



Young, Employed and Uninsured

New York City's Young Independent Workers Face Chronic Gaps in Health Insurance Coverage

Working Today

Sara Horowitz, Executive Director

Stephanie Buchanan, Director of Policy and Advocacy

Executive Summary

In March, 2004 Working Today conducted its second annual survey of independent workers about their ability to afford health insurance. Working Today is a national nonprofit organization that represents the needs and concerns of America's growing independent workforce through advocacy, information, and service. Today, one third of the nation's workforce is independent—these Americans work as part-timers, freelancers, temps, consultants, and independent contractors. Although they work in non-traditional ways, these individuals are vital to the economy and the creative capital of cities.

Focusing on independent workers in New York City, Working Today's survey captured important new data about young adults' access to insurance and health care:

Of the more than 4000 respondents to our survey:

- Roughly 18% were between the ages of 20 and 29.
- 83% of these young adults struggle to afford health insurance.

- As a result, more than 51% of young independent workers in New York City experienced gaps in coverage in the past two years.
- 87% of younger New Yorkers who experienced gaps avoided seeking medical care during the time they lacked coverage.

Young adults are the fastest growing category of uninsured workers in the nation. Contrary to conventional wisdom, these workers suffer, both physically and

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financially, from gaps in health insurance coverage. In addition to these high costs for individuals, the lack of affordable health insurance options for these young workers jeopardizes the city's public health. Any discussion about health care policy and any reforms enacted must address the needs of this vital segment of the workforce.

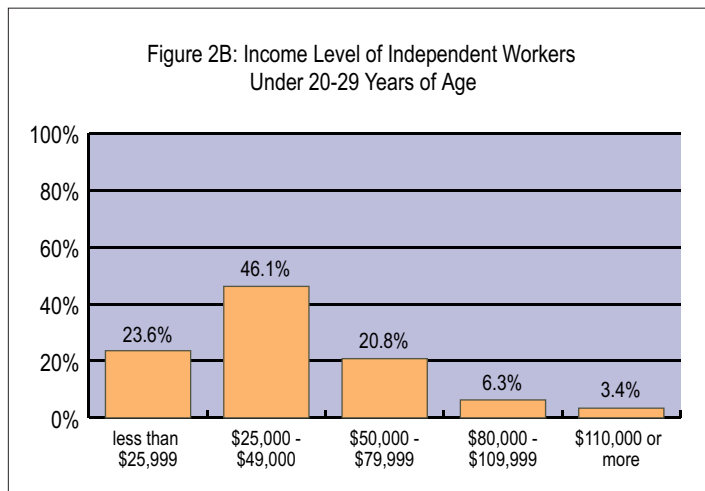
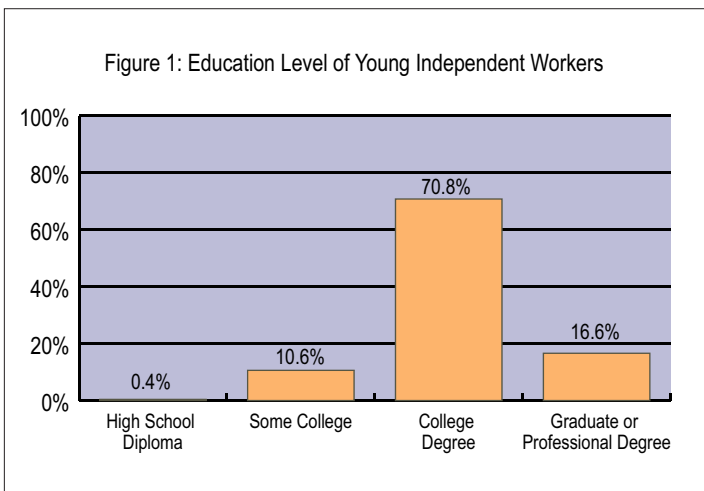
METHODOLOGY

The data analyzed in this report are derived from an online survey conducted between February and March 2004. A link to the survey was distributed to Working Today members as well as members of ten partner organizations.ⁱ There were 4,065 respondents of which more than 736 identified themselves as between 20 and 29 years of age.

I. Young Independent Workers are Highly Educated — and Struggling.

More than 87% of New York City's independent workers between the ages of 20 and 29 have a college degree. They are concentrated in the arts, entertainment, and media industries.

Because they are just launching their careers, independent workers under 30 are at the lower end of the income spectrum. While independent workers earn on average \$45,000, New York City's young freelancers' median



income is \$30,000. In addition, more than a third of these workers earn less than \$25,000 per year. And while 12% of independent workers overall earn more than \$80,000 per year, less than 4% of those under 30 do.

Many of these young independent workers are already burdened with debt. Over the past decade, tuition and fees in real dollars increased on average 47% at public four-year colleges and 42% at private four-year colleges. Upon graduation, the typical American college student now carries \$20,000 in student loans and credit card debt.ⁱⁱ

II. Younger Independent Workers Struggle to Afford Health Insurance

More than 83% of New York City's independent workers under 30 find it difficult to afford health insurance.

Today, health insurance is delivered primarily through employers and state programs like Medicaid. Approximately 65% of traditional workers receive health benefits through their employers.ⁱⁱⁱ Most companies that offer health insurance subsidize a significant portion of the cost of these benefits. Because independent workers do not have long-term relationships with a single employer, they are not served by this system.

State programs are geared to non-working and low-income Americans and their families. Local agencies administer

these benefits to individuals who meet the eligibility requirements. Independent workers, however, often earn too much to qualify for these programs.

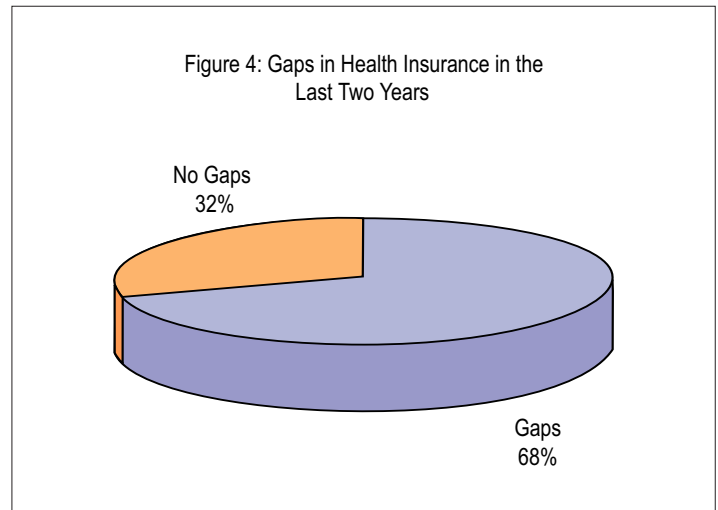
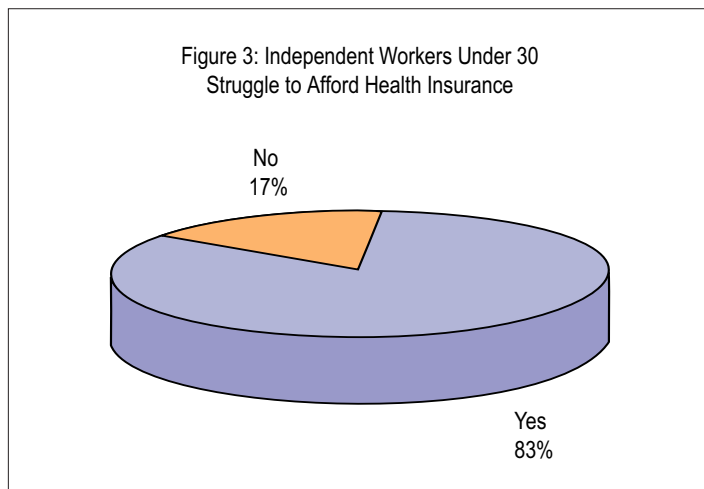
College was probably the last place where many young workers had reliable health insurance. Recent studies show that of those college students who graduated between 1996 and 2000, 38% were uninsured for some part of the first year following graduation.^{iv}

A Widening Hole in the Safety Net

The situation is particularly challenging for young independent workers. These freelancers have “aged” out of their parents’ health plans and earn too much to qualify for state programs, but they do not have access to employer-sponsored health insurance.

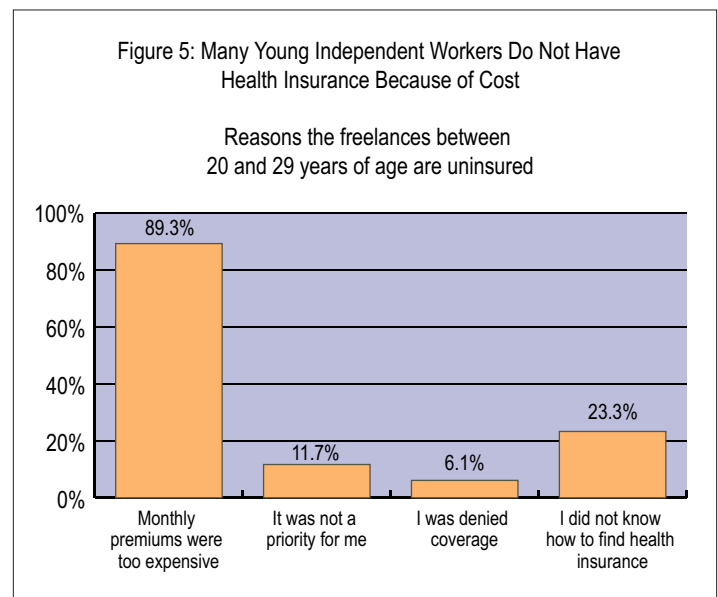
Instead, these young independent workers must purchase their health insurance in the individual market, where the premium for a standard HMO plan in New York City is \$521.^v Studies show that when health insurance premiums exceed 5% of monthly income, participation decreases dramatically.^{vi} Based on the standard premium rates, an independent worker in New York would have to earn \$120,000 or more to afford health insurance. Today, virtually no independent workers under 30 meet this criterion.

From the 2003 to 2004, the average cost of HMO premium



in New York City rose almost 16%. Similar rate increases are expected for 2005.

As a result, these young workers have only a tenuous connection to health insurance benefits. More than half of independent workers surveyed between the ages of 20 and 29 went without health insurance coverage for some period during the past two years; and 17% had *no insurance at all* during that period. The number one reason cited was they could not afford it.



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

Such intermittent coverage endangers young independent workers' well being and weakens the health care system.

The conventional wisdom holds that young workers, who tend to be *relatively* healthier than older workers, do not need health care; this is simply wrong. In addition to suffering from chronic diseases like asthma and allergies, young adults between the ages of 20 and 29 account for 3.5 million pregnancies, one-third of all HIV diagnoses, and a disproportionate number of injury related visits to emergency rooms nationwide. ^{vii}

Since they are prone to gaps in coverage, many young independent workers either forego medical care entirely or wait until there is a crisis to access care. In the past two years, of those independent workers under 30 who were uninsured, nearly 44% used a free or low cost clinic or emergency room to access medical care; during this same period, 87% report that they avoided seeking medical care at some point due to lack of coverage.

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

Figure 6: How Uninsured Workers Ages 20-29 Access Medical Care

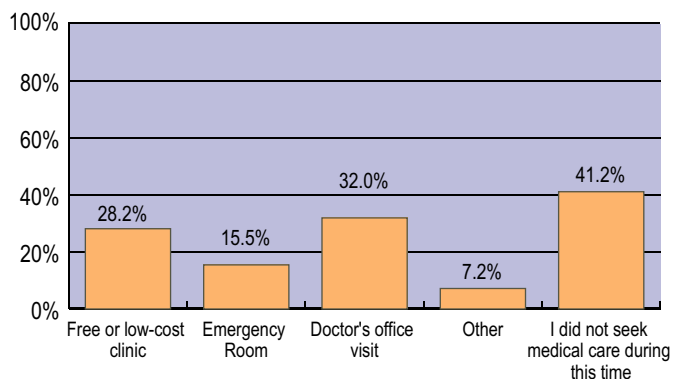
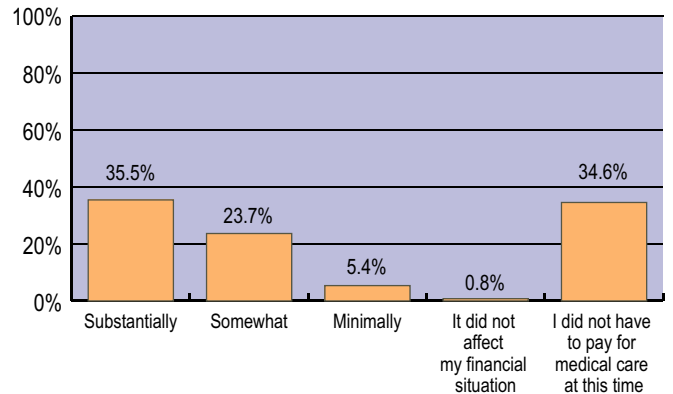


Figure 7: Young Independent Workers' Financial Situations Were Significantly Affected by Their Medical Expenses



contributes to crowding which in turn may limit the ability of these departments to respond to emergencies related to public health, terrorism, and natural disasters.^{ix}

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

Finally, these gaps in coverage further exacerbate young independent workers' financial insecurity. Over the past seven years, student debt has ballooned by 66%; meanwhile, during this same period, per capita income increased just 8%. In addition, high health care costs are cutting into Americans' savings across generations.^{xi}

The combined effect of these forces on young workers is disheartening. According to Elizabeth Warren, a Harvard Law School professor and author of *The Two-Income Trap*, "The next generation is starting their economic race 50 yards behind the starting line. . . . They can never get ahead of the game, because they're constantly trying to play catch-up."^{xii}

Recent research has shown that uninsured individuals are "more likely to face medical/financial calamity," and that catastrophic medical bills are the "largest factor driving personal



bankruptcy.”^{xiii} Young independent workers are particularly vulnerable to just such a scenario; however, because student debt makes up such a large portion of their financial obligations, bankruptcy is often not an option for them.^{xiv}

IV. An Overlooked and Growing Problem

There is little relief in sight for a young independent workers, since both micro and macro-economic forces promise to exacerbate this problem.

The Economic Policy Institute recently reported that job growth has been concentrated in lower-paying industries.^{xv} And as health costs continue to rise, employers who do provide health benefits for full time employees are reducing them.^{xvi} The Commonwealth Foundation has found people who were employed in large and midsized firms represent a growing proportion of the uninsured; in 2001, “26 percent, of the nation’s uninsured worked in, or had a family member working in, a large firm.”^{xvii} And between 2002 and 2003 alone, the number of Americans who received employer-provided health insurance coverage declined by 3.4 million.^{xviii}

Those at the lowest rungs of the ladder, young, entry-level workers, are among the least likely to be eligible for benefits. According to the EPI, workers in “the bottom 20% of hourly wage earners were the least likely to have employer coverage; 24.9% of the bottom quintile was covered compared to 77.8% for workers in the highest wage quintile.” However, EPI emphasized that declines in employer-sponsored health insurance coverage were most dramatic for those workers in the second-lowest wage quintile, who “have fewer government health insurance programs to fall back on.”^{xix}

Meanwhile, the number of part-time, contract, and temporary jobs is rising. In just the last year, 261,000 temporary jobs have been added to the nation’s economy.^{xx} Studies indicate young workers (between the ages of 20 and 34) fill nearly half (45%) of these temp jobs.

In New York, the trend is even more dramatic. Between 1998 and 2002, the number of self-employed New Yorkers,

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which represent just one category of independent workers, increased by 21%.^{xxi} What used to be industry standard in only a few sectors, like graphic design, is becoming the norm. With little bargaining power, young workers will be forced to take the positions they can get — and go without health insurance benefits.

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

In general, independent workers in New York City do not fit the stereotype of the uninsured. They are employed, educated, and earn across the income spectrum. In addition, young freelancers do not see that they are part of a larger trend or realize they “constitute a class at a systematic disadvantage.” When they do mobilize, they tend to organize around global campaigns — such as the war in Iraq — and ignore their own economic self-interest.^{xxii}

V. Conclusion

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

Furthermore, the absence of affordable health insurance options for young independent workers, who are concentrated in media, entertainment, and the arts, compromises New York City’s ability to retain its leadership as a “creative” capital.^{xxiii}



These young freelancers represent part of an invisible and growing constituency, which has yet to be tapped. They are highly educated, eager for solutions, and open to a wide range of proposals.^{xxiv} Possible remedies run the gamut from national policy changes to local initiatives. These should include:

- Ensuring that the needs of all independent workers are addressed in any discussion about health care policy and in any reforms enacted.
- Encouraging intermediaries such as arts organizations, nonprofits, and community groups to use the power of their numbers to offer consumers reasonably priced group health insurance.
- Establishing refundable tax credits for health insurance payments for both independent and traditional workers.
- Allocating more public money to fund portable benefits models so benefits are tied to individuals through their intermediaries not through their employers.
- Enabling these organizations to sponsor portable 401(K) style retirement plans for members, thereby giving people additional options for retirement investments.
- Educating the public, policymakers, thought leaders, and the media about the nature of independent work and the needs of these workers.

¹ Below is a list of Working Today partner organizations that participated in the survey with their membership numbers in parenthesis: American Society of Media Photographers (800); Society of Publication Designers (unknown); Association of independent Video-graphers and Filmmakers (2600); American Society of Journalists and Authors (350); Free Agent Forum (2300); Graphic Artists Guild (1450); Industrial Designers Society of America (300); New York Women in Film and Television (1300); The Hired Guns (6000); WashTech-NY (1300); National Writers Union (1300); Local 802 (2700); Lunch Club (2700); Council for Fashion Designers (250); The Actors Fund (2000).

ⁱⁱ Brendan I. Koerner, "The Ambition Tax," *The Village Voice*, March 27, 2004. And according to a recent study by Demos credit card debt has sharply increased for Americans under 35 years of age; those between 18 and 24 have seen their credit card debt load double. Tamara Draut and Javier Silva, *Generation Broke: The Growth of Debt Among Young Americans*, Demos 2004, p.1.

ⁱⁱⁱ 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.

^{iv} Sara R. Collins, Cathy Schoen, Katie Tenney, Michelle M. Doty, and Alice Ho, *Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help*, The Commonwealth Fund (May 2004), p.4.

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

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

^{vii} Collins, Schoen, Tenney, Doty, and Ho, *Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help*, p.5.

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

^{ix} Cunningham, May, HSC, October 2003.

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

^{xi} The Commonwealth Fund: Washington Health Policy Week in Review, "Americans Cut Savings to Meet Soaring Health Costs," November 1, 2004, p. 1.

^{xii} Koerner, "The Ambition Tax," *The Village Voice*, March 27, 2004.

^{xiii} Short et al., "Churn, Churn, Churn," November 2003.

^{xiv} Koerner, "The Ambition Tax," *The Village Voice*, March 27, 2004.

^{xv} Ibid.

^{xvi} "High Health Care Costs Delaying Hiring at Many U.S. Companies, Business Leaders Say" *Daily Report*, Kaiser Family Fund February 24, 2004. See also, Sara R. Collins, Michelle M. Doty, Karen Davis, Cathy Schoen, Alyssa L. Holmgren, and Alice Ho, *The Affordability Crisis In U.S. Health Care: Findings From The Commonwealth Fund Biennial Health Insurance Survey* (March 2004).

^{xvii} Sherry Glied, Jeanne M. Lambrew, and Sarah Little, *The Growing Share Of Uninsured Workers Employed By Large Firms*, Commonwealth Foundation (October 2003), p.vii.

^{xviii} Elise Gould, "The Chronic Problem Of Declining Health Coverage: Employer-provided health insurance falls for third consecutive year," Issue Brief #202, Economic Policy Institute, September 16, 2004, p.4.

^{xix} Gould p.2,10.

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

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

^{xxii} See "A Sleeping Class: Young Americans fight for every cause but their own. Wake up, already," part of "The "Generation Debt: The New Economics of Being Young," series by Anya Kamenetz, *Village Voice*, June 1, 2004.

^{xxiii} Recognizing the importance of the "creative economy" as an engine of growth, cities like Cincinnati, Ohio and Tampa, Florida, have developed plans to attract workers in the arts, media, and entertainment and encourage them to relocate. See Ross Atkin, "A Tale of Cool Cities," *Christian Science Monitor*; October 8, 2003, and Haya El Nasser, "Mid-sized Cities Get Hip to Attract Young Professionals," *USA Today*, October 10, 2003.

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

About Working Today

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

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

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

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Graphic Artists Guild
Industrial Designers Society of America
Local 802
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National Writers Union
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The Association of Independent Video and Filmmakers
The Hired Guns
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