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Health Care for a Changing Work ForceBy *DAVID BORNSTEIN*

Fixes looks at solutions to social problems and why they work.

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Carolyn Silveira Sara Horowitz, the founder of the Freelancers Union, addressed union members at a 2009 forum on the issues affecting independent workers.

Big institutions are often slow to awaken to major social transformations. Microsoft was famously late to grasp the importance of the Internet. American auto manufacturers were slow to identify the demand for fuel-efficient cars. And today, the United States government is making a similar mistake: it still doesn't seem to recognize that Americans no longer work the way they used to.

Today, some 42 million people — about a third of the United States work force — do not have jobs in the traditional sense. They fall into a catchall category the government calls “[contingent](#)” workers. These people — independent contractors, freelancers, temp workers, part-timers, people between jobs — typically work on a project-to-project basis for a variety of clients, and most are outcasts from the traditional system of benefits that provide economic security to Americans. Even as the economy has changed, employment benefits are still based on an outdated industrial-era model in which workers are expected to stay with a single company for years, if not their whole careers.

For most of the 20th century, it was efficient to link benefits to jobs this way. But today, more and more work falls outside the one-to-one, employee-to-employer relationship. Work is decentralized, workers are mobile, and working arrangements are fluid. However, the risks of life haven't gone away: people still need protections. They just need a different system to distribute them. They need benefits that they can carry around, like their laptops. As things stand, millions of independent workers go without health and unemployment insurance, protection against discrimination and unpaid wages, and pension plans. It makes no sense.

The industrial-era model of employer-based health care no longer applies.

One of the social innovators to recognize this problem early and act on it was Sara Horowitz, the founder of the [Freelancers Union](#), which has more than 165,000 members across all 50 states. At Fixes, we highlight practical applications of ideas that have the potential to achieve widespread impact. That means looking at how ideas take root in institutions that become part of the fabric of society.

In the early 20th century, a landscape of new institutions — including the early labor unions and hundreds of civil society organizations like Rotary International, the Boy and Girl Scouts, and the N.A.A.C.P. — reshaped the American landscape. Today, the Freelancers Union offers a glimpse of the kind of social enterprise — mission-driven and pragmatic, market-savvy and cooperative — that is likely to proliferate in the coming years to meet the needs of a fast-changing work force and society.

Horowitz had been a labor lawyer and union organizer when, in the early 1990s, she recognized that the number of people turning to independent work was on the rise. It was also clear that institutions had not yet been built to represent them in any meaningful way. (On one occasion, Horowitz found herself misclassified by an employer as an independent contractor — and quickly discovered that she received no job benefits.) Horowitz had the idea to create an organization to bring freelancers together so they could wield their power in the marketplace and in the political arena, much like AARP does for retirees.

She quickly discovered that their biggest concern was the cost of health insurance. But there were other problems, too. Unlike traditional workers who receive unemployment benefits, independent contractors have to rely on their own resources to get through hard times. In 2009, [Freelancers Union surveyed 3,000 members](#) and found that more than 80 percent had gone jobless or underemployed during the year. More than 60 percent had used their credit cards or borrowed from friends and family to make ends meet, and 12 percent had to turn to food stamps. Close to 40 percent had given up, or downgraded, their health insurance protection.

Another problem was getting paid. Some companies, like Time Inc., actually [charge freelancers](#) penalties if they request payment within 25 days. Freelancers Union found that 77 percent of its members had been cheated by a client during their careers and 40 percent had had trouble getting paid in 2009. The average wage loss was \$6,000. The Department of Labor protects traditional workers from unpaid wages, but freelancers have no equivalent recourse. Then there were difficulties obtaining mortgages, the lack of access to 401(k) plans, and other issues.

Horowitz saw that she could attract a large membership if she could figure out how to provide health insurance at lower cost.

Health insurance companies don't have much love for freelancers.

They prefer to serve large groups because it's easier to deal with one corporate benefits manager than a multitude of individuals.

And because insurers often lack reliable information about independent workers, they tend to assume that they are risky. As a result, premiums in the open marketplace for health insurance are higher and more volatile than those for employees. (The Affordable Care Act is designed to address this problem beginning in 2014 by subsidizing private insurance, but it applies only to people with low and moderate incomes.)

Horowitz got the idea of grouping freelancers in New York State so they could purchase their health insurance together. It made sense in theory, but it had never been done. She worked closely with officials in Albany, notably Assemblyman Sheldon Silver, who was a strong ally, and Gregory Serio, the former superintendent of insurance for New York State, who had the

An insurance provider that stays viable by *not* seeking to maximize profits.

authority to grant approval for “discretionary” insurance groups.

“A lot of health insurers have looked at individual and sole proprietors as very expensive and risky to underwrite,” explained Serio. “Sara was able to foresee a trend [in the rise of independent work] before a lot of other people did. She went and found out that these people were not bad risks. Her creativity was in using existing concepts of insurance risk sharing and applying it to a community that has been ignored by the marketplace and, in fact, almost vilified by the marketplace.”

Serio and Horowitz made an interesting team. “I was a conservative Republican from Nassau County working for George Pataki,” he told me. “And she was my liberal friend from Brooklyn.” But Serio found the idea of protecting freelancers appealing because his father had been a dentist who operated out of a second-floor walk-up office on Jamaica Avenue, in Woodhaven, Queens. “I grew up in a sole proprietor household,” he said. “If my father didn’t work, he didn’t get paid. And I knew what it was like seeing health insurance rates go up and up.”

Today, the Freelancers Insurance Company (F.I.C.), which is wholly owned by the Freelancers Union (a nonprofit), has revenues of roughly \$100 million and covers 25,000 independent workers and their family members in New York State, offering them premiums that the company calculates are more than a third below the open market rate. Close to 60 percent of its clients were previously uninsured or on [COBRA](#) (a temporary extension of their previous insurance). The renewal rate last year was 97 percent. (Disclosure: I have purchased health insurance from F.I.C. for a number of years.) The company was financed with \$17 million in loans and grants from social investors, including the Rockefeller Foundation, the Robert Wood Johnson Foundation and the New York City Investment Fund. “Our freelancers have access to the best doctors and hospitals,” says Horowitz. “We have skilled human resource people, just like Fortune 500 companies. We’re able to watch out for our members.”

How can the F.I.C. undercut market rates and still be a viable enterprise? The key is that while it seeks to be profitable, it does not seek to *maximize* profits. Its executives receive salaries that are below industry averages, and it has only one shareholder (the Freelancers Union) to satisfy. Those are fundamental differences. Silver, who is the speaker of the State Assembly, notes that the success of the F.I.C. makes it more difficult for traditional insurers to contend that they can’t deliver insurance at lower cost. “Duplicating the model and showing the ability of [the F.I.C.] to keep costs under control is something that we will be looking at,” he adds.

Like many social goods, health insurance is often seen through a binary lens: either it must be handled by the government or it must be handled by the free market. But the F.I.C. is demonstrating that a middle way can work, too, and that it may be preferable to provide vital services like insurance through social-benefit companies, at least to certain customer groups. In fact, the Affordable Care Act has a provision to finance a new type of nonprofit health insurance company that would be run by its customers. It would be called a [Consumer Operated and Oriented Plan \(CO-OP\)](#). The Freelancers Union has proposed to establish CO-OPs in Florida, New Jersey, New York, Oregon and Washington.

Because the F.I.C. has a close connection with freelancers, it can be more effective helping its

members make good health care decisions. “We’re moving away from fee-for-service medicine to one where a primary care doctor aggressively coordinates care,” explains Horowitz. “We’re also trying to innovate with alternative care — promoting meditation, yoga, and nutrition which can have long-term beneficial effects.” In 2012, the organization will be opening up the Brooklyn Freelancers Medical Practice, a health center modeled on the [medical-home](#) approach and designed in partnership with a physician named Rushika Fernandopulle, who pioneered a [team-based model of care](#) that is attracting attention across the country.

For now, the United States government doesn’t keep an accurate count of the independent work force. This is an oversight. It appears likely that this way of working will continue to grow. In cities with concentrations of knowledge workers, you find a proliferation of co-working spaces designed specifically for freelancers. And online marketplaces for freelancers like [Etsy](#), [oDesk](#) and [Elance](#) are expanding rapidly.

It’s not just hipsters who work like this. Forty-five percent of Freelancers Union members are over 40 years old. Not all follow this path by choice. Many freelancers are former employees, like journalists, who lost jobs. Recent college graduates, [discovering](#) that a degree is far from a job guarantee, are forced to be more entrepreneurial. And many companies, seeking to hold costs down, engage freelancers rather than hire full-time workers. All of these workers deserve the same protections accorded to others.

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“The industrial workers of the 20th century helped bring about the New Deal,” says Horowitz. “But the New Deal hasn’t evolved to include independent workers. I think this work force will help bring about the *next* New Deal — a framework of economic security that is parallel in its goals but led by a network of new institutions.”

“The government can’t replace civil society,” she added. “So if the civil society organizations have control, it will be harder to have your benefits taken away — if you happen to lose an election.”

On Wednesday, I’ll report on some of the other ways the Freelancers Union is helping to make independent work more secure. In the meantime, if you are a freelancer, or know someone who works this way, let us know about your experiences.

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