

# The Threat of Nonpayment: Unpaid Wages and New York's Self-Employed

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## Executive Summary

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The pervasive and devastating scope of wage abuse has been well-documented across the service industry, rightly spurring legislative action and stepped up enforcement at the state and federal levels. But the epidemic does not end there. With no protection under current labor laws, the rapidly growing independent workforce—including self-employed workers and independent contractors—has been rocked by nonpayment, late payments, theft, and illegal deductions.

The U.S. workforce is changing significantly: thirty-one percent is composed of independent workers, including the self-employed,<sup>1</sup> and an estimated 50% of new jobs are expected to be composed of independent workers.<sup>2</sup> Yet, with the exception of the national nonprofit membership organization Freelancers Union, no other source has examined the issue of nonpayment as it relates to the self-employed in any substantive manner.

Building on the work of Freelancers Union, which conducted a 2009 survey of over 3,000 independent workers on the subject of nonpayment,<sup>3</sup> this report focuses on nonpayment in New York State, in the context of newly-introduced legislation that would permit independent contractors to file wage claims through the state department of labor.<sup>4</sup>

The report contains a wealth of information about the challenges that New York State's self-employed face. Here is a summary of the key findings:

### Unpaid Wages and New York State's Self-Employed:

- In the last year alone, over 316,000 (35%) of the state's self-employed were paid late. This translated into **\$2.3 - 3.7 billion in late wage payments.**
- Almost 100,000 (11%) were paid less than the agreed upon amount.
- Just over 127,000 (14%) of the state's self-employed were never paid any of their wages, ranging from \$474 - 965 million in unpaid wages.
- The total lost wages due to time spent chasing down owed payments ranged from \$19.7 - 22.1 million.
- Combining all of the estimates generates **\$2.8 - 4.7 billion in lost wages.**

### Household and Fiscal Impacts:

- For an independent worker that resides in New York City, the lost wages could cover just over six months of housing expenses, 1 - 2 years of food expenses, 6 - 8 months of child care expenses, approximately two years of transportation expenditures, or 15 - 17 months of healthcare expenses.
- Spread across a New York City household's total monthly expenditures, **the lost wages could cover approximately 1.5 - 1.7 months of expenditures.**
- **The recovery and payment of the \$2.8 - 4.7 billion in unpaid wages would generate \$193 - 323 million in state tax revenue.**

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## Freelancers Union's New York State Survey Respondents

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### Summary Survey Findings (Independent Workers):

- 42% had trouble getting paid in the last year.
- 35.4% were paid after the agreed-upon date.
- 10.6% were paid less than the agreed-upon amount.
- 13.5% were never paid at all.
- The average dollar amount they were paid late was \$11,787.
- The average dollar amount they were unable to collect was \$7,993.
- The total dollar amount they were paid late was \$4.3 million, and they were unable to collect \$1.6 million.
- They spent a total of 7,856 hours pursuing payment, which averages to 7.6 hours per worker.
- Taking time to track down unpaid wages cost the average independent worker \$260, almost a day's worth of earnings, and cumulatively totaled just over \$190,000.
- Combining the two estimates of nonpayment means a total loss of \$6.1 million during 2009, with an average independent worker losing \$8,253. Depending on household size, the total loss could cover over six months of housing expenditures.

From October to November 2009, Freelancers Union conducted an online survey of over 3,000 independent workers (freelancers, temps, independent contractors, part-timers, and the self-employed) from across the U.S. The survey's goal was to document the magnitude of the challenges that independent workers experience when they seek payment for their services. Respondents reported that when clients do not pay owed wages, independent workers spend a great deal of time and energy trying to collect unpaid wages. Specifically, the report showed that 40% of survey respondents experienced difficulty getting paid in the last year, and collectively respondents spent more than 17,000 hours pursuing unpaid wages. Despite their efforts, independent workers were still unable to collect over \$3 million in earnings, which translates into nearly \$6,000 per worker.

Of the nearly 1,500 New York State independent worker survey respondents, forty-two percent reported having trouble getting paid in the last year. Over one-third (35.4%) were paid after the agreed upon date. The average amount paid late was \$11,787. One-tenth of New York State's independent workers were paid less than the agreed-upon amount. Almost 14% were never paid at all by their clients. On average, respondents spent 7.5 hours trying to secure the unpaid wages. The average loss was \$7,993.

The lack of written contracts contributes to the ability of independent workers to receive and recover earned wages. Only 27% of New York independent workers reported that they always had written contracts. Just over one-third of independent workers rarely (22%) or never (13%) used written contracts. Another 37% reported that they sometimes used written contracts with their clients. Independent workers in arts, design, entertainment, sports, and media occupations, which includes almost two-thirds of independent workers, reported one of the lowest usage rates of written client contracts.

While using a contract does not appear to protect an independent contractor from late or partial payment, it does have a significant impact on their ultimate ability to get paid. On average, independent workers who always use written contracts have incomes that are 24.9 - 29.2% higher than independent workers who sometimes, rarely, or never use written contracts. Even when controlling for gender, age, years working as an independent worker, and number of clients, the sizeable advantage to using written contracts remains between 24 and 29%. Always using a written contract lowers the odds of nonpayment by approximately five percentage points. Given that 13.5% of

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independent workers report never getting paid at all, this is a significant reduction (37%) in the odds of nonpayment. Note that this relationship even remains when controlling for gender, age, years working as an independent worker, and number of clients.<sup>5</sup>

## Nonpayment among New York State's Self-Employed

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The report now answers the following questions. In the broader New York State economy, how many independent workers have trouble getting paid? How many face client nonpayment? What is the dollar amount of wages that independent workers are unable to collect? How many hours do independent workers spend pursuing unpaid wages? Due to data limitations, the answers to these questions are limited to New York State self-employed workers. The Government Accountability Office's July 2006 analysis of the Current Population Survey's February 2005 Contingent Work Supplement identified seven types of contingent work arrangements: contract company workers, agency temps, on-call workers/day laborers, direct-hire temps, self-employed workers, independent contractors, and standard part-time workers. The February 2005 Supplement is too small to generate reliable statewide estimates. Further, 2005 was the last year during which the supplement to the regular survey was administered. Because of this limitation, this report focuses its analysis on self-employed workers.

To develop estimates of nonpayment in the broader New York State economy, I first estimate the number of self-employed individuals in New York State. Based on the March 2009 Current Population Survey, there were 894,315 New York State self-employed workers. Table 1a reports two estimates of the number of New York State self-employed workers that experienced nonpayment in 2010. One is based on applying the average of 13.5% of independent workers in the Freelancers Union survey that never received payment to the 894,315 self-employed New York State workers. The other applies each occupation's percentage of nonpayment found in the Freelancers Union survey. When an occupation-specific estimate is not available, the overall average (13.5%) is used. Based on this approach, 121,000 self-employed New York State workers were never paid in 2009. Applying the average dollar amounts of nonpayment, the statewide estimates of unpaid wages range from \$474 - 965 million. The largest amount of nonpayment occurs in arts, design, entertainment, sports, and media occupations. The over 10,000 self-employed workers in these occupations were unable to secure approximately \$80 million in unpaid wages.

*The amount that was never collected by New York's self-employed was \$474 - 965 million.*

Table 1b reports estimates of the number of New York State self-employed workers that experienced late payment in 2009. One estimate is based on applying the average of 35.4% of independent workers in the Freelancers Union survey that were paid late to the 894,315 self-employed New York State workers. Another estimate applies each occupation's percentage of late payment found in the survey. When an occupation-specific estimate is not available, the overall average (35.4%) is used. Almost 317,000 self-employed New York State workers were paid late in 2009. The statewide estimates of late payments range from \$2.3 - 3.7 billion. The largest amounts of late payments occur in management occupations followed by arts, design, entertainment, sports, and media occupations. Over \$658 million in late payments occurred in these occupations.

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*The statewide estimates of late payments range  
from \$2.3 - 3.7 billion*

Table 1c reports estimates of the number of New York State self-employed workers who were paid less than the agreed-upon amount in 2009. One estimate weights the 894,315 self-employed New York State workers by the average 10.6% of independent workers that were paid less than the agreed-upon amount. Another estimate weights the Current Population Survey figure by its independent worker survey percentage of workers that were paid less than the agreed-upon amount. When an occupation-specific estimate is not available, the overall average (10.6%) is used. Just under 95,000 self-employed New York State workers were paid less than the agreed-upon amount in 2009. The occupations with the largest amount of under payment occur in sales and related occupations, management occupations, and legal occupations.

## The “Opportunity Cost” of Attempting to Claim Unpaid Wages

Independent worker wage losses are not just limited to unpaid wages. Table 2 reports the estimate of the wage losses that occurred while the worker was pursuing the unpaid earnings. Economists call this the opportunity cost of claiming unpaid wages. Instead of using these hours to work and earn a wage, the individual had to use the work time to perform the following tasks: 1) make repeated calls and/or emails to clients requesting payment, 2) send demand letters to clients, 3) charge late payment fees, 4) hire attorneys to pursue the unpaid wages/invoices, or 5) take clients to small claims courts. Thus, the total wage losses are not limited to the actual unpaid and late earnings, but also include the hours spent trying to obtain one's earnings.<sup>6</sup> Using the state's average hourly earnings of \$24 yields an opportunity cost of just over \$22 million for 2009.<sup>7</sup> Another estimate, that uses the actual occupation, suggests almost \$20 million in foregone wages.

Table 3 reports together the two direct and “opportunity” cost estimates of the lost wages due to nonpayment. At the state level, nonpayment generates \$2.8 - 4.7 billion in lost wages to New York State's self-employed. Most is in the form of late payment. The occupations with the greatest losses are management and arts, design, entertainment, sports, and media.

### Total Cost of Nonpayment in Top Occupations

Occupations	Total*
Management	\$408,672,588
Arts, Design, Entertainment, Sports, and Media	\$383,461,463
Transportation and Material Moving	\$317,252,496
Legal	\$294,205,867
Healthcare Practitioners and Technical Occupations	\$274,755,321

\* Total due to nonpayment, late payment, and earnings due to search. See Table 3.

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## The Buying Power of Unpaid Wages

What could an individual purchase if they did not face nonpayment? To answer this question, I use the Economic Policy Institute's estimates of the required monthly expenditures to live in the New York City metropolitan area and compare these estimates to the \$8,253 in lost wages. Table 4 reports the ratio of lost wages to the required monthly expenditures (Appendix Table 4). The ratio indicates the buying power of the lost wages. For example, the lost wages could cover just over six months of housing expenses, 1 - 2 years of food expenses, 6 - 9 months of child care expenses, approximately two years of transportation expenditures, or 15 - 17 months of healthcare expenses. Spread broadly across all components of a household's monthly expenditures, the lost wages could cover approximately 1.5 - 1.7 months of expenditures. Simply put, at the micro level, the lost wages for the average freelancer are not trivial because of the high cost of living in New York State.

*The lost wages could cover just over six months of housing expenses, 1 - 2 years of food expenses, 6 - 9 months of child care expenses, approximately two years of transportation expenditures, or 15 - 17 months of healthcare expenses.*

Twenty-five percent of independent workers have income less than \$27,000, well below the City's required self-sufficiency budget. An independent worker with \$27,000 in income had an average of \$2,745 in unpaid wages. The New York City self-sufficiency estimates (Appendix Table 4) reveal that this amount could cover two months of housing costs, two months of child care, and approximately half of overall monthly expenses that one needs to make to live in the New York City metropolitan area. These unpaid wages can provide a significant injection to a low-income household's expenditures and enhance its overall welfare.

## Unpaid Wages and Tax Revenue<sup>8</sup>

Unpaid wages represent a significant loss in New York State tax revenue. A simple approach to build an estimate of the lost revenue is to apply the state's relevant tax rate to the average \$8,253 in lost wages. Since the mean household and individual incomes exceed \$20,001, the tax rate on every dollar of income earned is 6.85%. Thus, wage recovery for the typical independent worker generates an additional \$565 in tax revenue.<sup>9</sup>

To generate a statewide estimate of the additional tax revenue associated with payment, I examined the state's annual wage distribution (e.g., 10th, 25th, median, 75th and 90th percentiles) and identified the relevant tax rate for the five major freelancer occupations.<sup>10</sup> The current New York State tax structure is as follows:

- If income ranges from \$0 and \$8,000, the tax rate on every dollar of income earned is 4%.
- If income ranges from \$8,001 and \$11,000, the tax rate on every dollar of income earned is 4.5%.
- If income ranges from \$11,001 and \$13,000, the tax rate on every dollar of income earned is 5.25%.
- If income ranges from \$13,001 and \$20,000, the tax rate on every dollar of income earned is 5.9%.
- If income is \$20,001 and over, the tax rate on every dollar of income earned is 6.85%.

Even at the 10th percentile of wages in each of the major occupations wage distribution, the tax rate is 6.85%. Based on this analysis, I then apply this tax rate to the total lost wage estimates reported in Table 3.

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The recovery and payment of the \$2.8 - 4.7 billion in unpaid wages would generate \$193 - 323 million in state tax revenue, with most coming from independent workers in management occupations and arts, design, entertainment, sports, and media occupations.

Finally, unpaid wages would be utilized to meet a host of business expenses: advertising, commissions and fees, travel, insurance, legal and professional fees, rent, business meals and entertainment, interest in business loans and business credit, travel, postage, utilities, and professional education. The purpose of showing this list is to illustrate the widespread economic ripple effect that reducing nonpayment would have on the economy.

*The recovery and payment of the \$2.8 - 4.7 billion in unpaid wages would generate \$193 - 323 million in state tax revenue, with most coming from independent workers in management occupations and arts, design, entertainment, sports, and media occupations.*

## Recommendations

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The findings in this report are consistent with the nonpayment findings in the Freelancers Union's 2009 report: in New York State the lack of adequate worker protections, such that individuals can get paid on time and recover lost wages quickly, has significant costs to individuals, families, and the broader economy. Helping independent workers claim the \$2.8 - 4.7 billion in unpaid wages could help New York State families achieve self-sufficiency, provide the state economy with meaningful stimulus, and provide state and local governments with additional tax revenue, especially during New York's ongoing budget crisis.

Even though independent workers comprise one-third of the U.S. workforce, they are excluded from a host of worker protections that have existed since the 1930s when the New Deal was passed. Organizations like Freelancers Union, along with federal and state governments, should provide on their websites information for creating basic contracts, as this could contribute to greater protections for independent workers. However, this outreach is only part of a larger set of solutions.

Policymakers need to amend state labor laws such that they now include independent contractors in their wage and hour claims systems. The law should provide state labor commissioners the right to investigate and penalize not only employers who do not pay their employees, but also companies that do not pay their independent contractors. New York State has moved in that direction by including sales representatives, who under labor law are classified as independent workers.

Policymakers should establish individual liability for the owners and shareholders of companies that do not pay independent workers and a right of action for third parties to bring these cases to court. Traditional workers have legal protection in many states because owners and shareholders are held personally liable. For example, in New York State, employers may be liable up to \$20,000 in damages and potentially face up to one year of jail for failing to pay their workers. Simply put, independent workers should have the same labor protections as traditional workers.

# The Threat of Nonpayment: Unpaid Wages and New York's Self-Employed

**Table 1a:**  
Nonpayment Estimates for NYS Self-Employed

Occupations	Self-Employed (1)	% Never Paid at All (2)	Self-Employed Never Paid (3)	Average Amount Unable to Collect (4)	Dollar Estimate of Nonpayment (5)
Management Occupations	148,720	4%	5,508	\$8,667	\$47,739,072
Business Operations Specialists	13,670	10%	1,353	\$25,017	\$33,859,225
Financial Specialists	26,337	8%	2,195	\$3,033	\$6,657,382
Computer and Mathematical Occupations	20,290	6%	1,242	\$14,120	\$17,540,358
Architecture and Engineering Occupations	9,817	30%	2,945	\$3,190	\$9,395,605
Life, Physical, and Social Science Occupations	2,965	11%	329	\$3,515	\$1,157,831
Legal Occupations	35,376	15%	5,442	\$8,381	\$45,614,585
Education, Training, and Library Occupations	9,749	12%	1,147	\$10,450	\$11,985,529
Arts, Design, Entertainment, Sports, and Media	71,219	15%	10,676	\$7,438	\$79,412,285
Healthcare Practitioners and Technical Occupations	57,261	28%	15,796	\$4,470	\$70,608,719
Healthcare Support Occupations	14,524	13%	1,816	\$4,575	\$8,305,913
Protective Service Occupations	1,766	13.5%	238	\$7,993	\$1,905,611
Food Preparation and Serving Related Occupations	15,627	13.5%	2,110	\$7,993	\$16,862,392
Office and Admin. Support Occupations	3,737	33%	1,246	\$1,245	\$1,550,853
Farming, Fishing, and Forestry Occupations	3,241	13.5%	438	\$7,993	\$3,497,217
Installation, Maintenance, and Repair Workers	26,715	13.5%	3,607	\$7,993	\$28,826,954
Production Occupations	22,602	13.5%	3,051	\$7,993	\$24,388,801
Transportation and Material Moving Occupations	60,204	13.5%	8,128	\$7,993	\$64,963,427
<b>Sum of Occupations Listed</b>					<b>\$474,271,761</b>
<b>All NYS Self-Employed</b>	<b>894,315</b>	<b>13.5%</b>	<b>120,733</b>	<b>\$7,993</b>	<b>\$965,015,072</b>

Notes: Figures have been rounded.

(1) Self-employed figures are from the March 2009 Current Population Survey.

(2) Percent never paid is based on occupational breakdown in Freelancers Union's 2009 survey.

(3) Column 1 multiplied by Column 2

(4) Average amount unable to collect is based on occupational breakdown in Freelancers Union's 2009 survey.

(5) Column 3 multiplied by Column 4

# The Threat of Nonpayment: Unpaid Wages and New York's Self-Employed

**Table 1b:**  
Late Payment Estimates for NYS Self-Employed Workers

Occupations	Self-Employed (1)	% Paid Late (2)	Self-Employed % Paid Late (3)	Average Amount that is Paid Late (4)	Dollar Estimate of Late Payment (5)
Management Occupations	148,720	19%	27,541	\$13028.0	\$358,800,412
Business Operations Specialists	13,670	25%	3,384	\$31764.3	\$107,479,873
Financial Specialists	26,337	25%	6,584	\$4181.2	\$27,529,847
Computer and Mathematical Occupations	20,290	27%	5,383	\$18486.7	\$99,514,951
Architecture and Engineering Occupations	9,817	40%	3,927	\$3831.3	\$15,044,553
Life, Physical, and Social Science Occupations	2,965	31%	906	\$16681.9	\$15,113,368
Legal Occupations	35,376	38%	13,606	\$18160.2	\$247,090,228
Education, Training, and Library Occupations	9,749	29%	2,867	\$7209.0	\$20,670,772
Arts, Design, Entertainment, Sports, and Media	71,219	43%	30,467	\$9878.5	\$300,963,338
Healthcare Practitioners and Technical Occupations	57,261	38%	21,720	\$9157.3	\$198,892,941
Healthcare Support Occupations	14,524	25%	3,631	\$8416.7	\$30,560,917
Protective Service Occupations	1,766	35.4%	625	\$11,787	\$7,368,808
Food Preparation and Serving Related Occupations	15,627	35.4%	5,532	\$11,787	\$65,205,189
Building and Grounds Cleaning and Maintenance	36,243	50%	18,122	\$7000.0	\$126,850,500
Sales and Related Occupations	136,044	22%	30,232	\$7500.0	\$226,739,773
Office and Admin. Support Occupations	3,737	33%	1,246	\$8000.0	\$9,965,323
Farming, Fishing, and Forestry Occupations	3,241	35.4%	1,147	\$11,787	\$13,523,390
Installation, Maintenance, and Repair Workers	26,715	35.4%	9,457	\$11,787	\$111,470,956
Production Occupations	22,602	35.4%	8,001	\$11,787	\$94,309,060
Transportation and Material Moving Occupations	60,204	35.4%	21,312	\$11,787	\$251,207,090
<b>Sum of Occupations Listed</b>					<b>\$2,328,301,288</b>
<b>All NYS Self-Employed</b>	<b>894,315</b>	<b>35.4%</b>	<b>316,588</b>	<b>\$11,787</b>	<b>\$3,731,616,980</b>

Notes: Figures have been rounded.

(1) Self-employed figures are from the March 2009 Current Population Survey.

(2) Percent paid late is based on occupational breakdown in Freelancers Union's 2009 survey.

(3) Column 1 multiplied by Column 2

(4) Average amount paid late is based on occupational breakdown in Freelancers Union's 2009 survey.

(5) Column 3 multiplied by Column 4

# The Threat of Nonpayment: Unpaid Wages and New York's Self-Employed

**Table 1c:**  
Estimates of the Number Paid Less than Agreed Upon among NYS Self-Employed Workers

Occupations	Self-Employed (1)	% Paid Less than Agreed (2)	Number Paid Less than Agreed (3)
Management Occupations	148,720	7%	11,016
Business Operations Specialists	13,670	4%	541
Financial Specialists	26,337	8%	2,195
Computer and Mathematical Occupations	20,290	6%	1,242
Architecture and Engineering Occupations	9,817	30%	2,945
Life, Physical, and Social Science Occupations	2,965	8%	247
Legal Occupations	35,376	31%	10,885
Arts, Design, Entertainment, Sports, and Media	71,219	12%	8,723
Healthcare Practitioners and Technical Occupations	57,261	17%	9,873
Healthcare Support Occupations	14,524	13%	1,816
Protective Service Occupations	1,766	10.6%	187
Food Preparation and Serving Related Occupations	15,627	10.6%	1,656
Sales and Related Occupations	136,044	11%	15,116
Farming, Fishing, and Forestry Occupations	3,241	10.6%	344
Installation, Maintenance, and Repair Workers	26,715	10.6%	2,832
Production Occupations	22,602	10.6%	2,396
Transportation and Material Moving Occupations	60,204	10.6%	6,382
<b>Sum of Occupations Listed</b>			<b>78,396</b>
<b>All NYS Self-Employed</b>	<b>894,315</b>	<b>10.6%</b>	<b>94,797</b>

Notes: Figures have been rounded.

(1) Self-employed figures are from the March 2009 Current Population Survey.

(2) Percent paid late less than the agree amount is based on occupational breakdown in Freelancers Union's 2009 survey.

(3) Column 1 multiplied by Column 2

# The Threat of Nonpayment: Unpaid Wages and New York's Self-Employed

**Table 2:**  
Estimates of Lost Earnings Due to Efforts to Claim Nonpayment

Occupations	Self-Employed Experiencing Nonpayment (1)	Average Hours Spent Pursuing Payment (2)	Total Hours Spent Claiming Earnings (3)	Mean Hourly Wage (4)	Total Lost Earnings Due to Search (5)
Management Occupations	5,508	6.4	35,293	\$60.44	\$2,133,105
Business Operations Specialists	1,353	5.5	7,464	\$39.00	\$291,102
Financial Specialists	2,195	4.8	10,425	\$39.00	\$406,576
Computer and Mathematical Occupations	1,242	5.3	6,617	\$37.94	\$251,041
Architecture and Engineering Occupations	2,945	8.8	25,917	\$35.61	\$922,900
Life, Physical, and Social Science Occupations	329	6.8	2,251	\$31.29	\$70,440
Legal Occupations	5,442	4.8	25,956	\$57.83	\$1,501,054
Education, Training, and Library Occupations	1,147	4.2	4,790	\$27.72	\$132,783
Arts, Design, Entertainment, Sports, and Media	10,676	9.0	95,834	\$32.20	\$3,085,840
Healthcare Practitioners and Technical	15,796	8.9	141,076	\$37.24	\$5,253,661
Healthcare Support Occupations	1,816	5.5	9,910	\$13.77	\$136,455
Protective Service Occupations	238	7.5	1,788	\$22.52	\$40,267
Food Preparation and Serving Related	2,110	7.5	15,822	\$11.45	\$181,166
Building and Grounds Cleaning and Maintenance	4,893	8.0	39,142	\$14.14	\$553,474
Personal Care and Service Occupations	10,453	1.0	10,453	\$12.91	\$134,952
Sales and Related Occupations	18,366	5.0	91,830	\$21.61	\$1,984,440
Office and Admin. Support Occupations	1,246	5.7	7,100	\$17.42	\$123,687
Farming, Fishing, and Forestry Occupations	438	7.5	3,282	\$14.37	\$47,155
Construction Trades	13,605	1.0	13,605	\$26.40	\$359,166
Installation, Maintenance, and Repair Workers	3,607	7.5	27,049	\$21.96	\$593,995
Production Occupations	3,051	7.5	22,885	\$16.22	\$371,187
Transportation and Material Moving	8,128	7.5	60,957	\$17.75	\$1,081,979
<b>Sum of Occupations Listed</b>	<b>114,584</b>				<b>\$19,656,426</b>
<b>All NYS Self-Employed</b>	<b>120,733</b>	<b>7.5</b>	<b>905,494</b>	<b>\$24.42</b>	<b>\$22,112,162</b>

Notes: Figures have been rounded.

(1) Self-employed figures are from Table 1a, Column 3.

(2) Average hours spent pursuing payment is based on occupational breakdown in Freelancers Union's 2009 survey.

(3) Column 1 multiplied by Column 2

(4) Mean hourly wage is from the Occupational Employment Statistics provided by the Bureau of Labor Statistics.

(5) Column 3 multiplied by Column 4

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**Table 3:**  
A Summary of the Total Costs of Nonpayment

Occupations	Nonpayment	Late Payment	Total Lost Earnings Due to Search	Total
Management Occupations	\$47,739,072	\$358,800,412	\$2,133,105	\$408,672,588
Business Operations Specialists	\$33,859,225	\$107,479,873	\$291,102	\$141,630,201
Financial Specialists	\$6,657,382	\$27,529,847	\$406,576	\$34,593,804
Computer and Mathematical Occupations	\$17,540,358	\$99,514,951	\$251,041	\$117,306,350
Architecture and Engineering Occupations	\$9,395,605	\$15,044,553	\$922,900	\$25,363,058
Life, Physical, and Social Science Occupations	\$1,157,831	\$15,113,368	\$70,440	\$16,341,640
Legal Occupations	\$45,614,585	\$247,090,228	\$1,501,054	\$294,205,867
Education, Training, and Library Occupations	\$11,985,529	\$20,670,772	\$132,783	\$32,789,085
Arts, Design, Entertainment, Sports, and Media	\$79,412,285	\$300,963,338	\$3,085,840	\$383,461,463
Healthcare Practitioners and Technical Occupations	\$70,608,719	\$198,892,941	\$5,253,661	\$274,755,321
Healthcare Support Occupations	\$8,305,913	\$30,560,917	\$136,455	\$39,003,284
Protective Service Occupations	\$1,905,611	\$7,368,808	\$40,267	\$9,314,687
Food Preparation and Serving Related Occupations	\$16,862,392	\$65,205,189	\$181,166	\$82,248,747
Building and Grounds Cleaning and Maintenance	\$-	\$126,850,500	\$553,474	\$127,403,974
Personal Care and Service Occupations	\$-	\$-	\$134,952	\$134,952
Sales and Related Occupations	\$-	\$226,739,773	\$1,984,440	\$228,724,213
Office and Admin. Support Occupations	\$1,550,853	\$9,965,323	\$123,687	\$11,639,864
Farming, Fishing, and Forestry Occupations	\$3,497,217	\$13,523,390	\$47,155	\$17,067,763
Construction Trades	\$-	\$-	\$359,166	\$359,166
Installation, Maintenance, and Repair Workers	\$28,826,954	\$111,470,956	\$593,995	\$140,891,905
Production Occupations	\$24,388,801	\$94,309,060	\$371,187	\$119,069,048
Transportation and Material Moving Occupations	\$64,963,427	\$251,207,090	\$1,081,979	\$317,252,496
<b>Sum of Occupations Listed</b>	<b>\$474,271,761</b>	<b>\$2,328,301,288</b>	<b>\$19,656,426</b>	<b>\$2,822,229,475</b>
<b>All NYS Self-Employed</b>	<b>\$965,015,072</b>	<b>\$3,731,616,980</b>	<b>\$22,112,162</b>	<b>\$4,718,744,215</b>

Notes: Estimates in this table are pulled from Tables 1a, 1b and 2.

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**Table 4:**

How many months of household expenses would lost wages cover?

Family Type	Housing	Food	Childcare	Transportation	Healthcare	Other Necessities	Taxes	Monthly Total
1 Parent, 1 Child	6.26	26.02	8.94	29.75	16.90	21.00	8.50	1.76
1 Parent, 2 Children	6.26	17.76	6.02	29.75	15.02	19.26	7.42	1.49
2 Parents, 1 Child	6.26	16.07	8.94	20.60	17.09	18.75	9.05	1.65
2 Parents, 2 Children	6.26	12.83	6.02	20.60	15.09	17.51	8.45	1.44

*Based on average loss of \$8,253 last year, corresponds with data in Appendix Table 4.*

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Appendix Table 4:  
New York City Monthly Household Expenditures

Family Type	Housing	Food	Childcare	Transportation	Health-care	Other Necessities	Taxes	Monthly Total	Annual Total
1 Parent, 1 Child	\$1,318	\$317	\$923	\$277	\$488	\$393	\$971	\$4,688	\$56,257
1 Parent, 2 Children	\$1,318	\$465	\$1,372	\$277	\$549	\$429	\$1,112	\$5,522	\$66,269
2 Parents, 1 Child	\$1,318	\$514	\$923	\$401	\$483	\$440	\$912	\$4,991	\$59,896
2 Parents, 2 Children	\$1,318	\$643	\$1,372	\$401	\$547	\$471	\$977	\$5,730	\$68,758

Source: Economic Policy Institute, [www.epinet.org](http://www.epinet.org).

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## Endnotes

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<sup>1</sup> Government Accountability Office (2006) *Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification*

<sup>2</sup> Littler Mendelson (April 2010) *The Emerging New Workforce: Employment and Labor Law Solutions for Contract Workers, Temporaries, and Flex-Workers*

<sup>3</sup> Horowitz, S., A. Erickson, and G. Wuolo (2010) *Independent, Innovative, and Unprotected: How the Old Social Safety Net is Failing America's New Workforce*

<sup>4</sup> S8084, introduced on June 7, 2010, relates to payment of independent contractors and authorizes the department of labor to investigate complaints, make claims for compensation, assess liquid damages, civil penalties and criminal penalties, and authorizes the award of attorney fees and liquidated damages.

<sup>5</sup> The detailed estimates are available from the author upon request.

<sup>6</sup> Due to data limitations, the report only generates opportunity cost estimates for full nonpayment

<sup>7</sup> The estimate of 905,494 in Table 2 is multiplied by the hourly rate of \$24.42. The hourly rate comes from the U.S. Department of Labor's Occupational Employment Statistics, <http://data.bls.gov:8080/oes/datatype.do>.

<sup>8</sup> The NYC tax rates can be found at [www.nyc.gov/html/dof/html/pdf/interest\\_rates/pitrates.pdf](http://www.nyc.gov/html/dof/html/pdf/interest_rates/pitrates.pdf). The New York State tax rates can be found at: [http://swz.salary.com/salarywizard/layouthtmls/swzl\\_statetaxrate\\_ny.html](http://swz.salary.com/salarywizard/layouthtmls/swzl_statetaxrate_ny.html)

<sup>9</sup> The \$565 is obtained by multiplying \$8,253 by 6.85%.

<sup>10</sup> It is important to note that these state occupation wage distributions combine traditional and self-employed workers.

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