

Freelancing beats the alternative for many

Many formerly full-time workers must now move from contract job to contract job, without benefits. But at least it's a paycheck.

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The latest report from the government shows that employers are starting to put more people on the payroll again. But millions of Americans who are earning an income are doing so without the benefits or security that once came standard with most jobs.

Lance Anderson, 58, is one of them. Since losing his job as a graphic designer three years ago, he's been making a living as a freelancer.

At first, Anderson enjoyed the freedom of working from the studio in the back of his Bay Area home. But as more designers were laid off and competed for freelance jobs, work became tougher to find. He's getting by, because his wife is employed, but health insurance costs \$355 a month and some days sitting alone in his studio, he feels like he's going mad.



"It's tougher than it used to be," he said. "But it's way easier to find freelance work than it is to find a job."

Deprived of steady work, more people are becoming independent contractors, or freelancers, giving up the benefits of being a full-time employee for the chance to at least earn a paycheck.

In 2005, the federal government estimated there were more than 10 million independent contract workers, or 7.4% of the workforce. That number has almost certainly risen during the economic downturn, experts say, as companies shifted some work from employees to contractors to cut benefits costs and make it easier to jettison staff when business slowed.

Workers may not like it, but at a time of high unemployment -- in California, the jobless rate is 12.5% -- many have no choice but to take whatever work they can get, even if that means paying for their own health insurance and forgoing a 401(k) and life insurance plan.

Labor advocates are concerned that the trend, if unchecked, will lead to a widespread retreat in the benefits American workers have come to expect, including paid vacations, employer-paid health insurance and money for retirement.

Companies that hire independent contractors are not required to pay them a minimum wage or overtime pay. The companies don't pay or withhold payroll taxes, so it is more difficult for the IRS to collect taxes from the workers, which deprives Medicare and Social Security of needed funds. And a retirement plan or health insurance? Forget about it.

"What they're doing is tearing at the fabric of the New Deal protections that have been in place for decades to protect workers," said Shannon Liss-Riordan, a partner at Lichten & Liss-Riordan, a Boston firm that's sued businesses including strip clubs, cleaning franchises and trucking companies on behalf of independent contractors.

Labor laws prevent companies from classifying workers as independent contractors if the freelancers have the same responsibilities as current employees and aren't allowed to take other jobs.

Authorities are starting to crack down on companies that violate these laws. President Obama's budget for fiscal 2011 earmarks \$25 million for divisions in the Department of Labor, including the Wage and Hour Division and Occupational Safety and Health Administration, to investigate businesses that misclassify workers as independent contractors.

Two separate bills in Congress also seek to punish companies that misclassify workers. And the Internal Revenue Service said it would audit 6,000 random employers this year to calculate how many companies overall might be misclassifying independent contractors.

The government is now paying close attention because "this is worth billions of dollars in lost payroll cost, and everyone's looking for ways to raise money," said Catherine Ruckelshaus, legal co-director at the National Employment Law Project, a nonprofit organization that advocates for low-wage workers.

Ruckelshaus estimates that the number of freelance workers has risen to at least 13 million. The actual number is difficult for the government to track, said David West, director of the Center for a Changing Workforce, a Seattle nonprofit that monitors employment trends.

The 2005 estimate of 10.3 million contract workers was made by a Bureau of Labor statistics survey of contingent workers. That was an increase from the bureau's previous estimate of 8.6 million contractors in 2001.

Responding to the trend, the Freelancers Union in New York is advocating for freelancer-friendly policies across the nation, such as abolishing taxes on unincorporated businesses (many freelancers operate this way) and cracking down on employers that don't pay contractors what they're owed.

"We have to recognize this is a trend, just as it was a trend when people were leaving the family farm in the 1800s," said founder Sara Horowitz, who said membership had swelled 40% in the last year, to 130,000.

The shift toward independent contractors began in the 1970s, when companies hired temporary office support workers, said Alec Levenson, a research scientist at the Center for Effective Organizations at USC.

As the temp industry became more efficient, companies also began hiring people with certain skill sets for short-term projects.

"Companies have been on a long-run trajectory of trying to move to labor on demand as much as possible," he said.

Still, the economy has made freelancing tough. Surveys of members indicate that about 60% of independent contractors are having a hard time making a living, with about 12% of freelancers taking government assistance because they aren't making enough money. A majority of contractors say they would still prefer to have full-time jobs, said West of the Center for a Changing Workforce.

Then, too, there are people who prefer the independent life. Sherie Farah, a freelance chef in Santa Monica, said that 2009 was her best year ever. The onetime executive chef moved to Southern California four years ago after tiring of the stress of working in high-end restaurants. Now she makes a living cooking private dinners, catering and helping clients plan nutritional meals.

"I think my quality of life is better," she said. "But it does take a little bit of time to get established."

It hasn't been easy for Marta Victoria, a freelance graphic designer. The Internet has made her job harder: Clients can contract work from China on the cheap, or buy art from stock photo sites that don't charge much. At the same time, her costs are rising.

"My healthcare is going through the roof, I don't have life insurance, I don't have an IRA," she said.

She pushes herself to work longer hours to make up for the lack of benefits, but there's a lot of competition out there with so many people unemployed, she said.

"I work harder, but everyone's working harder," she said. "I don't know what I'm going to do."

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