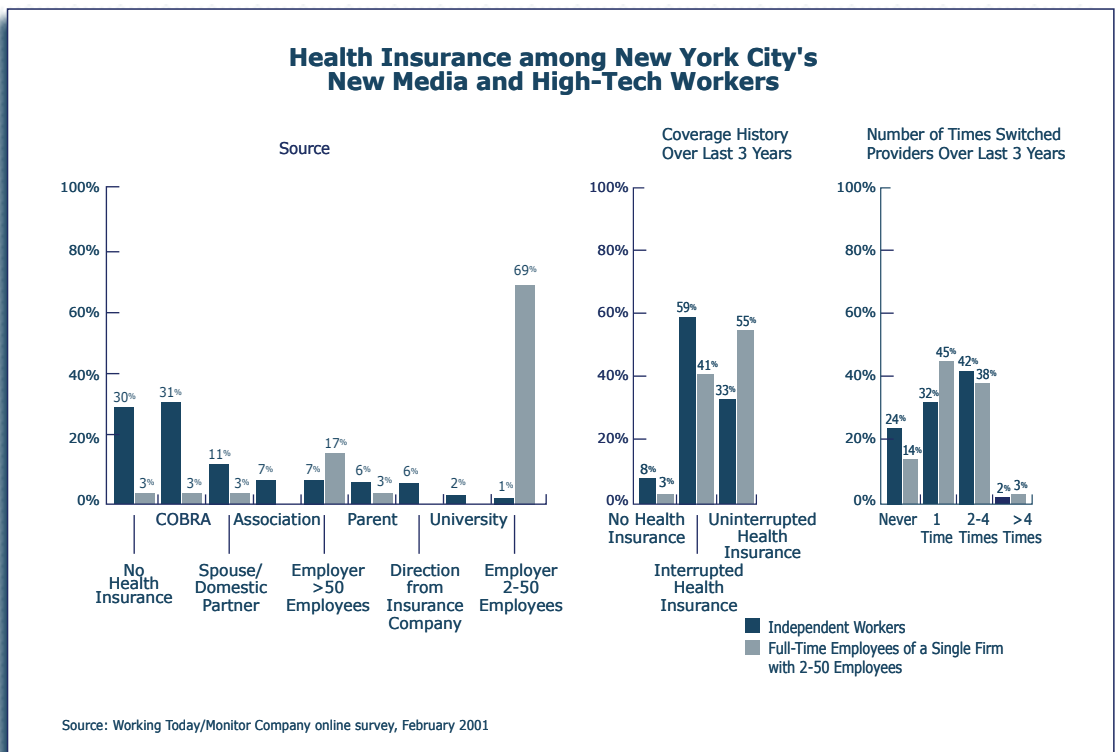
long-term health coverage. A system that ties access to insurance to employment cannot cope with regular movement, which is the norm in the new media industry, and increasingly so across the economy. Thus, 38% of those currently working as employees in small firms have switched insurance providers between two and four times in the last three years.

Almost one-third (31%) of independent workers who participated in the survey rely on COBRA for health insurance, which tells us that they have been full-time employees with coverage within the last eighteen months and again highlights the fluidity of new media work arrangements. For many, COBRA provides an important means to affordable health insurance; it enables independent workers to remain mobile and to be protected at the same time. Only 6% of independent workers are purchasing health insurance directly from an insurance company. Doubtless, this is because of the high cost of insurance in the individual market.

What Independent Workers Need to Make Mobility Truly Viable

While today's new media and high-tech workforce often thrives on the variety of possibilities that a nimble and dynamic work environment both make possible and require, the current downturn in

FIGURE 4



We must face the challenges of creating a system that provides all workers with access to benefits and protections in a manner that suits today's structure of work

the industry is making clear to independent workers and traditional employees alike that moving through the world of work without a safety net is risky. We must face the challenges of creating a system that provides all workers— regardless of their employment status— with access to benefits and protections in a manner that suits today's structure of work. Working Today recommends the following public policy changes to begin making workforce mobility truly viable.

- Establish refundable tax credits for health insurance payments for both independent and traditional workers.
- Provide employers with a full tax break for contributing to the health insurance of all of their workers, not just traditional employees.
- Encourage worker associations, nonprofits, community groups, churches, and unions to use the power of their numbers to offer consumers reasonably priced group health insurance.
- Enable these organizations to sponsor portable 401(k)-style retirement plans for members, thereby giving people
 - additional options for retirement investments.
 - Update unemployment insurance eligibility rules to cover all workers, regardless of their employment status.
 - Reform the nation's anti-discrimination laws so that they include independent workers.

Conclusion

Toward Building a Relevant Model of Benefits Delivery— A Portable Safety Net

The Internet provides an apt metaphor for the evolving nature of work. It is interactive and nimble; it enables and fosters mobility. As on the Internet, there is tremendous churning in today's workforce. Across the spectrum of skills, income and economic sector, people are moving regularly from project to project and between employment status. No matter how talented or savvy, today's independent workers find themselves traversing the economy without a safety net, something Americans had come to take for granted over the last several decades.

As much as American lore cherishes individual ingenuity— no group more than today's new media mavericks— getting the changes in public policy and employment practices that are necessary for, and relevant to, the emerging model of work requires independent workers to form a constituency. On their

own individuals don't create the system of how work is organized; that is a matter of public debate and decision making. America must begin an open discussion about developing new structures to support flexible work arrangements in today's economy. The current, dramatic decline in the new media industry presents an opportunity to explore what today's workforce needs to make flexible work and frequent transition viable. ◇

Definitions

COBRA

While there are a few exceptions, COBRA— The Consolidated Omnibus Budget Reconciliation Act of 1985—requires employers who provide health insurance to their full-time employees to offer continued access to their group plan for 18 months to those who leave their jobs. Former employees usually pay 102% of the insurance premium in order to help cover a company's cost of administering COBRA coverage. Companies with fewer than 20 employees are not required to provide COBRA coverage. And, COBRA coverage ends when a company goes out of business or otherwise stops offering health insurance to its employees.

Independent Workers

These are freelancers, consultants, independent contractors, temps, part-timers, the self-employed, and contingent employees, all of whom work outside the tradition of full-time, long-term employment with a single employer. Independent workers are a very diverse group— including computer programmers, dentists, farmers, graphic designers, nannies, plumbers, and taxicab drivers— with a wide range in education, income and skills. Yet, in many ways independent workers share a common set of concerns. They do not have access to employer-sponsored benefits such as health insurance and pension plans; many laws and protections such as unemployment insurance, workers' compensation, overtime pay, and workplace safety rules do not apply to them. Last year, the General Accounting Office (the GAO is

The survey

In conjunction with Working Today, Monitor Company, a consulting firm, conducted an online survey of new media workers in February 2001. We solicited participants through the leading new media venues— *Alley Cat News*, *At New York*, *the Cyber Scene*, *Silicon Alley Daily*, and *Wired* —and through the Downtown Alliance, a new media business association, and the New York New Media Association. We received complete responses from 498 U. S. residents working in new media, high-tech or traditional media. One hundred and ninety-three (193) survey respondents work in New York City's new media and high-tech industries; of these, 105 currently work independently, either as freelancers, self-employed, agency hires, or part-time employees. (We consider part-time employees as part of the independent workforce because they usually do not have access to employer-sponsored benefits.)

Congress' independent research arm) estimated that 30% of today's workforce works in what it euphemistically calls "nonstandard" ways.

New Media

The new media industry combines elements of computing technology, telecommunications, content development, and design to create products, services, and a means of disseminating ideas and information that can be used interactively. It is a channel both for information and for a new way of conducting business, thus enabling people to build online communities and to establish electronic commerce outlets known as e-business.

Traditional Work Arrangements

During the 1930s, American public policy codified many of the terms of full-time, long-term employment, which was the standard way of working in the industrial era. Thus, the New Deal established much of the structure and rewards of work that still govern the employer-employee relationship. It prohibited child labor; set wage, hour and workplace safety standards; created social insurance (including unemployment, disability, and Social Security); protected the right to organize into unions; and more. During World War II, during a nationally-imposed wage freeze, workers sought employer-sponsored benefits in lieu of pay increases. The government established a tax code that made this attractive to employers and employees alike by granting employers full tax breaks on the costs of providing benefits and by exempting benefits from taxable income.