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A Workers' Lobby to Provide Portable Benefits

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In 1993, the prominent sociologist Herbert Gans published a four-page article entitled “Time for an Employees’ Lobby.” Gans advocated the formation of a national lobby to promote the interests of workers. In Gans’s vision, this “employees” or “jobs” lobby would be multiclass and trans-ideological and would represent all members of the labor force, including traditional employees as well as managers, the jobless, and contingent and other nonstandard workers. Gans proposed structuring this lobby on the AARP model of individual membership, with a small membership fee.

Inspired by Gans’s (1993) article, Sara Horowitz founded an employees’ lobby she called Working Today, which was launched on Labor Day 1995. As recommended by Gans, Working Today was initially based on the AARP model of individual membership. Working Today started with an ambitious objective. The *Christian Science Monitor* described the goal of Working Today as “to put jobs back on the public agenda by lobbying for political action on measures to save jobs, create new ones, and explore long-term solutions to the ongoing erosion of good jobs.”¹ An editorial in the *Boston Globe* heralded this new organization, noting that “Working Today aims to be a low-dues, broad-based lobbying organization for workers of all sorts—full-time, part-time, the increasingly numerous ranks of

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1. Nicole Gaouette, “New Lobby Group Gives Harried Workers a Voice,” *The Christian Science Monitor*, February 1, 1996, 8.

contingent workers and the unemployed—patterned on the immensely successful AARP, with its 33 million members.”²

But the task of operationalizing Gans’s (1993) suggestion of a national lobby that would represent all workers proved elusive. As the evolution of Working Today demonstrates, it is difficult to form and sustain an organization with such a broad goal. Working Today has shifted from seeking to represent all workers via a membership organization to providing private services to independent workers, with the primary emphasis on provision of portable benefits. Perhaps in recognition of the changing focus, in September 2001 the slogan posted on the Working Today website changed to “benefiting the way you work” from “a national voice for America’s independent workforce.”³ Working Today maintains that access to portable benefits is a first step to building a strong constituency that will push for policy changes to advance the interests of independent workers.

I begin with an overview of how organizations form and survive. Section 6.2 provides additional background on the broad-based workers’ lobby suggested by Gans (1993). I follow this in section 6.3 with a discussion of two highly successful membership organizations, AARP and Common Cause, which might serve as potential models for a workers’ lobby. This section also provides a description of the evolution of Working Today.

Section 6.4 develops a model of fundraising by a workers’ organization. In this model, the founder must allocate resources between the provision of public goods, which attracts foundation grants, and the provision of private goods, which attracts individual members. While the model applies generally to any private good, for concreteness I discuss health insurance as this is the main private good provided by Working Today. In order to examine the market for health insurance supplied by an organization such as Working Today, in section 6.5 I use data from the Current Population Survey (CPS) Contingent Work Supplement to provide statistics on the insurance coverage status and demographic characteristics of nonstandard workers and traditional employees.

Working Today’s original focus was on independent workers, and section 6.6 identifies specific policy areas involving independent workers in which a workers’ lobby might fruitfully address its efforts. Section 6.7 evaluates the accomplishments and prospects of Working Today. I conclude with an evaluation of the prospects of a broad-based workers’ lobby.

2. David Warsh, “Needed: A Lobby for Labor, Like the AARP,” *Boston Globe*, September 3, 1995, 73.

3. See <http://www.workingtoday.org>; accessed January 20, 1999 and September 4, 2001. By October 2003, the slogan changed again, reading “Working Today represents the needs and concerns of the independent workforce through advocacy, information and service” (accessed October 18, 2003). Benefit provision remains the emphasis of Working Today.

6.1 Organizational Formation

Organizations exist to serve the common interests of their members that could not be advanced adequately by individual action. Unions have traditionally provided a collective voice for covered workers (Freeman and Medoff 1984.) Various theories have been proposed to explain the incentives for organizations concerned with the common good to form, with none of the theories being entirely satisfactory. Truman (1951) maintained that groups formed spontaneously out of shared feelings of frustration. This view was challenged by Olson (1965) who argued that because of the basic problem of free riding, members of a large group will not work for the group's interest unless membership is compulsory or unless there is some sufficient selective incentive that is separate from the public (collective) good. The AARP is an interest group that would have been unlikely to form without providing a selective benefit, in particular health insurance for retirees, at rates extremely profitable to AARP's founder.

In contrast, Hirschman (1982) believed that individuals will work for a common good because the act of seeking that good provides a benefit in addition to the good itself. Walker's (1991) empirical analysis of membership groups reveals that while most successful advocacy groups appear to provide private goods as incentives, group leaders do not consider these private benefits as important as collective benefits in attracting members. Indeed, the success of Common Cause provides a compelling counterexample to the notion that selective benefits are necessary to attract and sustain membership.

A workers' lobby can take one of three broadly defined forms: that of a social movement, a special interest lobby, or a service organization. Gans's (1993) vision was that of a social movement, and much of the early interviews with Working Today founder Sara Horowitz emphasized the social movement nature of the lobby.

Social movements, such as those for civil rights, women's rights, or the environment, strive to bring about institutional change by organizing or representing the collective interests of some disadvantaged or underrepresented group. Social movements tend to be one of two kinds: empowerment movements or professional movements. Empowerment movements derive their strength and resources from its intended beneficiaries. This type of movement seeks broad membership and involvement by the group's members. They pursue widespread attention in order to change values, which may in turn be reflected in public policy in the future. Professional movement associations have professional staff and receive resources from institutions and isolated constituencies. These organizations "speak for" rather than organize their nominal beneficiaries. They are likely to lobby federal bureaus or political leaders, such as members of Congress.

A special interest lobby seeks specific benefits for its constituency, such

as legal reform and tax reform. There are a large number of organizations that lobby for policy measures affecting the earnings and employment of their members, either directly or indirectly. Indeed, it is hard to imagine any occupational or professional organization that does not seek to benefit its constituency. Existing workers organizations that have documented successes in benefiting their constituencies include the National Writers Union; WashTech; and 9to5, National Association of Working Women.

As a service organization, a workers' organization would provide specific benefits directly, such as education, training, and insurance benefits. In contrast to social movements, service organizations do not seek institutional change. For example, members of the American Economic Association (AEA) receive education and training, disseminated in the form of journals and conferences, but the AEA does not engage in lobbying.

Organizations attempt to ensure their continued existence, which means they must maintain funding, either by appealing to members or potential members or by appealing to principal sources of funding, such as foundations. The funding of any workers' organization depends on both its focus and its constituency. Gans (1993) envisioned a membership organization that would be funded by small membership dues, voluntarily given. However, even if membership dues will ultimately fully finance an organization, start-up funds are necessary. Roughly, start-up funds for social movements tend to come from wealthy patrons or private foundations, although the government has also played a large role; start-up funds for special interest lobbies are often provided by the beneficiaries (and hence are subject to inherent free-riding problems among constituent groups); and service organizations are often funded by government grants (Walker 1991.)

To attract funding, organizations will choose activities such as lobbying or litigation, and strategies such as organized protests and media coverage intended to generate public visibility for the organization, or a combination of these strategies. Common Cause attracted start-up funding because of the visibility of its founder John Gardner. Most professional and occupational organizations pursue their lobbying activities quietly. The National Association for the Advancement of Colored People (NAACP) pursued a successful strategy of selective litigation. Jobs with Justice is a national campaign aimed at raising workers' incomes. This effort is conducted by organized labor as well as community and religious organizations and uses organized protests as one of its strategies.

Most successful interest groups derive substantial funding from members' self-interest or profit motive. Walker (1991) reports that 80 percent of American interest groups have emerged from preexisting occupational or professional committees. The remaining 20 percent arise in the wake of broad social movements such as pollution, civil rights, and women's issues. These groups often are created by political entrepreneurs operating with the support of wealthy individuals, private foundations, or elected political

leaders. As Jenkins (1998) documents, the role of foundations in funding social movements historically has been quite modest. Grants to social movements were a minor component of total foundation giving between 1953 and 1980, representing at its peak (in 1977) only 0.69 percent of total foundation giving.

6.2 Herbert Gans's Vision of a Workers' Lobby

In his article "Time for an Employees' Lobby," Gans (1993, 35) suggested that a national lobby of employees be established to encourage President Clinton to keep his campaign promise to do something about the "ever-declining number of full-time, decent jobs." His article included a series of specific policies with the overall focus being to "place the jobs issue high on the public agenda, and educate the public both about the drastic changes our economy is facing and the need to address them politically."

Gans (1993) recommended that the principal purposes of such a lobby would be to develop short-term and long-term policies to save jobs and create new jobs, to begin considering long-term solutions to the erosion of jobs, and to establish income support programs for the underemployed and unemployed. He suggested that the proper organization would be a workers' party, similar to those that exist in Europe, but dismisses this option because the United States has never had an important workers' party, and the long-established parties in Europe have become less effective. Gans likewise considered it unlikely that unions will be able to solve the problems faced by workers because union membership and influence are declining. Further, he did not consider it possible that a single union or a network of unions could represent all workers today.

Gans (1993) suggested that the membership model of the AARP might serve as the model for the organizational structure of the lobby. He anticipated that membership would come from job losers, the unemployed, those threatened by future job loss and their friends and family, as well as those with jobs who recognize that employment no longer offers the job security of the past.

For the most part Gans's (1993) concerns might seem unwarranted in light of the strong economy of the 1990s (although they may invite more attention in periods, such as the early 2000s, in which the economy is weaker). Despite his concern that any jobs lobby represent all workers regardless of political values, his recommendations are highly politically laden and run counter to trends to limit government intervention into the economy. Although he dismisses the possibility that unions can represent all workers, oddly he does not seem to recognize that any lobby is equally unlikely to represent all workers. Nonetheless, while one might quibble over the specific reasons he offers, at the time his paper was published, there was no unified voice offering to speak for all workers.

6.3 The Evolution of Three Organizations: The AARP, Common Cause, and Working Today

Shortly after Gans's (1993) article was published, Sara Horowitz founded the organization Working Today, which offered to provide a unified voice to speak for all workers. As noted in the introduction, Working Today was formed with the ambitious goal "to put jobs back on the public agenda by lobbying for political action on measures to save jobs, create new ones, and explore long-term solutions to the ongoing erosion of good jobs."⁴ Horowitz maintains that today's economy represents a third industrial revolution, arguing that in this new economy workers needs were not met because of archaic labor laws.⁵

In this section I describe the evolution of Working Today since its founding in 1995. To understand the options for survival and growth available to an organization such as Working Today, it is useful to examine two successful membership organizations: the AARP and Common Cause. The AARP mainly attracts members by providing individual benefits, while Common Cause offers no selective benefits.

Membership in the AARP is open to anyone aged fifty and older, and as of 2003 the AARP reports over 35 million members.⁶ Members do not run it, and it has no legal status to represent the interests of its constituency of individuals aged fifty and older. Yet it is routinely ranked as the most powerful lobbying group in the United States.⁷

How did the AARP evolve into such a powerful force, and can this model be applied to workers?⁸ A little bit of background shows the integral role of private goods in attracting and sustaining membership. Ethel Percy Andrus was a retired schoolteacher who had formed a service organization that provided health insurance policies to retired teachers. Observing this popular interest in health insurance among other retired individuals, insurance salesman Leonard Davis provided financial capital to start the AARP in 1958. Insurance sales were integrally tied with the growth of AARP, which were publicly revealed during the 1970s to offer protection well below market norms. Despite this scandal, the AARP retained its strength. Its continued membership is attracted to discounts offered on car rentals, hotels, and package tours, all of which is available with the \$12.50 per year membership fee (as of October 2003). Membership also includes a subscription to

4. Nicole Gaouette, "New Lobby Group Gives Harried Workers a Voice," *The Christian Science Monitor*, February 1, 1996, 8. The article does not explain what evidence Horowitz draws on in describing the labor market.

5. Sara Horowitz and Peter DeChiara, "Past Can Teach How to Cope with New Jobs' Uncertainties," *USA Today*, September 1, 1999, 11A.

6. See http://www.aarp.com/what_is.html; accessed October 30, 2003.

7. Jeffrey H. Birnbaum, "Follow the Money," *Fortune*, December 6, 1999, 206.

8. See Van Atta (1998) and Morris (1996).

AARP *The Magazine* (formerly called *Modern Maturity*), the nation's largest circulation magazine.

The AARP model of private goods provision differs from that of Common Cause.⁹ Common Cause was formed to be a people's lobby to combat undue power of special interests, that is, a national "good-government" lobby. Common Cause was founded in 1970 by author and ex-U.S. Department of Health, Education, and Welfare (HEW) Secretary John W. Gardner. Gardner had headed the Carnegie Foundation, written two best-selling books, chaired a presidential committee on education policy, and served as secretary of HEW under Lyndon Johnson from July 1965 to January 1968. He then took on the leadership of the Urban Coalition. Gardner felt that the most effective policy tool was the lobbying arm of the Urban Coalition—the Urban Coalition Action Council. Common Cause was formed after the passage of the Tax Reform Act of 1969, which prohibited foundations from contributing to lobbying activities, thereby undermining the financial basis of the Urban Coalition Action Council. In order to secure a mass financial base, from its inception Common Cause took the direction of wide membership. Indeed, their financial support is primarily small contributions as a matter of organizational policy.

Gardner was a highly regarded and politically connected leader, who had both the visibility and credibility to raise \$250,000 in start-up funds. To generate membership, Common Cause began with a series of newspaper ads and mass mailings. John Gardner also appeared on *Meet the Press* in 1970. This initial effort was highly effective, yielding 100,000 paying members within the first six months and 200,000 in the next six months. More than thirty years later Common Cause is still a viable organization, with over 200,000 individuals in all fifty states voluntarily paying the \$20 annual membership fee.¹⁰

Working Today began as a mixture of the private goods model of AARP and the public goods model of Common Cause. Like the AARP, from its inception Working Today has offered private goods, such as access to group health insurance, discounts on office supplies, and discounted legal services to individuals who pay a small membership fee (originally \$10, now \$25 as of October 2003.) Like Common Cause, Working Today was founded by a political entrepreneur and had a broad objective, with "good jobs" substituting for the "good government" agenda of Common Cause. At its founding, Working Today positioned itself as a social movement, which was undoubtedly instrumental in securing initial foundation funding. Like both AARP and Common Cause, Working Today has an open membership policy.

However, individual membership growth was slow, and the organization

9. See McFarland (1984).

10. See <http://www.commoncause.org>; accessed October 30, 2003.

has largely been supported by foundation and government grants rather than individual membership dues. In contrast to the rapid membership growth of Common Cause, Working Today gained new members gradually. By May 1996, nine months after beginning operations, Working Today had about 700 dues-paying individual members. The remaining source of its \$60,000 budget was a grant from the Ms. Foundation and a salary fellowship from Echoing Green, a foundation which supports innovative projects.¹¹ Foundations continued to provide the bulk of Working Today's funding, with \$192,000 in foundation grants and about \$17,000 in member dues and contributions after about one year of operation.¹² The number of individual dues-paying members as of January 1999 was 2,072.¹³

By January 1998, Working Today reported that its membership had rocketed to 35,000. However, this leap in membership represented a transformation in organizational structure and accounting technique rather than necessarily an increase in interest among individuals. The organization shifted to linking existing membership groups into one cohesive group under its Working Today Network umbrella, or in the words of Working Today, "joining organic associations and worker organizations into a larger whole, and advancing universal concepts."¹⁴ Working Today counted as a member anyone who was a member of one of the organizations that had joined the network as well as those who paid dues to Working Today individually. Working Today reported in June 2000 that they had 93,000 members who had joined either individually or through one of the twenty-six organizations that have joined their network.¹⁵

Working Today is currently a mix of a special interest lobby and a service organization, although it still claims an overriding social agenda. As a special interest lobby, the organization lobbies for access to portable benefits for independent workers. As a service organization, Working Today most notably offers group health insurance. The primary visible project is its Portable Benefits Network launched in September 2001 that acts as an intermediary to provide group benefits to workers in New York's new media industry. Like other service organizations, it receives government funding. In particular, the Portable Benefits Network is funded in part by grants

11. Lini S. Kadaba, "Doing A Job for Workers, Call Sara Horowitz a Savvy Idealist. This Former Labor Lawyer has a Cause—A Lobbying Group to Better the Lot and Ease the Pain of American Workers," *Philadelphia Inquirer*, May 23, 1996, G1.

12. Sandra Livingston, "Reaching Out to Workers; Using AARP as a Model, Group Aims to Put Jobs on Nation's Agenda," *The Plain Dealer*, December 8, 1996, 1E.

13. Proposal to the John D. and Catherine T. MacArthur Foundation, Working Today, January 28, 1999, 8.

14. Reported on website accessed June 6, 2000 at <http://www.workingtoday.org>. This statement no longer appears on the website as of September 6, 2001.

15. Reported on website accessed June 6, 2000. This number is also reported in news articles. See, for example, Carol Gurstelle, "Ideas Web Watch Column," *Saint Paul Pioneer Press*, April 23, 2000.

from the state of New York. In May 2003, the Portable Benefits Network was renamed the Freelancers Union. Working Today reports 2,000 members of the Freelancers Union as of May 2003.¹⁶

Providing portable benefits is an integral part of Working Today's broader social mission of promoting the interests of independent workers. This role of benefit provision is expressed on the Working Today website in the section "News & Features: Advancing a New Social Agenda" as follows:

The key to building a strong constituency will be linking services with advocacy—bridging people's economic and political interests to reignite the democratic discussion. . . . In building this model we can serve as a pilot, allowing people not just access to portable benefits, but also to push for a larger set of portable rights. . . . We believe it's imperative to effectively move the "new workforce" agenda forward by setting a cycle in motion: by accessing services, individuals will learn more about the larger policy issues facing them; and by getting active on these issues, they will improve the services they are able to access and make the policy debate reflect their concerns. Services, however, are only a first step . . . by linking people and groups together, we will assemble a constituency that can have its voice heard so we may build a secure and more complete safety net for the future.¹⁷

As the Portable Benefits Network/Freelancers Union seems to be the key to the continued survival of Working Today as a lobby for workers, it is useful to provide background on the plan. I will be providing information later on the likelihood that this plan will attract a sufficient number of members to form a critical mass to further change social policy. The Portable Benefits Network provides access to health insurance at group rates as well as disability and life insurance. This coverage is currently available to qualifying workers (such as freelance skilled computer users and new media workers) in the New York City area. The health insurance plan is a comprehensive health maintenance organization (HMO) offered through HIP Health Plan of New York. The monthly premiums for the September 1, 2001–August 31, 2002 coverage year were \$242.25 for an individual, \$434.07 for two persons (individual plus spouse or individual plus child), and \$685.08 for a family.

With the more recent emphasis on portable benefits, Working Today no longer includes on its website the statement quoted earlier about linking organic associations and began emphasizing the practical advantages to organizations of joining the Working Today Portable Benefits Network. For example, as of September 2001, the website stated "a surefire way of at-

16. See <http://www.workingtoday.org/about/05-01-03.php>; accessed October 30, 2003.

17. See <http://www.workingtoday.org/advocacy/advancing.html>; accessed September 14, 2001.

tracting people to your organization is by making relevant, valuable benefits available.”¹⁸

6.4 A Model of a Financially Viable Workers' Lobby

Working Today has survived by providing a mix of private goods and public goods. The private goods attract individual members, and the public goods, such as offering to be the spokesperson for the independent workforce, attract foundation grants. These two activities are closely linked to the organization's ability to raise funding. This section models the options for raising funds available to a new organization such as Working Today. I assume the founder must allocate resources between private goods efforts and public goods efforts. For specificity, I assume that the private good is health insurance at rates more attractive than available to individuals. However, the model applies more generally to any private good.

The workers' lobby engages in two types of activities, denoted by its expenditures X on private goods efforts and its expenditures Y on public goods efforts. The private good is group health insurance. The workers' lobby does not engage in underwriting insurance policies but instead serves as an intermediary between its members and the insurance company. The contribution of the lobby is forming a group that is eligible for health insurance priced at group rates. The private good is the principal benefit individuals receive from their affiliation. The number of organization members, N , is positively related to the private goods efforts, X . There are several measures a workers' lobby can take to increase membership, including widely advertising that group insurance may be available, holding seminars and educational events, soliciting insurance companies to offer coverage at attractive rates, and soliciting firms to encourage their employees to purchase insurance through the organization. The lobby reaps a net gain from this insurance underwriting given by $I(N[X], X)$.

The public goods expenditures, Y , are on activities that attract foundation funding other than through the insurance operation. These include activities such as lobbying, efforts to draw media attention to the organization, public dissemination of information, or efforts to elicit endorsements that will give the organization greater credibility. Working Today engages in various public goods activities, including lobbying politicians and maintaining a website with information on the legal status of independent workers and links to websites providing information about insurance options.

Foundation grants, F , depend positively on the level of public expenditures, Y , and the number of organization members, N . Each of these vari-

18. See <http://64.49.223.100/about/intermediaries2.html>; accessed September 4, 2001. This statement no longer appears on the Working Today website.

ables provides a signal that this is a viable organization meriting support and will consequently lead to greater foundation support.

Although the workers' lobby may be a nonprofit organization, for simplicity I model the effort as one that maximizes profits, π . Treating the lobby's objective as profit maximization is consistent with the demonstrable accomplishments to date of Working Today, which has largely consisted of raising revenues in order to provide private benefits rather than any observable impact on broader social objectives. The problem for the lobby is consequently to

$$(1) \quad \max_{X,Y} \pi = F(Y, N[X]) + I(N[X], X) - X - Y,$$

leading to the first-order conditions that

$$(2) \quad \pi_X = 0 = F_N N_X + I_N N_X + I_X - 1,$$

and

$$(3) \quad \pi_Y = 0 = F_Y - 1.$$

Combining these two conditions and rearranging terms leads to

$$(4) \quad F_Y = (F_N + I_N)N_X + I_X.$$

The marginal productivity of publicly visible efforts in boosting foundation support, which is the term on the left side of equation (4), equals the marginal productivity of the private goods, represented by the terms on the right side of equation (4). Additional expenditures on the private insurance operation have two classes of benefits. First, increasing X will raise the number of affiliated workers, N , which in turn will affect both foundation support, F , and gross revenues from insurance, I . One would expect that F_N is positive. A larger affiliated worker base should make the workers' lobby more attractive to foundations. Similarly, I_N should be positive as well to the extent that greater economies of scale in insurance underwriting and decreased problems of adverse selection makes the workers' lobby more profitable. The second component of the marginal efficiency of expenditures on insurance provision is the marginal effect on insurance operating profits, I_X . The sign of I_X is likely to be positive up to a certain point but eventually may become negative if, for example, increased expenditures on advertising fail to sufficiently increase the number of members. Typically the lobby will want a profitable insurance operation so will operate at the level where I_X is positive. But it will also be possible to offset losses in the insurance effort if doing so will raise the number of subscribers, N , sufficiently to attract additional foundation support.

This model highlights the departures of the Working Today model from Gans's (1993) original vision. The main choice variable is not political effort intended to promote social change but rather private goods provi-

sion and observable public activities intended to sustain and attract foundation funding. The source of funds is not workers as a whole but rather foundations that contribute to support the public good and workers who are subscribing to receive a well-defined private service.

6.5 The Market for Working Today's Health Benefits Plan

Provision of health insurance at group rates has been a key feature of many organizations, including AARP and many unions. Portable benefits, which follow workers as they move from job to job, have long been available to members of the Screen Actors Guild and those employed in the unionized construction industry. Recently, Amy Dean of the South Bay Labor Council in California instituted a portable benefits program for employees of the temporary agency she founded.

Thus, the concept of portable benefits for workers who move from job to job is not novel. Because of problems of adverse selection, it will not generally be profitable for insurers to offer health insurance to individuals at group rates. Insurers will enter the group health insurance market only if profitable; this means identifying a profitable group, which is generally formed by a company or some entity other than the insurer. Employees of large firms form a natural group for which group insurance pricing can be made actuarially attractive to insurers. The risks of moral hazard and adverse selection increase if the insurer cannot monitor the riskiness of the insured and if the costs to individuals of entry and exit from the group for the purposes of obtaining insurance are low.

The ultimate success of Working Today in achieving its broader vision relies first on its success in drawing members into its portable benefits plan to form a group that is attractive to insurers and second on energizing these participants to organize for additional policy changes. This section examines the likelihood that a broadly available portable health benefits plan will attract a sufficient number of members that are also desirable to insurers to form a critical mass to further change social policy.

The potential pool of workers for a portable benefits plan could be drawn from three groups: those currently uninsured; those currently buying insurance on their own who might switch plans; and those currently covered by their employer's plan who might switch to a noncovered work status, such as self-employment or part-time employment if they could obtain health insurance from another source at suitably attractive rates. Of course, whether workers will purchase insurance or switch coverage if offered a lower-cost option depends on the responsiveness of demand for insurance to changes in price. There is evidence that the demand for health insurance among the self-employed is price elastic so that lowering the price of health insurance increases the probability that self-employed individuals purchase insurance (Gruber and Poterba 1994). Whether other in-

dependent workers, particularly low-income or contingent workers, are likewise price sensitive is unknown.

Whether Working Today is able to generate participation in its Portable Benefits Network in part depends on whether the Working Today plan is a better "value" in terms of either quality of coverage and/or price, relative to the alternatives as well as whether uninsured workers feel coverage is worthwhile. Working Today faces competition for its target market of independent workers. First, coverage at a similar cost is available in the Working Today coverage area.¹⁹ Second, lower-income workers who are sole proprietors, full-time or part-time employees, or employed on an episodic basis are eligible for reduced-cost coverage through the Healthy NY program. In particular, as of September 2001, the plan offered through Working Today is available to workers at a lower cost in the same coverage area.²⁰

As independent and other nonstandard workers are the target market for the portable benefits plan, I use data from the February 1999 CPS Contingent Work Supplement to examine their coverage status and characteristics. This survey provides information on who is uninsured as well as demographic information that might suggest which of the uninsured are likely to be able to afford to purchase insurance through a new group plan. In addition to the information provided on the monthly CPS, the Contingent Work Supplements, which have been collected biennially since February 1995, provide data on workers in contingent and alternative work arrangements as well as information on health and pension coverage.

Workers are characterized as contingent if they hold jobs that are temporary or not expected to last for nonpersonal reasons. The CPS provides three estimates of the number of contingent workers, which ranged from 1.7 to 4.0 percent in 2001.²¹ The narrowest definition refers to wage and salary workers with less than one year of tenure who expect their jobs to last less than one additional year. The broadest definition counts as contingent any wage and salary worker who does not expect their job to last indefinitely and includes the self-employed and independent contractors with less than one year of work experience as self-employed or as an independent contractor who expect to be in this arrangement for less than an additional year.

19. A search of <http://www.ehealthinsurance.com> (accessed September 14, 2001) reveals that the GHI Alliance Value Plan is similarly priced in the Working Today coverage area. The GHI plan is a preferred provider organization (PPO) rather than an HMO as offered by Working Today.

20. See <http://www.ins.state.ny.us>. Healthy NY is a statewide reduced-cost coverage plan that was introduced in New York after the passage of the Health Care Reform Act of 2000. The income limits for eligibility vary with family size. For example, the monthly income cap for a family of four is \$3,678. The rates for the HIP Health Plan of New York through Healthy NY are \$215.25 for an individual, \$430.48 for two parents, \$400.35 for parent and child(ren), and \$658.44 for family coverage.

21. Reported in Contingent and Alternative Employment Arrangements, February 2001. Available at <http://www.bls.gov/news.release/conemp.nr0.htm>.

In addition to gathering information on contingent workers, the survey elicited supplemental information on workers in four types of alternative work arrangements: independent contractors (including consultants and freelancers), on-call workers, workers paid by a temporary agency (“temps”), and contract workers. Whether a worker is self-employed is reported in the main CPS survey as is whether a worker works part-time.

I consider the following groups: independent contractors and the self-employed, temporary agency workers, part-time workers, and contingent workers (using the broadest CPS definition of contingent.) Because 88 percent of the independent contractors are self-employed, I combine independent contractors and the self-employed into one group. I also define a “traditional” category that excludes any worker who is contingent, in any alternative arrangement, or works part-time.²² Under this broad definition, about one-third of the workforce is nontraditional and corresponds to the intended constituency of *Working Today*. The traditional category is disjoint from the four other categories, and independent contractors and the self-employed are disjoint from temporary agency workers. But these workers may be part-time and/or contingent, and part-time workers may also be contingent.

Of particular importance for this study is information on whether a worker is covered by health insurance and the source of health insurance. This information is available for all employed persons who responded to the supplement. Wage and salary workers were asked if they were insured through their employer’s plan and if they were not covered, whether they were eligible for coverage. Insured wage and salary workers who were not covered by their employer were asked the source of their coverage. Self-employed workers were not asked whether their insurance was provided by their employer but were asked the source, with “received through company/work” one of the options.

The CPS includes information on a range of demographic and labor market characteristics that influence insurance coverage, including age, education, marital status, race, hours worked, family income, and earnings. The regular CPS survey includes information on earnings of wage and salary workers in the outgoing rotations (about one-quarter of the sample). Earnings for self-employed workers are not reported in the regular CPS survey. However, the Contingent Work Supplements also request earnings information for all contingent workers and workers in alternative arrangements, including the self-employed, thus providing information on a much larger sample of self-employed and nonstandard workers than would otherwise be available.

22. The survey also requested information for workers in three other alternative arrangements: day laborers, on-call workers, and contract employees. These workers are likewise excluded from the traditional worker category.

The statistics in tables 6.1 and 6.2 exclude respondents who did not provide information on their health coverage status as well as workers aged sixty-five and older as such workers will be eligible for Medicare. For the sample who report earnings, I also restrict the analysis to workers with weekly earnings greater than \$25. These restrictions resulted in a sample of 50,126 respondents with information on their health benefit status, with 20,237 also reporting weekly earnings.

The first question is which worker groups are likely to have health insurance coverage, and what is their source of coverage? Table 6.1 presents statistics on health insurance coverage rates and the source of coverage by work arrangement. Traditional employees have the highest coverage rate at 86.6 percent. The coverage rates for independent contractors and the self-employed is also high at 75.7 percent. It is perhaps surprising that part-time and contingent workers also have high coverage rates that are 74 percent and 64.6 percent, respectively. Only temporary agency workers have insurance coverage rates markedly below that of traditional workers, with 41.5 percent covered from some source. As table 6.1 demonstrates, the vast majority of traditional employees with coverage—83 percent—are covered under their employers' plan. Relatively few nontraditional workers are covered under their employers' plan. Over half of the independent contractors and the self-employed are covered either by directly purchasing insurance on their own or through their company. Among those with coverage, temporary, part-time, and contingent workers are more likely to be

Table 6.1 Health coverage status and work arrangement

	Independent contractor/ self-employed	Temporary	Part-time	Contingent	Traditional
Work arrangement					
Has health insurance (%)	75.7	41.5	74.0	64.6	86.6
Percent of sample	10.7	0.8	21.5	4.1	67.4
Sample size	5,376	419	10,787	2,045	33,786
Source if covered					
Employer (%)	1.6	21.8	28.9	33.2	82.8
Spouse/family member (%)	35.6	42.5	50.9	43.6	12.6
Company/work (%)	24.2	0	2.5	0.9	0
Buy (%)	28.8	11.5	8.1	6.9	1.5
Other ^a	9.7	24.1	9.7	15.3	3.1

Source: Author's calculations from the 1999 Contingent Work Supplement.

Notes: The categories of traditional, independent contractors and self-employed, and temporary agency workers are mutually exclusive. Workers in other nonstandard arrangements such as on-call workers are not included in this table. Independent workers, self-employed, and temporary agency workers may also be part-time and/or contingent.

^aOther sources of coverage are other job, previous job, Medicare, Medicaid, labor union, association or club, school or university, and any other source.

Table 6.2 Characteristics of workers by health coverage status and work arrangement

	Independent contractor/ self-employed	Temporary	Part-time	Contingent	Traditional
Without health insurance					
Male (%)	68.0	44.5	43.7	55.3	58.8
Age	41.2 (10.8)	33.1 (10.8)	33.6 (12.6)	32.5 (11.4)	34.9 (11.2)
Education	12.9 (2.6)	12.6 (2.3)	12.5 (2.5)	12.7 (3.0)	12.0 (2.8)
Married (%)	57.2	24.5	36.1	31.4	43.6
White (%)	88.5	73.5	82.0	79.5	81.7
Black (%)	6.2	22.4	13.1	13.8	12.7
Hispanic (%)	10.9	14.7	13.8	19.1	21.9
Weekly earnings	578.9 (526.7)	358.2 (253.8)	303.6 (362.9)	335.6 (329.3)	422.2 (291.9)
Family income (× 1,000)	35.3 (23.2)	26.7 (20.9)	31.0 (23.0)	28.0 (22.4)	31.0 (20.6)
Household size	3.1 (1.7)	3.1 (1.5)	3.3 (1.7)	3.2 (1.6)	3.3 (1.6)
Sample size	1,308	245	2,803	723	4,535
With health insurance					
Male (%)	64.4	36.2	37.2	44.8	53.9
Age	45.0 (10.3)	36.9 (12.8)	36.4 (14.0)	33.9 (13.0)	40.2 (10.8)
Education	14.3 (2.8)	13.5 (2.2)	13.4 (2.6)	14.2 (2.8)	13.9 (2.6)
Married (%)	79.1	50.0	56.7	45.9	64.5
White (%)	93.0	80.5	90.0	84.3	86.3
Black (%)	3.1	14.9	6.1	7.9	9.2
Hispanic (%)	3.1	8.0	4.9	6.4	6.9
Weekly earnings	784.4 (682.1)	488.0 (419.9)	408.5 (494.1)	423.2 (447.8)	703.7 (455.5)
Family income (× 1,000)	56.0 (23.1)	42.9 (25.6)	49.6 (24.0)	46.5 (24.6)	51.7 (22.1)
Household size	3.1 (1.4)	3.0 (1.6)	3.3 (1.4)	3.2 (1.6)	3.0 (1.4)
Sample size	4,068	174	7,984	1,322	29,251

Source: Author's calculations from the 1999 Continent Work Supplement.

Note: Figures in parentheses are standard deviations.

covered under a family member's policy than to be covered by an employer or to buy insurance on their own or through their company.

To understand some of the sources of variation in coverage rates, table 6.2 presents summary statistics for demographic characteristics and earnings, displayed both by work arrangement and by health coverage status. As shown by table 6.2, the characteristics of workers vary widely by type of work arrangement and by health insurance coverage. Among workers in the same type of work arrangement, uninsured workers are younger, less edu-

cated, less likely to be married, and have considerably lower earnings and family incomes than their insured counterparts. Independent contractors and the self-employed are more likely to be white, male, married, and older, and to have higher earnings, relative to workers in traditional arrangements and relative to contingent, temporary, or part-time workers. But part-time and contingent workers who also have high coverage rates are, on average, relatively young with low earnings. Temporary agency workers who have a low coverage rate on average are more likely to be black, Hispanic, female, and younger.

What do these results suggest about the potential pool of workers for a portable benefits plan? As table 6.1 demonstrates, coverage rates for all but temporary agency workers are fairly high, with many workers who are not covered by their employer covered through a family member. Many of the self-employed and independent contractors buy insurance through their company or work; such workers may already be participating in a group health plan available to small businesses. As table 6.2 demonstrates, workers with health insurance from any source earn more and are better educated than the uninsured in the same work status. Earnings among the uninsured workers, on average, are sufficiently low that these workers may continue to remain uninsured even if lower-cost health insurance is available. For example, with the exception of the self-employed and independent contractors, the monthly premium for a family of four under the Working Today plan costs about half the gross monthly earnings of all uninsured workers. Further, there is evidence that despite the lower coverage rate among the self-employed, they are as healthy as wage earners based on both objective and subjective measures of health status (Perry and Rosen 2001). This finding suggests that many workers may feel that insurance is unnecessary.

6.6 The Role of a Lobby for Nontraditional Workers

In forming Working Today, Sara Horowitz's original mission was to provide a unified voice to speak for all workers, especially independent workers. This section summarizes policy areas that affect nontraditional workers that might be influenced by the efforts of a workers' lobby.

The argument that independent and other nonstandard workers need a collective voice and a new form of representation stems from the view that there has been a large-scale shift in the structure of the economy and that the existing labor market structure and political institutions do not serve the needs of the current labor force. As I discuss in the following, workers in nonstandard work arrangements frequently are not protected under existing employment laws. They are also less likely to stay in long-term arrangements with employers from whom they would receive benefits typically requiring waiting periods, such as health insurance or pensions.

A variety of legal rules create a potentially important role for a workers'

lobby seeking to provide legal protection and benefits to nonstandard workers. First, the Wagner Act gives the National Labor Relations Board the right to determine the appropriate bargaining unit. The level of such units has generally been interpreted as a single work site.²³ The interpretation of “employee” is also narrow and excludes about half of the workforce from being considered an employee under the National Labor Relations Act.

Second, whether nonstandard workers are covered by employer health or pension plans varies. Employers may exempt part-time workers from health care benefits provided to their full-time employees. Temporary and contract workers are paid by an agency that has a contract with employers and receive benefits, if at all, from the agency that employs them. Self-employed workers, including self-employed independent contractors, pay for their own health insurance and set up their own pension plans.

Third, unemployment insurance and the Family and Medical Leave Act have hours thresholds for eligibility, often making it difficult for nonstandard workers to qualify for protection. Even if they qualify, it is more difficult to enforce and monitor these laws for nonstandard workers, and such workers are less likely to be informed of their rights.

Fourth, whether nonstandard workers are covered under employment discrimination laws is not always well defined. Title VII of the Civil Rights Act prohibits employers with at least fifteen employees, employment agencies, and unions from discriminatory employment practices. However, whether firms are required to comply with employment discrimination laws with respect to their temporary employees is unclear. Companies using agency temps, leased employees, or contract company workers may have obligations under labor and employment laws, since even if they are not the employer they may have “joint employer” status. For example, an individual can be an independent contractor for Internal Revenue Service (IRS) purposes but an employee under antidiscrimination laws.

6.7 Evaluating the Impact and Prospects of Working Today

Working Today has evolved from an organization offering to provide a voice for workers to an organization that provides a well-defined private good. Its success in achieving broader social objectives in part depends on the organization’s visibility. Although not a household name, Horowitz has received some highly visible media coverage, including articles in the *New York Times*, *Boston Globe*, and the *Los Angeles Times*. In 1999 Horowitz was named a MacArthur Foundation Fellow, receiving a grant of \$275,000. The media attention following this award likewise brought visibility to Working

23. The success of the Service Employees International Union in gaining representation in 2000 for 74,000 Los Angeles County home-care workers demonstrates that unionization is not limited to a single worksite.

Today. The extent of media coverage indicates not only public interest in the organization's agenda but also the scope of the organization in raising public awareness and changing public perceptions. It is also a mechanism to maintain visibility and gain funding from foundations and from potential individual members.

Success in influencing legislative change is perhaps the most important indicator of success but also the hardest to quantify because it will rarely be possible to identify whether any such change is a direct consequence of the organization's efforts. Working Today reports that their lobbying efforts have had concrete results, noting "in 1999 we convinced Senators Kennedy and Torricelli to call for a GAO study into the size and needs of the independent workforce. Also, in 2000 we successfully worked with the Pataki administration to insure that low-income independent workers be covered by insurance plans created by New York's Health Care Reform Act."²⁴

Currently, Working Today's continued survival is closely linked to its portable benefits plan now available to a narrow sector of the labor force—workers in New York's Silicon Alley. If the Portable Benefits Plan proves successful and cost-effective when applied to new media workers in New York, it will provide a new example of portable health benefits outside of the union framework employed in the unionized construction industry and by the Screen Actors Guild. This demonstration may serve an important social goal and demonstrate to private insurers that a profitable group insurance market exists among independent workers.

But it is not clear that the Working Today health insurance plan will be attractive to a large number of members. First, even at group rates, the rates are high enough to discourage participation among lower-income and part-time workers. Working Today notes that only a small fraction of its members participated in the health insurance plan it offered to members since the organization was formed. This plan was available through a partnership with the National Writers Union and provided access to insurance at group rates with Aetna U.S. Healthcare.²⁵ Eight years later, Working Today reports only 2,000 members of the Freelancers Union who are eligible for group insurance policies through Working Today.²⁶ Unless the new portable benefits plan can be made sufficiently less expensive, the number of participants is unlikely to increase dramatically.

Second, many of the targeted independent workers are young enough that they forgo health insurance out of either a rational or erroneous belief that health insurance is not economically valuable at their age, and evidence that health status does not differ among the self-employed and wage earners suggests their belief may be rational (Perry and Rosen 2001).

24. See <http://64.49.223.100/advocacy/joiningtogether.html>; accessed September 4, 2001.

25. Working Today proposal for the New York New Media Portable Benefits Fund, 3 (undated).

26. See <http://www.workingtoday.org/about/05-01-03.php>; accessed October 30, 2003.

Third, although it is premature to evaluate the success of the Portable Benefits Fund/Freelancers Union after only two years, it is not clear that the adverse selection problem will be solved by a broad-based insurance plan available to all nonstandard workers. Even under the best-case scenario, the administrative and monitoring costs incurred in trying to lower the risk pool and avoid adverse selection are unlikely to lead to insurance premiums that will be affordable to low-income workers, part-time workers, or contingent workers more generally.

But for Working Today, a successful portable benefits plan is only a starting point. The overriding objective is to use access to portable benefits to form a constituency to push for a larger set of portable rights. The viability of Working Today requires that a sufficient number of workers participate in the portable benefits plan and that these workers go on to push for the other components of the Working Today social agenda. Whether Working Today offers a compelling mission remains to be seen. There has been only a small increase in membership eight years after founding, with membership increasing from 700 in May 1996 to 2,000 in May 2003. Even if Working Today's mission is sufficiently compelling to large numbers of independent workers, any efforts to form a new social movement must overcome the declining interest in civic affairs as observed by Robert Putman (2000). But without a social agenda and the membership to support the agenda, it is unlikely that foundations would continue to provide funding.

The prospects of Working Today as a large scale intermediary for health insurance surfaced in conjunction with the devastating events of September 11, 2001. As described in an article in the *New York Times*, the September 11th Fund, which raised money to help victims, wished to provide health insurance to 15,000 people who had lost jobs or had a reduction in income because of the attacks.²⁷ Working Today seemed to be uniquely positioned to provide group health insurance to such individuals, and a large pool of prospective subscribers potentially provides Working Today with the means to demonstrate the viability of its insurance concept. The *New York Times* article reports that Working Today now has almost 1,000 subscribers. It remains unclear, however, whether the post-September 11 opportunity will be sufficient to jumpstart Working Today into a significant force in the insurance market.

6.8 The Prospects of a Broad-Based Workers' Lobby

There are a number of labor market institutions that are involved in enforcing and administering labor policies. In addition to traditional unions, these institutions include legal service organizations such as the American

27. Stephanie Strom, "Group Health Insurance Offered to Freelancers: A New Focus on Overlooked Workers," *New York Times*, October 2, 2002, A28.

Civil Liberties Union (ACLU) and other legal services centers (as described in Jolls, chap. 4 in this volume), mandated workplace committees, and alternative dispute resolution systems. There are also a vast number of service organizations that exist to help workers, with many organizations involved in improving the well-being of lower-income or lower-skilled individuals. Examples of such organizations include community groups such as Living Wage campaigns and Industrial Areas Foundations. Professional organizations also provide a variety of services to their members that sometimes include lobbying activities. Examples of professional organizations with demonstrated success in lobbying include the National Writers Union and WashTech. Thus, any new lobby would need to fill a void not met by existing labor market institutions or organizations. The void identified by Gans (1993) was a lack of a unified voice to speak for all workers.

The viability of any broad-based workers' lobby requires that funding is maintained. There are three sources of funding: individuals who feel their working lives would improve through the efforts of such a lobby and pay membership dues; existing organizations who feel they would benefit from becoming linked with a central organization and contribute to this central group; and foundations that provide grant funds. But it is doubtful that a single workers' organization could speak for the interests of all workers or even all nonstandard workers. While there are vast differences among conventional employees, the disparities among nonstandard workers may be even greater. The types of skills and the pay of such workers runs the gamut, from highly skilled and paid professionals, such as Microsoft's army of long-term temps, to day laborers. As such, attempting to find a common ground among workers with seemingly little in common appears unduly optimistic. For example, most temporary workers will have little in common with Microsoft permatemps, and labor legislation that improves their status may appear discriminatory against permanent employees. In contrast to their regularly employed exempt counterparts, temporary agency employers are eligible for overtime pay.

It seems likely that having a well-defined constituency with common interests will enhance an organization's success. Most successful worker groups are defined more narrowly by occupation (such as WashTech or the National Writers Union) or by income or training level (such as those targeted by Industrial Areas Foundations and the Wisconsin Regional Training Partnership), and it is not obvious that they would gain by linking to a central organization such as Working Today. In addition to its powerful voting bloc represented by its membership, the AARP's influence derives by focusing on specific issues such as Social Security and Medicare. Thus organizations with a broader membership base with diffuse interests may ultimately be less influential in changing policy.

For any workers' lobby to survive it may likewise be necessary to take the approach of Working Today and provide private goods, such as group

health insurance. Although Common Cause thrived without providing selective benefits, provision of private goods was essential to the success of AARP. Ultimately there may not be a viable market niche for a general workers' lobby. What does seem clear at this juncture is that Gans's vision of a broadly based workers' lobby does not appear promising. Rather, success is likely to come through narrowing the substantive focus of the concern to private benefits.

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