



2005 REPORT

# THE RISE OF THE FREELANCE CLASS

## A New Constituency of Workers Building a Social Safety Net

### Authors

Sara Horowitz, Freelancers Union

Stephanie Buchanan, Freelancers Union

Monica Alexandris, Freelancers Union

Michel Anteby, Harvard Business School

Naomi Rothman, Stern School Of Business, New York University

Stefanie Syman

Leyla Vural



## 2005 REPORT

# THE RISE OF THE FREELANCE CLASS

## A New Constituency of Workers Building a Social Safety Net

### Executive Summary

This spring the Freelancers Union conducted an online survey to find out who freelancers are, how they work and how they are faring.<sup>1</sup> With more than 2,800 participants in the New York metropolitan area, this survey is one of the first efforts to get a comprehensive picture of New York's independent workers. Four key findings emerged from the results:

#### **Freelancers are highly educated and participate in key sectors of the city's economy as workers and as potential consumers.**

- 85% of New York's freelancer respondents have at least a college degree.
- The highest concentration work in the city's key industries: advertising, publishing, film and television, technology and the arts.
- Their median income is \$50,000, 20% higher than the city's overall median.

#### **Freelancers are fleeing corporate America.**

- More than 60% cited some form of freedom (from office politics, difficult bosses, cubicles and commutes) as a main benefit to their lifestyle.
- 86% cited having a "flexible schedule" as one of the main advantages of freelancing.

#### **Freelancers are an emerging constituency and they vote in record numbers.**

- More than half (53%) see themselves as members of a freelancer community.
- 100% of respondents have voted in a national election, 87% in a state election and 83% in a local election.

#### **Freelancers who responded to our survey fall out of the social safety net.**

- About 28% of freelancers who participated in the survey spent some portion of the last year without health insurance.
- Less than half (47%) save money for retirement each month.

The survey findings indicate that freelancers are entrepreneurial workers who succeed because of their creativity, independence and drive. They contribute to key sectors of the New York City economy and are an engaged constituency.

But freelancers' struggles are perhaps even more telling. Operating entirely outside of the safety net of employer-provided benefits, their experience illustrates the grave flaws in our system of social insurance, which limits access to health insurance and retirement plans to those with traditional employment relationships. Furthermore, as the employer-sponsored benefits system continues to erode, independent workers might well be the proverbial canaries in the coal mine demonstrating to traditional employees what their future might hold. Freelancers' experiences have long-term implications for New York City and its public policy, as well as for the entire country.



## A Snapshot of New York City's Freelancers

Nearly a decade ago freelancers were heralded as exemplars of a new way of working. These highly skilled workers had been liberated from traditional employment, partly by information technology, and enjoyed unprecedented autonomy, setting their pay rates, their work hours and even the location of their jobs. Journalists and economists saw the future in freelancing (and freelancers) and it was bright.<sup>2</sup>

As those observers predicted, freelancers have proven to be economic pioneers, but not necessarily in the ways expected. According to recent research, the bond between employers and employees is loosening. Traditional employees used to rely on their employers to offer health insurance and a pension. This paternalistic model of employers providing benefits for employees is slowly eroding.<sup>3</sup> Many traditional employees now work without a social safety net in the same way independent workers always have.

Right now, it is estimated that independent workers make up approximately one-tenth to one-third of the labor force nationwide.<sup>4</sup> Freelancers fuel many of New York City's most vital industries, particularly publishing, media and entertainment. And yet, freelancers remain a poorly understood group. Because independent workers are classified in so many different ways—as consultants, independent contractors, self-employed, sole proprietors, part-time or contingent workers and temps—there is no comprehensive picture of the independent workforce. For this reason, it is difficult to get a sense of how these workers are faring.

To address this gap, the Freelancers Union conducted an online survey of 2,836 of New York City's freelancers during March and April 2005. The survey was open to both members and non-members of the Freelancers Union and was disseminated electronically through professional organizations and partner organizations.<sup>5</sup>

Although respondents identified themselves in a number of different ways, including consultant, entrepreneur, freelancer, independent contractor and temp, all work in non-traditional ways and share a number of characteristics. They are highly educated—85% of respondents have at least a college degree and 31% have a graduate or professional degree. By comparison, only 18% of all New Yorkers have a Bachelor's degree and 12% have a professional or graduate degree.<sup>6</sup>

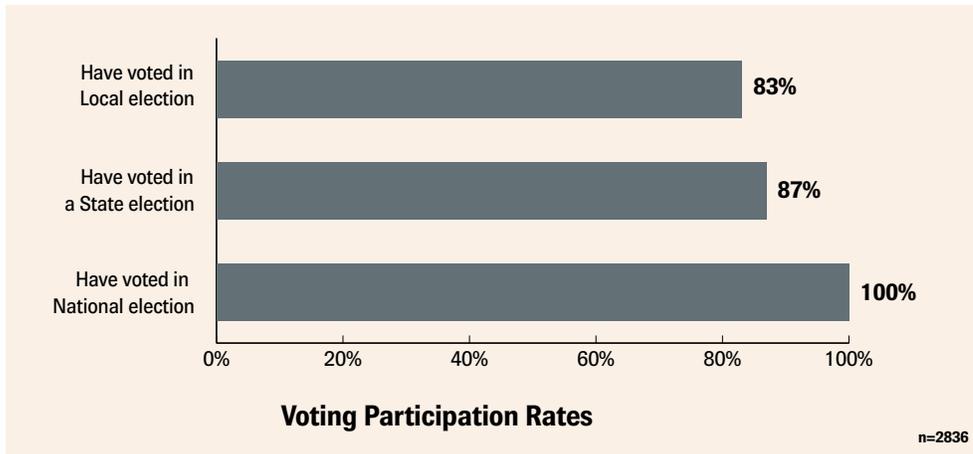
In addition, freelancers are among the most engaged in political life, particularly the electoral process. Currently, 93% of respondents are registered to vote. 100% have voted in a national election, 87% in a state election and 83% in a local election. By contrast, nationwide voter turnout in the 2004 presidential election was 60%, the highest national participation rate since 1968,<sup>7</sup> and just 32% of New York's voting-age population came to the polls in the 2002 mid-term election.<sup>8</sup>



**Freelancers fuel many of New York's vital industries, particularly publishing, media and entertainment.**



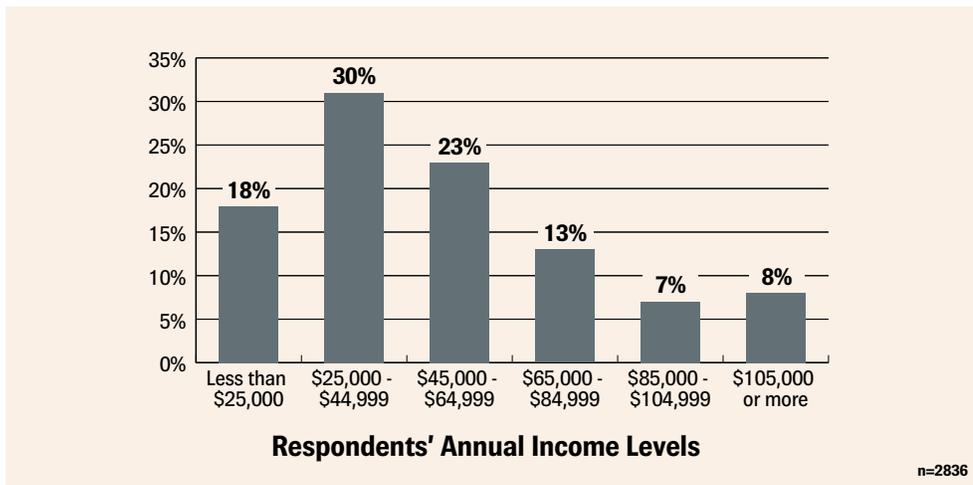
# THE RISE OF THE FREELANCE CLASS



**FREELANCERS ARE POLITICALLY ENGAGED**

Most survey respondents (74%) consider themselves part of the middle class, and their incomes support this. Their median income is \$50,000 compared to the city's overall median of \$39,937.<sup>9</sup>

The survey also indicated that New Yorkers work independently at almost all ages and throughout most stages of their careers. 54% of respondents in the area are between the ages of 25 and 39 and 9% are over 50.



**FREELANCERS ARE MIDDLE CLASS**

## Median Incomes of Selected Freelance Occupations

Occupation	Median Income
Artist	\$25,000 - \$35,000
Designer	\$35,000 - \$45,000
Editor	\$35,000 - \$45,000
Graphic Designer	\$45,000 - \$55,000
IT Professional	\$55,000 - \$65,000
Marketing Professional	\$45,000 - \$55,000
Photographer	\$35,000 - \$45,000
Producer	\$45,000 - \$55,000
Teacher/Professor	\$25,000 - \$35,000
Writer	\$35,000 - \$45,000

# THE RISE OF THE FREELANCE CLASS



Although New York’s freelancers are found in almost every field, from acupuncture to financial services, most worked in five occupational categories:

- 1) writers, editors, journalists and copywriters;
- 2) graphic designers;
- 3) web designers, software developers, programmers and information technicians;
- 4) artists and illustrators;
- 5) professionals working in advertising, marketing and market research.

The highest concentrations of respondents work in the city’s major industries: advertising and marketing (31%); print media and publishing (27%); film and television (25%); digital technology and media<sup>10</sup> (28%); and the performing arts (19%).

The prevalence of freelancers in the media, entertainment and technology sectors illustrates that they are a key component of New York City’s creative economy. These workers are members of what Richard Florida calls “the creative class” and as such they enhance the vitality of all industry sectors. 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.<sup>11</sup>

New York’s freelancers also wear numerous professional hats. Many survey participants indicated that they work in more than one occupation or industry. “If you count working through ad agencies,” said one respondent who works as both a copy writer and web designer, “I could check almost every occupational box.”

## Reasons for Freelancing in New York

There are several reasons that New Yorkers work independently. Freelancing is the industry standard for about one quarter (26%) of New York’s independent workers, particularly graphic designers, illustrators and writers. Many of New York’s most vital sectors need a workforce that can expand and contract quickly depending on the available work. In the film industry, for example, freelancers fill the ranks; they are production assistants and grips, as well as producers, actors, directors and editors. Because the film industry works on a by-project basis by design, little of this work is done by full-time employees.

Another 20% of survey respondents freelance because they could not find work as a traditional employee or because they were transitioned into freelance work by their employer. One participant described the vagaries of employers’ needs: “I was legally classified as independent, but still worked primarily for one employer—the classification was not my choice.” Another wrote, “Employer. . . budget constraints. I essentially work as if I were an employee but without the benefits (though it does give me some desirable flexibility).”

The greatest percentage of freelancers in New York work independently because they want to. Nearly two-fifths (38%) of survey respondents said that they freelance because they prefer the lifestyle.<sup>12</sup> Freelancing also affords many New Yorkers greater professional opportunities. Numerous respondents said freelancing allowed them to be more creative or to “develop in my field.”

## Cary A. – modern dancer

Cary, 35, came to New York City 10 years ago to dance. Today she performs with a variety of modern dance companies and she teaches dance in the public schools. “I became a freelancer as soon as I entered the field,” recalls Cary. “It is customary in my line of work to work as a freelancer, as many companies cannot sustain year-round work nor afford to pay employees and what comes with that responsibility. As a freelancer, I have loved the freedom that I have in choosing what, where, when to work.”

But earning enough to live in New York is a real challenge for Cary. For five years, she waited tables alongside dancing. Now she works for several arts organizations, teaching dance to children. During the school year, Cary regularly travels all over the city—she has worked in all five boroughs—teaching different styles of dance and using different teaching methods, depending on which organization she is working for. For her talent and expertise, Cary earns in the low 20’s in a year. She says every modern dancer, “with very few exceptions,” works as she does.

Cary struggles to put together the benefits that most associate with work, particularly health insurance and retirement savings. About 18 months ago, she started getting health insurance through the Freelancers Union. Before that she had not been insured since college. “I was in tears when I got my insurance,” she remembers. “My mother had been bugging me for years to do something.” Cary has no savings. She expects the \$2,000 that she started with in the early summer to be gone before fall, as she will need it to live. She has saved \$4,000 for retirement; half of that is a \$2,000 Roth IRA that was a present from her parents 10 years ago. She is slowly “digging out” from debt and paying off the \$3,000 that she still owes.

Asked about dance, Cary’s answer is short and swift: “I love it,” she says. But “work comes seasonally and I often find myself very busy or with a lot of time on my hands. We all know that money flies out of the pocket in New York City when there is idle time. As I get older I become more worried about the lack of Social Security (will I have any anyway?) and my own investing in retirement or, even more immediately, affording a family.”



## Freelancers Embrace Their Independent Lifestyle

Although New Yorkers arrive at freelancing for a variety of reasons, once they start working independently, most prefer this mode of working.

One of the most striking survey findings is how often and passionately freelancers expressed dissatisfaction with traditional work. Many of New York's freelancers have happily traded the stress of corporate life for the possibilities—and the insecurities—of working independently.

Freelancing provides these workers with autonomy. While almost half (48%) of freelancers we surveyed work more than 40 hours each week, or more hours than a full-time job, 87% included a flexible schedule among the advantages of freelancing. Another 71% cited “diversity of projects” as one of the benefits of working independently; nearly half (47%) enjoy more creative control than they would as traditional employees. For these workers, freelancing is the best way to realize their professional goals and to achieve a measure of job satisfaction.

About 70% of respondents also see freelancing as a way to maintain a more balanced life. While 24% of freelancers overall cited “spending time with family” as an advantage of freelancing, 69% of working mothers with one child and 81% of those with two children saw this as one of independent work's main benefits. Freelancing also allowed many respondents to find time for their artistic pursuits. One wrote, “As an aspiring actor I can manage to have a flexible schedule for auditions and rehearsals.”

For all of these reasons, most respondents (74%)—including many who came to freelancing by circumstance—intend to keep working independently for as long as doing so remains economically feasible.

In choosing to freelance, many independent workers are consciously rejecting traditional employment. Nearly two thirds (63%) cited freedom from office politics as an “advantage” of freelancing. “I couldn't be as creative, responsible and autonomous as I wanted at a firm, full-time,” noted one survey respondent. “Corporate America does not appreciate thinking employees,” wrote another freelancer, “I am not a ‘Yes Man.’” For many, then, freelancing is a way to make a living, to be sure, but it also is a political choice:

Freelancing offers the potential to maintain my dignity as well as a decent quality of living. . . I've seen too many friends with traditional jobs picked clean by the ravages of office politics and the incessant tyranny of the punch-clock. . .

Freelancing is well suited for independent minded folks. And while freelancing is not a political solution, I think it does allow for a psychological autonomy that bleeds into one's political perspective.

## Freelancers Must Navigate an Outdated Social Safety Net

For many of New York's freelancers, however, the advantages of working independently do not completely mitigate its numerous disadvantages.

## Karen B. – audio book abridger and producer

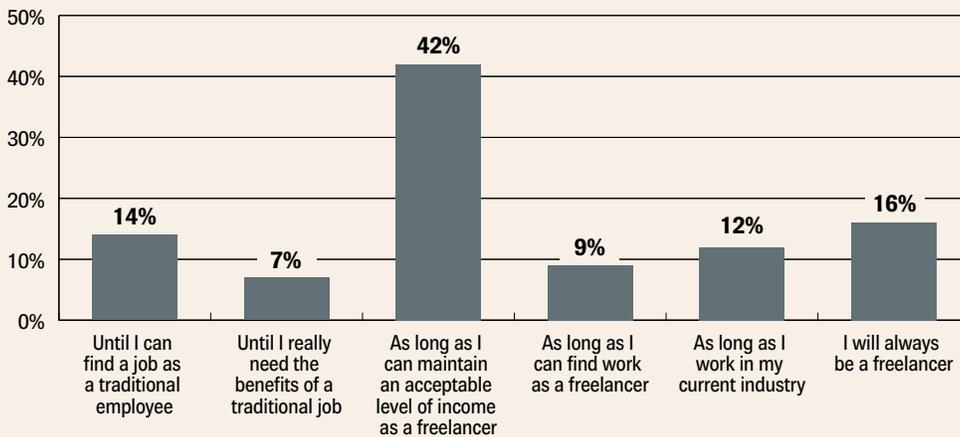
Audio and story telling are Karen's profession and passion. She worked for a major book publisher for about five years, mostly as a producer of audio books, before going freelance two years ago. “I became a freelancer because I wanted to make more money and control my schedule,” recalls Karen. “I wasn't advancing in my corporate job. I hired many freelancers and knew that if I took the risk, it might be worth it. It's worked out very well.”

At 31, Karen's freelance career is thriving. She has four audio publishers as regular clients, with most of her work coming from the publishing house where she was on staff. She recently started keeping track and found that she works between 50 and 65 hours a week, mostly from home unless she is in a recording studio to produce or direct an audio book. Despite the hours, Karen often can structure her work to attend a yoga class during the day.

Last year, Karen earned \$90,000. Describing herself, Karen says that she lives “pretty well.” She has \$30,000 of savings and she now saves about \$10,000 each year. Karen also has about \$30,000 in retirement savings; each quarter she puts money in her retirement fund (a SEP), totaling about \$5,000 each year. She is paying off the student loans (another \$13,000 to go) from her graduate degree in journalism.

Freelancing gave Karen the flexibility to get involved with StoryCorps, the oral history project that lets ordinary people interview a family member or friend and record that person's story. After quitting her job, Karen dedicated 10 hours a week for 18 months to the project, recording people's interviews at the booth that opened in Grand Central Station in 2003. “If I had stayed at my corporate job, I wouldn't have been able to participate in what has turned out to be one of the most rewarding experiences of my life,” Karen comments. She will spend 12 weeks this fall working at a traveling booth that is going to Portland, Seattle, San Francisco and elsewhere in the Pacific Northwest. “Audio and story telling was a good fit for me,” says Karen. “This is not about money.”

“I like freelancing more than not, even though it's stressful,” concludes Karen. “Never say never, but I don't think I'll ever work for a corporation again.”



How long do you see yourself working as a freelancer?

n=2836

**FREELANCERS ARE COMMITTED TO NON-TRADITIONAL WORK**

The two most vexing challenges of freelancing are “unstable income” and “the lack of benefits.” These problems are intertwined. Both issues put freelancers’ chronic insecurity into stark relief. The social safety net that protects many Americans from these hardships overlooks freelancers. Benefits like health insurance and retirement savings vehicles are most often delivered through traditional employers. Many other social insurance programs serve Americans who cannot work at all or who have fallen below the poverty line. There is no system in place for those who work in non-traditional arrangements but earn too much to qualify for public programs. Thus, as workers without access to a benefits system that applies to them, freelancers have become the proverbial square pegs trying—and failing—to fit into a round hole.

### Economic Insecurity

Freelancers’ earnings are highly erratic; 85% of respondents cited unstable income as a disadvantage of working independently. And nearly two-thirds (61%) said that the need to be “always looking for work” is a disadvantage of freelancing.

In addition, seniority and experience do not necessarily translate into higher incomes for freelancers. Over the past twelve months, most freelancers (58%) saw either no change in their income or a substantial decline in their earnings compared to the year before. Of those freelancers whose incomes increased in the past year, most (56%) simply worked more hours.

Because unemployment benefits are designed around traditional work, freelancers are not eligible for unemployment benefits during periods when they are un- or under-employed. Thus, together, erratic earnings and the lack of support during slow work times cause economic insecurity for freelancers.

Compounding these issues is a tax code that burdens this segment of the workforce with onerous self-employment taxes. Currently many freelancers have to pay the employer and employee segments of the Social Security tax—15% of



**As workers without access to a benefits system that applies to them, freelancers have become the proverbial square pegs trying—and failing—to fit into a round hole.**



# THE RISE OF THE FREELANCE CLASS



their earned income. Traditional employees pay only the 7.5% employee portion. Additionally, at the local level, many New York City freelancers have to pay a 4% Unincorporated Business Tax, a tax designed specifically to target this segment of the workforce. These taxes are in addition to income taxes.

## Health Insurance and Uninsurance

Today in the U.S., health insurance is delivered primarily through employers and state programs like Medicaid. Approximately 65% of traditional workers get health benefits through their employers with most employers subsidizing a significant portion of the cost of these benefits.<sup>13</sup> 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.

Rising insurance premiums have put health benefits out of reach for many of New York's independent workers, and yet most freelancers earn too much to qualify for state programs. 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 \$605.70 per month.<sup>14</sup>

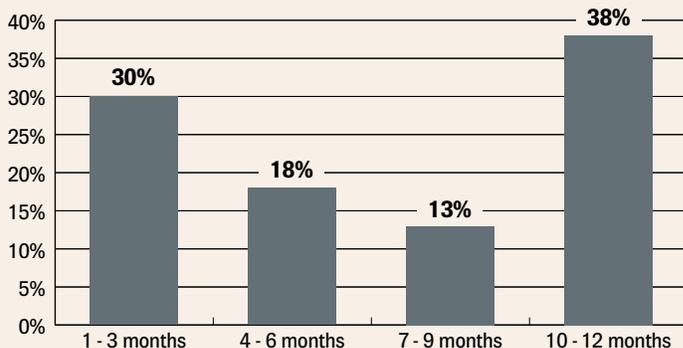
As a result, roughly 28% of freelancers who responded to the survey spent some portion of the last year without insurance, and half of those were uninsured for more than six months. In addition, 14% of respondents had no health insurance coverage at all in the past year.

The primary reason freelancers are uninsured is that they cannot afford the monthly premiums. One survey respondent observed the predicament many freelancers face: "I think it's shameful that just about the only way to be able to afford health insurance in America is to work for a corporation."

Uneven earnings also limit independent workers' access to health insurance. "I wanted to add something to my answer on why I'm not insured," explained one freelancer. "My income varies widely month to month so that some months I'm just scraping by and others I do well. The uncertainty makes monthly financial obligations difficult, since one month I may not be able to afford a payment, but



**One survey respondent observed "... just about the only way to be able to afford health insurance in America is to work for a corporation."**



**Months without Health Insurance Coverage Last Year**

n=602

**FREELANCERS OFTEN HAVE GAPS IN HEALTH INSURANCE COVERAGE**

# THE RISE OF THE FREELANCE CLASS

the following month I may be able to make two payments. I don't think insurance works that way."

Most freelancers who participated in the survey (72%) avoided seeking medical care when they were uninsured. About one-third (32%) used free or low-cost clinics or emergency rooms to get care, further taxing the city's already overextended public health infrastructure. The uninsured are more likely to skip doctor's visits and medical tests and less likely to fill prescriptions, reducing the likelihood that they will get proper medical treatment.<sup>15</sup> Thus, inadequate access to affordable health insurance translates into sub-par medical care for many independent workers.

## Retirement

As with health insurance, under our current system retirement savings are closely tied to one's employer and one's employment status. Roughly 57% of full-time employees still have a company pension,<sup>16</sup> and the 401(k) savings system now covers 40 million employees nationwide.<sup>17</sup> Not only do 401(k)s allow employees to make pre-tax contributions to retirement accounts through payroll deductions, employers often match at least a portion of the contribution. And, according to the Employee Benefit Research Institute, "workers are much more likely to save through a retirement plan at work than an IRA," which is a retirement savings account individuals can open.<sup>18</sup>

When it comes to retirement, freelancers are doubly disadvantaged: they have erratic earnings, and they do not have access to company pensions or the 401(k) system. Without a single, full-time employer, freelancers have no structure to encourage and support prudent retirement savings choices. The retirement vehicles available to this group (IRAs, Roth IRAs, SEPs, Keoghs and Self-Employed 401(k)s) are complex and difficult to understand. Each has different maximum contribution levels and different tax implications.

Given these factors, freelancers find themselves unable to prepare for the future; 28% of respondents have no retirement savings whatsoever, and 53% do not save any money each month for retirement. Under these conditions, few freelancers will have the resources to retire.

## Freelancers are an Emerging Constituency

Independent workers are beginning to emerge as a constituency, and they are beginning to understand the need for change. Although independence is central to their identity, more than half (53%) of freelancers see themselves as members of a freelancer community.

This nascent cohesion has real political repercussions. Many freelancers expressed a desire to participate in advocacy campaigns designed to bring awareness to the issues that they face. Many see themselves as "being part of a strongly defined and growing demographic" that is "uniting for standard pay and benefits" and "becoming an organized workforce instead of isolated" individuals.

## Donald C. – database programmer

Donald came to New York City with a Bachelor's degree in playwriting and directing 25 years ago; he planned to sing opera. He soon got involved with ACTUP because all of his friends were dying from AIDS. "Back in 1987, I was a temp, dumping music for activism," recalls Donald. Over time, Donald's career—and his activism—took another unusual turn. Small groups emerged to serve people with AIDS; they knew how to help people, but not how to do the reporting that comes with getting financial support from the government. "It turns out that data management is a knack, it's a special kind of thinking that I am able to do," says Donald. "I learned by the seat of my pants. I was working at a needle exchange program and we needed to do reporting. I've learned a lot over time. Now I know a lot about statistics and demographic research."

Today, Donald is a database programmer who contracts with seven or eight AIDS organizations that are funded by the city and state. Restricting his skills to these groups makes Donald "a real niche person," he notes. "By now, I know just about all the city and state Health Department people working in this area. The CDC [Centers for Disease Control] has a new data system, which I am currently implementing at two organizations. When I started working in needle exchange, it was first and foremost about stopping the virus. Now my work is more boring, but I don't care. I don't work for a bank or a corporation. I'm still involved in my work of choice. I work for what I care about."

Donald works as a freelancer because it suits him best. "I became a freelancer because I was frustrated in my last full-time job, and wanted to be independent," he recalls. "I liked the field I was working in, but I was miserable going to the same job all the time, and I was getting way too caught up in the petty day-to-day office dramas. It was having an impact on my identity as a person and on my social and personal life. I needed out. Freelancing seemed like a better choice than simply repeating the patterns at another office. And I knew I had the skills to support myself freelance. I have definitely been able to apply my programming skills better since I left my old job, which means that my programming skills have also grown. I learned more in the last two years than I learned in five years at the old job. The

**continued page 8**



## Rising Insecurity Calls for a New Safety Net

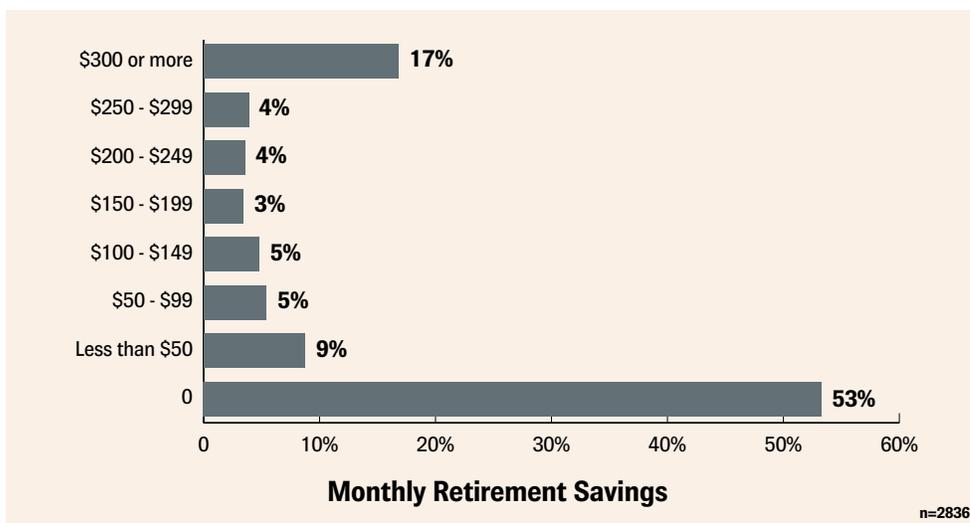
For many of New York’s freelancers the rewards of working independently outweigh the risks of working without a safety net. These workers do not measure success merely in dollars and cents, but rather in control over their time and their work. Most have actively chosen to freelance or to continue doing so, and many are thriving.

At the same time, relatively few freelancers have managed to secure continuous health insurance coverage and to put aside sufficient retirement savings. As Brad Harrington, executive director of the Center for Work & Family at Boston College’s Carroll School of Management, put it, “Insecurity and flexibility are two sides of the same coin.”<sup>19</sup> This also speaks, perhaps, to a broader and more troubling trend for the American workforce beyond those who work independently.

Many observers point to increased insecurity among all workers and on all rungs of the economic ladder. The rising numbers of Americans without health insurance, increased bankruptcies, low savings rates and the dissolution of traditional guaranteed pensions are all signs of the economic insecurity that now plagues the middle class as well as the working poor. According to a recent Economic Policy Institute study, middle-class Americans “believe traditional relationships that formerly provided some security are disappearing,” and that government is “neither trustworthy nor a source of solutions.”<sup>20</sup>

With only a fraying safety net to insulate them from economic ups and downs, traditional workers are experiencing much of the anxiety and many of the specific challenges that freelancers confront, including costly health insurance and the need to create their own retirement plans.

New York’s freelancers are acutely aware of this shift. A number of respondents noted that the difference between freelancing—in terms of benefits and economic security—and traditional work are fast eroding. Freelancing “seems no less secure than having a ‘real job’ which is no guarantee,” said one respondent. There is a growing need for new mechanisms that provide freelancers, and all workers, with access to affordable health insurance and that help them to plan and pay for their retirement.



continued from page 7

more I do freelance, the more marketable skills I acquire.

“I love being completely in charge of my time now. I start working when it’s best for me, and I stop when it’s best. I like being accountable to myself, rather than someone in ‘management.’ I love being able to travel to several different workplaces, rather than going to the same office every day. And if I need to work at home, during warm weather, I get to work out on my roof. It’s heavenly!”

Yet freelancing presents many challenges to Donald. Earning between \$45,000 and \$50,000 a year, he owns his apartment on the Lower East Side and has no debt. But Donald also has no savings of any kind. “I don’t like managing my own tax withholdings,” says Donald. “It’s very difficult, and I don’t always save everything I should, which means I get stuck when April 15 rolls around. It was nice having that taken care of. I hate having no paid vacation or sick leave. I had pneumonia this winter, and I didn’t earn any money. My income ground to a halt. Fortunately, I have insurance. But I probably started working again earlier than I should have [after a week], because I needed to make money. And now, when I plan a vacation, I need to pile on the work before I go so that I will have money when I get back. Not an ideal set-up, but still better than having paid vacation and being miserable in a full-time position.”

**FREELANCERS  
DO NOT  
CONSISTENTLY  
SAVE FOR  
RETIREMENT**



# THE RISE OF THE FREELANCE CLASS

## Policy Recommendations

The 2005 Freelancers Union Survey results illuminate the situation of freelancers and suggests some policies and practices that would make independent work more tenable. First, policy makers and the public must be educated about the gaps facing the independent workforce. Second, intermediaries—such as professional associations, nonprofits, community groups, churches and unions—should be encouraged to provide the key elements of a social safety net to these workers. And finally, aspects of the tax code that penalize freelancers should be revised.

### Educate policy makers and the public

- Work with federal and state leaders to improve collection and dissemination of data about New York’s independent workforce.
- Educate the public, policy makers, thought leaders and the media about the nature of independent work and the needs of independent workers, as well as businesses’ increasing reliance on contract, part-time, freelance and contingent workers.

### Toward a New Kind of Safety Net

- Encourage 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.
- Allocate more public money to fund portable benefits models that tie benefits to individuals through their intermediaries rather than through their employers.
- Enable intermediaries to sponsor portable 401(K)-style retirement plans for their members, thereby giving people additional options for retirement investments.
- Simplify retirement vehicles for the self-employed to encourage savings.
- Raise maximum contributions for the self-employed to match the levels allowed for traditional employees.

### Revise the tax code

- Establish refundable tax credits for health insurance payments for both independent and traditional workers.
- Align the overall tax burden paid by traditional and independent workers. This would require policy changes on two levels:
  - ◆ Reduce Social Security taxes for independent workers. Traditional employees pay 7.5%, whereas freelancers pay both the employer and employee segments of the Social Security tax—15.3% of their earned income up to \$90,000.
  - ◆ Eliminate New York City’s Unincorporated Business Tax (UBT). New York City considers any worker who files a 1099 and accompanying Schedule C to be an unincorporated business. As a result, most freelancers must pay the UBT, which is roughly 4% of their taxable income. Traditional workers are exempt from this tax.



## Endnotes

- <sup>1</sup> The terms “freelancer” and “independent worker” are used interchangeably in this report and are defined as any worker who works in a non-traditional way, including these categories: consultant, independent contractor, self-employed, entrepreneur, sole proprietor, part-time and temporary agency employee.
- <sup>2</sup> Daniel Pink, *Free Agent Nation*. (New York: Warner Business Books, 2001).
- <sup>3</sup> For example, between 1987 and 2001, the rate of uninsured employees working for large firms increased by 57%. (Sherry Glied, Jeanne M. Lambrew and Sarah Little, “The Growing Share of Uninsured Workers Employed by Large Firms,” The Commonwealth Fund, October 2003.) And the rate of employees covered by pensions has stagnated at roughly 50% for two decades. (“Covering the Uncovered,” Pension Rights Center, 2005.)
- <sup>4</sup> “Contingent Workers, Incomes and Benefits Lag Behind Rest of Workforce,” U.S. Government Accounting Office: June, 2000.
- <sup>5</sup> For a full list of these organizations see acknowledgements. A further note on the data: Because of our sampling procedure, our respondents may not be representative of the population of independent workers in New York. However, respondents were of both genders and spanned a range of occupations, industries, age cohorts and various degrees of experience making us confident that our data speak to experiences widespread among independent contractors in this region.
- <sup>6</sup> The Educational Attainment of People in New York City, New York in 2003, Population and Housing Narrative Profile: 2003 (2003 American Community Survey Summary Tables) U.S. Census Bureau, <http://factfinder.census.gov>
- <sup>7</sup> Report by the Committee for the Study of the American Electorate, January 2004, [http://election04.ssrc.org/research/csae\\_2004\\_final\\_report.pdf](http://election04.ssrc.org/research/csae_2004_final_report.pdf).
- <sup>8</sup> Scott Stringer, “Election Day Registration,” Gotham Gazette, 1 March, 2004, <http://www.gothamgazette.com/article/20040301/202/894>
- <sup>9</sup> New York City, New York, Population and Housing Narrative Profile: 2003 (2003 American Community Survey Summary Tables) U.S. Census Bureau. <http://factfinder.census.gov>
- <sup>10</sup> “Digital technology and media” encompasses the following industry sectors: information technology, internet and new media.
- <sup>11</sup> 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. 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.
- <sup>12</sup> Hundreds of survey respondents (14%) chose to write in additional comments to the question “The main reason I am an independent worker.” Of these, the majority were committed to the freelancer lifestyle and critical of traditional work arrangements.
- <sup>13</sup> Jennifer Edwards, Michelle Doty and Cathy Schoen, “The Erosion of Employer Based Coverage and the Threat to Worker-Based Coverage,” The Commonwealth Fund, August 2002.
- <sup>14</sup> New York State Department of Insurance Website: Premium Rates For HMO Standard Individual Health Plans By County, <http://www.ins.state.ny.us/acrobat/newyork.pdf>.
- <sup>15</sup> Pamela Farelly Short, Deborah R. Graefe, and Cathy 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.
- <sup>16</sup> “What are the trends in retirement plan coverage in the United States?” Employee Benefit Research Institute, [www.ebri.org](http://www.ebri.org)
- <sup>17</sup> Governor Susan Schmidt Bies, “The Economy and Challenges in Retirement Savings,” Federal Reserve Board speech to Financial Executives International Baltimore Chapter, Baltimore, Md., January 18, 2005, [www.federalreserve.gov/boarddocs/speeches/2005/20050118/default.htm](http://www.federalreserve.gov/boarddocs/speeches/2005/20050118/default.htm)
- <sup>18</sup> Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2005 Retirement Confidence Survey.
- <sup>19</sup> Quoted in “Lone Rangers,” *CommonWealth*, Summer 2005.
- <sup>20</sup> Jacob S. Hacker, “Reviving the Social Safety Net,” *The New Republic* (Online) Post date: 06.27.05 Issue date: 07.04.05

## Acknowledgments

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

Tamara Draut, Demos-USA

Brad Landers, Pratt Institute Center for Community & Environment

Heather McGhee, Demos-USA

Esther Robinson, Creative Capital

And the following partner organizations that participated in the survey:

American Society of Journalists and Authors

American Society of Media Photographers

Association of Independent Video and Filmmakers

Council of Fashion Designers of America

Free Agent Forum

Graphic Artists Guild

Industrial Designers Society of America

Local 802 American Federation of Musicians

The Actors Fund

The Hired Guns

The Lunch Club

National Writers Union

New York Women in Film and Television

WashTech-NY

**Freelancers Union**

**45 Main Street, Suite 710  
Brooklyn, New York 11201  
718-532-1515**

**[www.freelancersunion.org](http://www.freelancersunion.org)**