

## A Fair Deal for The New Workforce

by Sara Horowitz

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With Labor Day having just come and gone, a few moments' of thought about labor in New York might bring to mind the workers struggles of the early 20th century, the powerful unions of the city's history or a transit strike. But if we think about what labor in New York means today, we will recognize a new engine is driving this city's economy: the independent workforce.

A January 2007 [study from the City Comptroller](#) Williams Thompson's office suggests that self-employment has been driving job growth in New York City for the past 10 years. Over 30 percent of the American workforce is classified as independent, non-traditional or freelance workers. In New York City, there are approximately 1 million freelancers. These are the graphic designers, cab drivers, creative artists and nannies who pay taxes, vote and keep the city's economy running.

Such findings are a wake-up call for policymakers and government officials, who can no longer afford to overlook the challenges faced by New Yorkers who do not work for a "traditional" employer. It is time that we develop ways to provide these productive, income-generating taxpayers with access to the things other workers take for granted: health insurance, retirement accounts, equitable taxation and workplace protections.

### Health and Retirement

In a recent survey of 3,000 independent workers by the [Freelancers Union](#) (of which I am executive director) 39 percent of respondents said they lacked health insurance coverage at some time during the last year. Of those workers, 80 percent avoided seeking medical care when they were uninsured. When they did need care, many sought it in emergency rooms -- hardly a good solution, for the worker or the health-care system. This gaping inadequacy in the health insurance system has ramifications not only for uninsured individuals—the cost is being borne by the entire taxpaying population.

Even though independent workers often earn a good living, many do not save for retirement because they cannot take advantage of the simple, streamlined systems for funding their retirement accounts that traditional employees have. In addition, independent workers without an employer do not have access to many of the government's social insurance programs and protections. The employer relationship lies at the core of a range of worker protection laws, including occupational health and safety regulations and anti-discrimination protections. This leaves independent workers vulnerable.

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The Freelancers Union survey showed that 92 percent of respondents are registered to vote and 40 percent have donated money to political campaigns. Despite their growing numbers – and their potential political clout -- policymakers and politicians have largely ignored this important constituency.

### A Tax on the Self-Employed

The discrimination against independent workers is particularly apparent in tax laws. For tax purposes the self-employed are variously considered individuals, businesses, employers and employees. Like all other workers, they must ante up for federal, state and city personal income taxes. They have multiple other tax burdens and penalties as well.

On a national level, freelancers cannot participate in programs such as the flexible spending accounts for health and child-care expenses that reduce the tax bills of conventional workers. The self-employed must pay a federal self-employment tax that amounts to a [financial penalty](#) on freelancers. It requires those who are self-employed to provide both the employee and the employer portion of the Social Security tax.

In addition, in New York City, many workers are hit with the [Unincorporated Business Tax or UBT](#). Under this tax, the self-employed are the proverbial dolphins caught in the tuna net. The UBT was created in 1966 to collect tax revenue from businesses that had been structured specifically to sidestep corporate taxes. Unfortunately, once implemented, the tax unintentionally captured an additional segment of the workforce: the self-employed or independent worker.

The revenues from the unincorporated business tax go toward such programs as unemployment insurance, workers compensation or other state Department of Labor programs. Since the state does not consider freelancers employers, they are not eligible for these programs. And so, in paying the UBT, the self-employed are subject to a tax for which they receive little or no benefit.

In June, the City Council voted to allow taxpayers, including the self-employed, to take a \$5,000 credit on their personal income tax for their Unincorporated Business Tax payments. This change represents a significant step toward addressing a major inequity in our tax system for independent workers. It is time for a more comprehensive solution, though. It is time to entirely exempt independent workers from the UBT, which drains millions of dollars a year from

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self-employed workers.

In a city where the middle class is struggling more than ever, we should re-focus the Unincorporated Business Tax on its original target: high-income partnerships and other businesses that are not subject to corporate taxes. Independent workers deserve a tax code that considers their unique characteristics and contributions, not a policy that is imprecise and onerous.

For much of the 20th century, the labor movement fought and won protections for working people and helped to safeguard them against destabilizing events such as illness, disability and temporary unemployment. These were their bedrock victories. Yet an increasing number of workers – workers who play a vital role in the city's economy -- do not have access to those benefits. It is time for policymakers to correct this. Sara Horowitz is executive director of the Freelancers Union

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