



Educated, Employed and Uninsured

How Independent Workers Fall Out of the Social Safety Net

Working Today

Sara Horowitz, Executive Director

Stephanie Buchanan, Director of Policy and Advocacy

Executive Summary

In March, 2004 Working Today conducted its second annual survey of independent workers and their access to health insurance. Working Today is a national nonprofit organization that represents the needs and concerns of America's growing independent workforce through advocacy, information, and service. Today, one third of the nation's workforce is independent — these Americans work as part-timers, freelancers, temps, consultants, and independent contractors.

Working Today's survey focused on independent workers in New York City. These workers are educated, employed, and highly mobile, and earn across the income spectrum. They are also concentrated in leading industries, such as entertainment and media, and help make New York a top "Creative City."

Of the more than 4,000 respondents to our survey:

- Nearly 84% struggle to afford health insurance.
- As a result, 47% of independent workers in New York City experienced gaps in coverage in the past two years.

- Almost 85% of the respondents who experienced gaps avoided seeking medical care during the time they lacked coverage.

The lack of affordable health insurance options for independent workers jeopardizes the city's public health and compromises New York City's ability to retain its leadership as a creative capital. Moreover, this problem is becoming more acute as the number of independent workers in New York City rises. Any discussion about health care policy and any reforms enacted must address the needs of this rapidly growing segment of the workforce.

Independent workers fall through a widening hole in the safety net. They earn too much to qualify for state programs, but they do not have access to employer-sponsored health insurance.

METHODOLOGY

The data analyzed in this report are derived from an online survey conducted between February and March 2004. A link to the survey was distributed to Working Today members as well as members of ten partner organizations.ⁱ There were 4065 respondents.

I. Who are New York's Independent Workers?

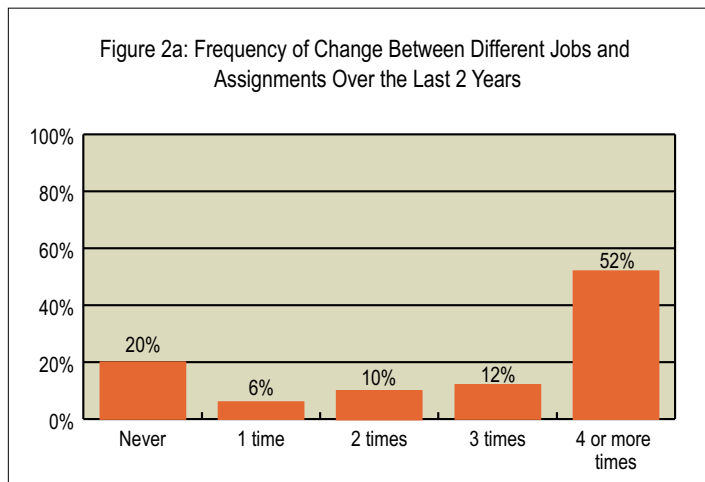
They are educated, employed, and highly mobile.

Today, independent workers make up nearly one third of the nation's work force.ⁱⁱ They work as designers, writers, nannies, artists, performers, cab drivers, and computer programmers. They work across many industries: high tech, media, advertising, finance, arts and entertainment.

Nearly 90% of independent workers in New York City have a college degree and one third have a graduate or professional degree.

These workers are highly mobile. They average at least two clients or assignments in any given year.

They are also less likely to participate in the traditional workforce than ever before. Just two years ago, 65% of independent workers in new media (a sector characterized by a high percentage of freelancers) had taken at least one full-time job over a three year period.ⁱⁱⁱ Today, nearly three

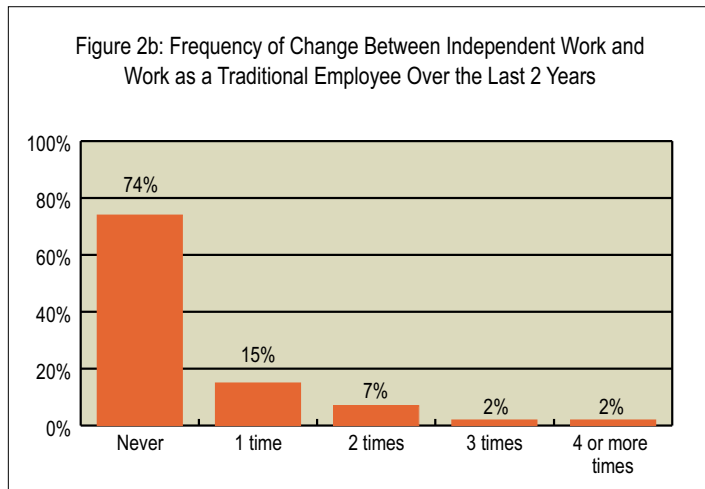
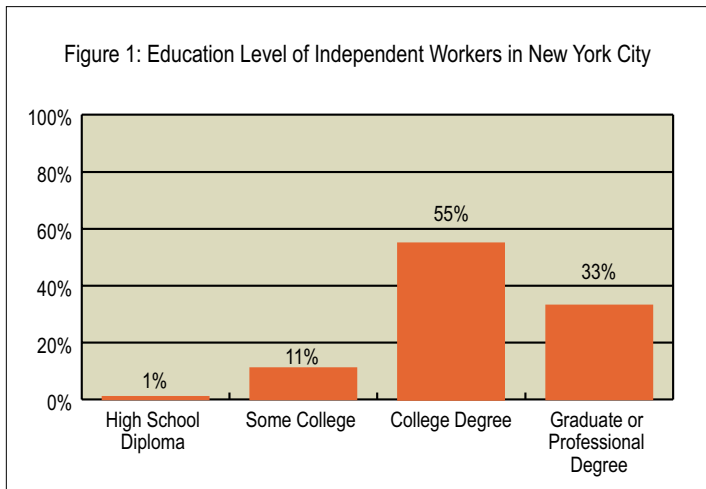


quarters of independent workers across all sectors have never switched between traditional and freelance work. Independent workers in New York City now remain almost entirely outside of the salaried workforce.

Independent Workers are Middle Class

However, these workers earn on average \$45,000, which puts them squarely within the middle class. And one third of independent workers in New York City earn more than \$50,000.

Overall, these workers' incomes are slightly lower than their salaried counterparts in the region and slightly higher than the median for American households, which is \$42,409 according to the latest Census figure available.^{iv}





Independent Workers are Vital to New York City's Economy

Independent workers are most concentrated in New York City's leading industries such as arts, entertainment, media, and publishing. They also work in the non-profit sector and in financial services. They are employed at all levels, from executive to administrative.

Many of New York City's independent workers are considered members of the "creative class."^v Studies have shown that these types of workers locate in economically supercharged "creative hubs" which enhance the vitality of all industry sectors.^{vi} Those places that attract and retain members of the creative class tend to prosper; a failure to do so is associated with economic stagnation and decline.^{vii} Currently, New York City is ranked 9th on a list of the Top Ten Cities of over 1 million residents based on "Creativity"^{viii} and independent workers are an essential part of this creative vitality.

II. Independent Workers Struggle to Afford Health Insurance

Nearly 84% of New York City's independent workers find it difficult to afford health insurance.

Today, health insurance is delivered primarily through employers and state programs like Medicaid. Approximately 65% of traditional workers receive health benefits.^{ix} Most

companies that offer health insurance subsidize a significant portion of the cost of these benefits.

State programs are geared to non-working and low-income Americans and their families. Local agencies administer these benefits to individuals who meet the eligibility requirements.

Independent Workers Fall Through the Safety Net

Independent workers fall through a widening hole in the safety net. They earn too much to qualify for state programs, but they do not have access to employer-sponsored health insurance.

Instead, most independent workers must purchase their health insurance in the individual market where the premium for a standard HMO plan in New York City is \$521.^x

Studies show that workers can afford to spend 5% of their income on health insurance.^{xi} Only those freelancers earning \$120,000 or more can afford current premiums for health insurance in New York City. Today, less than 4% of independent workers meet this criteria. The remaining 95% struggle to cover the costs of health insurance.

Moreover, there has been a significant rise in the cost of health insurance as a proportion of income in just the past year. In 2003, independent workers needed to earn over \$100,000 to afford the cost of a standard HMO in New York City.^{xii} The \$81 increase in monthly premiums for an average individual plan between 2003 and 2004 requires that independent workers earn an additional \$20,000 per year.

Figure 3: Independent Workers are Middle Class

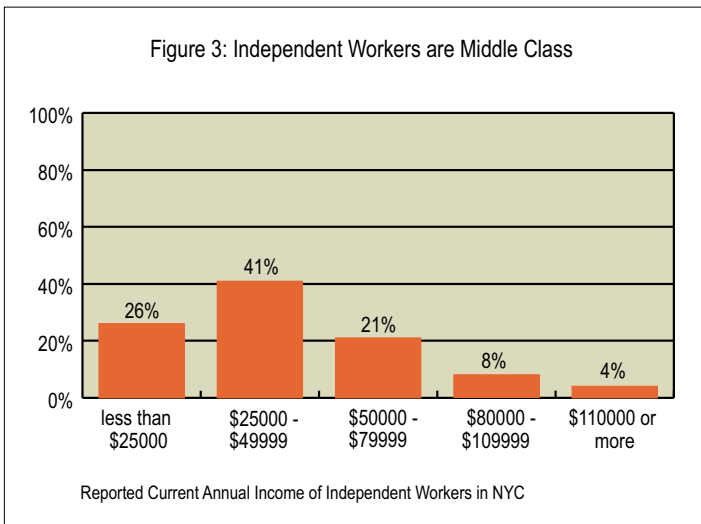
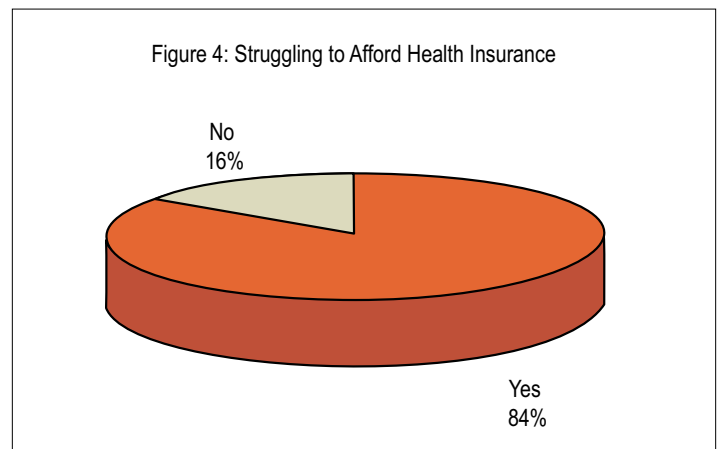


Figure 4: Struggling to Afford Health Insurance



III. Lack of Affordable Health Insurance Puts New Yorkers and their City at Risk

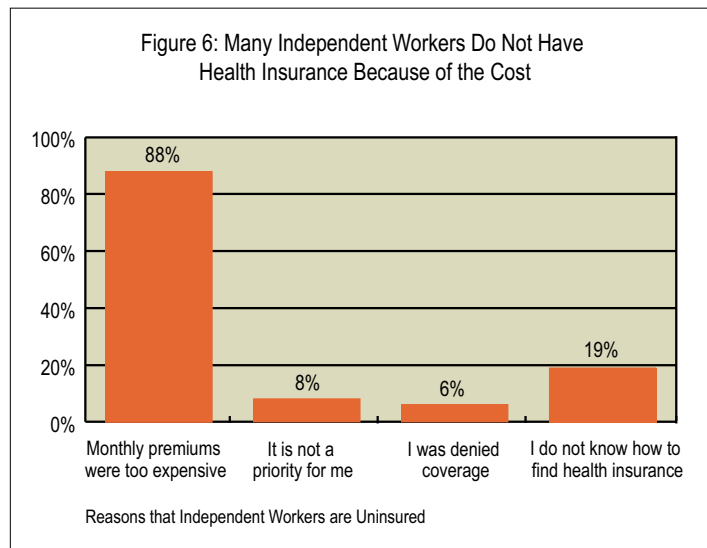
The high cost of health insurance makes independent workers economically vulnerable. Freelancers who earn the same dollar amount as salaried workers actually have less take-home income partly due to exorbitant health insurance premiums.

Independent workers' health care is even more precarious. Nearly half (47%) of independent workers surveyed went without health insurance coverage for some period during the past two years because they could not afford it.

The Consequences of Intermittent Coverage

Such intermittent coverage endangers independent workers' well being and weakens the health care system. In the past two years, of those independent workers who were uninsured, nearly 40% used a free or low cost clinic or emergency room to access medical care; during this same period, 85% report that they avoided seeking medical care at some point due to lack of coverage.

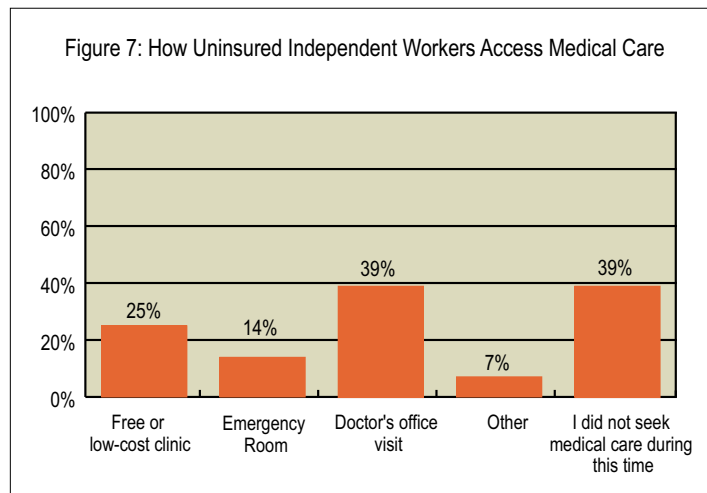
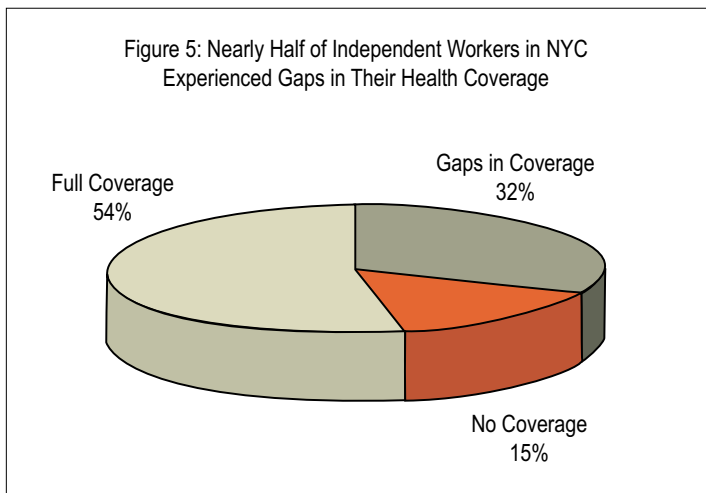
With few options, independent workers facing gaps in coverage end up draining local resources. According to recent studies, uninsured Americans now rely on hospital emergency rooms "for one-fourth of their ambulatory care visits," up from 17% in 1997 (an increase of nearly 50%).^{xiii} The over-reliance of the uninsured on emergency rooms contributes to crowding which in turn may limit the ability of



these departments to respond to emergencies related to public health, terrorism, and natural disasters.^{xiv}

Furthermore, because uninsured individuals are more likely to skip doctor's visits and medical tests, and less likely to fill prescriptions, it's harder for doctors to provide adequate treatment.^{xv} Lack of access to affordable health insurance translates into sub-par medical care for many independent workers.

Finally, these gaps in coverage further exacerbate independent workers' financial insecurity. Recent research has shown that uninsured individuals are "more likely to face





medical/financial calamity,” and that catastrophic medical bills are the “largest factor driving personal bankruptcy.”^{xvi}

IV. An Overlooked and Growing Problem

Despite serious repercussions for New York City, independent workers’ struggle to afford health insurance has received little attention. There are several reasons why this problem is only now becoming visible.

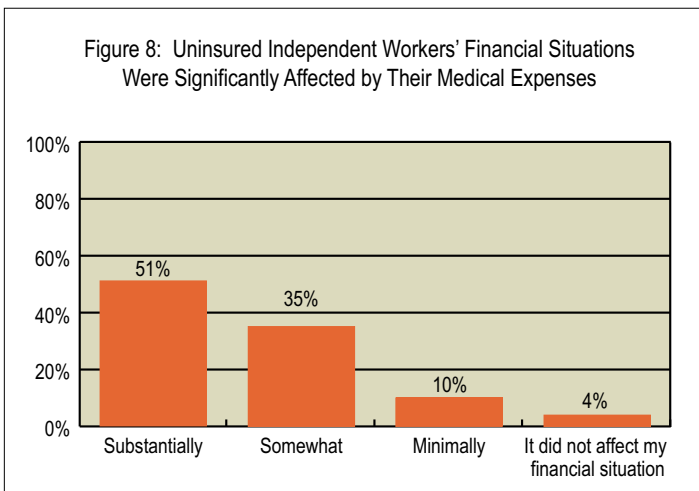
Independent workers in New York City do not fit the stereotype of the uninsured. They are employed, educated, and earn across the income spectrum. They are also often members of the “creative class.”

Independent workers are forbidden by law to unionize. In addition, these workers tend to be isolated from each other, and don’t see themselves as a group with shared interests.

An Urgent Need

However, it is unlikely this problem will fade away. Rather, the need for affordable health insurance for independent workers is becoming more urgent as their ranks swell.

Rising premiums have forced employers to slash benefits or shift costs onto employees. The collapse of the employer-based system is increasingly pushing full-time workers into part-time or contract work — and into the individual market for health insurance.^{xvii}



In just the last year, 261,000 temporary jobs have been added to the nation’s economy.^{xviii} In New York, the trend is even more dramatic. Between 1998 and 2002, the number of self-employed New Yorkers, which represent just one category of independent workers, increased by 21%.^{xix}

CASE STUDY

Up until the recent downturn in the economy, Jane earned \$80 an hour as an independent consultant. Paying the full cost of her health insurance was not a burden.

Starting at the end of 2001, Jane went for nearly a year without work and had to live on savings. At the end of 2002, she began temporary work as a legal assistant, a position that pays \$18 an hour, with no benefits. For the first 12 months, she worked an average of 50 hours a week, and managed to meet her basic expenses.

When the firm cut back her hours, this changed. Jane now only works about 30 hours a week on average. Her income is only a little more than half of what it was a year ago, and only about a quarter of what it was three years ago. Yet, like many of the underemployed, Jane still earns too much to be considered for any of the health plans subsidized by New York State.

This year, Jane had to start making early withdrawals from retirement accounts to help pay her basic expenses, including health insurance. “I used to think of retiring at about age 70,” Jane says, “now, largely because of the current and future cost of health care, I think I’ll be lucky if I can retire at age 80, if ever.”

V. Conclusion

The lack of affordable health insurance for independent workers affects all New Yorkers. Without a safety net, many of these workers either forego medical care or rely on public resources and emergency rooms; this endangers their own well being, burdens an already over-taxed health care system, and jeopardizes the city’s public health.

The absence of affordable health insurance options for independent workers may also compromise New York



City's ability to retain its leadership as a "creative" capital. Other cities, including Cincinnati, Ohio and Tampa, Florida, have developed plans to attract members of the creative class.^{xx} Rising health insurance premiums and the prospect of gaps in coverage may make New York City's creatives more receptive to these efforts.

As a growing share of the labor force in New York, independent workers represent an invisible constituency waiting to be mobilized. These highly educated workers are eager for solutions and open to a wide range of proposals.^{xxi}

Possible remedies run the gamut from national policy changes to local initiatives. These should include:

- Ensuring that the needs of independent workers are addressed in any discussion about health care policy and in any reforms enacted.
- Encouraging intermediaries such as professional associations, nonprofits, community groups, churches,

and unions to use the power of their numbers to offer consumers reasonably priced group health insurance.

- Establishing refundable tax credits for health insurance payments for both independent and traditional workers.
- Allocating more public money to fund portable benefits models so benefits are tied to individuals through their intermediaries not through their employers.
- Enabling these organizations to sponsor portable 401(K) style retirement plans for members, thereby giving people additional options for retirement investments.
- Educating the public, policymakers, thought leaders, and the media about the nature of independent work, the increasing reliance on contract, part-time, freelance, and contingent workers by businesses, and the needs of these workers.

ⁱ Below is a list of Working Today partner organizations that participated in the survey with their membership numbers in parenthesis: American Society of Media Photographers (800); Society of Publication Designers (unknown); Association of Independent Video-graphers and Filmmakers (2600); American Society of Journalists and Authors (350); Free Agent Forum (2300); Graphic Artists Guild (1450); Industrial Designers Society of America (300); New York Women in Film and Television (1300); The Hired Guns (6000); WashTech-NY (1300); National Writers Union (1300); Local 802 (2700); Lunch Club (2700); Council for Fashion Designers (250); The Actors Fund (2000)

ⁱⁱ Contingent Workers: Incomes and Benefits Tend to Lag Behind Those of the Rest of the Workforce GAO/HEHS-0076, 30 June 2001.

ⁱⁱⁱ "Mobile Workers, Immobile Health Benefits: The State of Independent Work," Working Today, June 2001.

^{iv} Income in the United States: 2002; Current Population Reports, Consumer Income. September 2003.

^v Richard Florida gives a loose definition of the "creative class"; its members tend to be young, highly educated, and single. They work in industries ranging "from technology to entertainment, journalism to finance, high-end manufacturing to the arts." Richard Florida, "The Rise of the Creative Class: Why cities without gays and rock bands are losing the economic development race." *Washington Monthly*, May 2002.

^{vi} Louis K. Stevens, "Using Gap Analysis as the Foundation for Economic Development through Arts and Culture: The Cincinnati Model," *Economic Development Journal*, Volume 2, Number 2, Spring 2003.

^{vii} Florida, *ibid*, *Washington Monthly*, May 2002.

^{viii} Florida, *ibid*, *Washington Monthly*, May 2002.

^{ix} Edwards, Jennifer, Doty, Michelle and Schoen, Cathy, "The Erosion of Employer Based Coverage and the Threat to Worker-Based Coverage, The Commonwealth Fund, August 2002.

^x New York Department of Insurance Website: "Premium Rates for Standard Individual Health Plans May 2004"
<http://www.ins.state.ny.us/acrobat/newyork.pdf>.

^{xi} L. Ku and T.A. Coughlin, "Sliding-Scale Premium Health Insurance Programs: Four States' Experiences," *Inquiry* 36, no. 4 (1999/2000): 471-480.

^{xii} "Mobile Workers, Immobile Health Benefits: The State of Independent Work," Working Today, June 2001.

^{xiii} Peter J. Cunningham, Jessica H. May, "Insured Americans Drive Surge in Emergency Department Visits," Issue Brief No. 70, Center for Studying Health System Change (HSC), October 2003.

^{xiv} Cunningham, May, *ibid*, HSC, October 2003.

^{xv} Short, Graefe, and Schoen, "Churn, Churn, Churn: How Instability of Health Insurance Shapes America's Uninsured Problem," Task Force on the Future of Health Insurance, The Commonwealth Fund, November 2003.

^{xvi} Short et al., *Ibid*, The Commonwealth Fund, November 2003.

^{xvii} "High Health Care Costs Delaying Hiring at Many U.S. Companies, Business Leaders Say" Daily Report, Kaiser Family Fund February 24, 2004.

^{xviii} Henderson, Neil and Downey, Kristen, "A New Kind of Workforce Emerges", The Washington Post, January 27, 2004.

^{xix} Data provided by Bureau of Labor Statistics, New York Regional Office, Solidelle Wasser.

^{xx} See Ross Atkin, "A Tale of Cool Cities," *Christian Science Monitor*, October 8, 2003, and Haya El Nasser, "Mid-sized Cities Get Hip to Attract Young Professionals," USA Today, October 10, 2003.

^{xxi} More than 56% supported the idea of a tax credit (assigned in advance to pay for health insurance), while more than three quarters supported the idea of a national health plan.



About Working Today

Working Today is a national nonprofit organization that represents the needs and concerns of the growing independent workforce through advocacy, information and service. Key to its philosophy is the development of national efforts to bring about policy changes for the 40 million people who now work as freelancers, consultants, part-timers, temps, contingent workers and independent contractors, or in other flexible arrangements.

While more than one-third of Americans are now working in nontraditional arrangements like these and all indicators point to an increasingly mobile workforce, this group is largely without access to the traditional safety net of health benefits, pensions, anti-discrimination legislation, and insurance against unemployment and disability.

Founded in 1995 by Sara Horowitz, Working Today encourages access for independent workers to affordable benefits and the same services and protections as the traditional workforce, regardless of their job arrangements.

Acknowledgments

Working Today would like to acknowledge the following individuals who contributed to the report and survey:

Monica Alexandris, MPA (Working Today)
Rachel Nordstrom (Working Today)
Thomas Kochan, Ph.D. (MIT)
Isabelle Fernandez-Mateo, Ph.D. (MIT)
Pooja Kapadia (Monitor Consulting)
Jessica Freireich (Monitor Consulting)
Stefanie Syman
George Prochnik

And the following Partner Organizations:

American Society of Media Photographers
American Society of Journalists and Authors
Cheryl Roshak Associates
Council of Fashion Designers of America
Free Agent Forum
Graphic Artists Guild
Industrial Designers Society of America
New York Women in Film and Television
National Writers Union
Local 802
Lunch Club
The Association of Independent Video and Filmmakers
The Hired Guns
WashTech-NY
The Actors Fund