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**Promoting Security in a
21st Century Labor Market**
*Addressing Intermittent Unemployment
in Nonstandard Work*

SEPTEMBER 2015



PROMOTING SECURITY IN A 21ST CENTURY LABOR MARKET: *Addressing Intermittent Unemployment in Nonstandard Work*

ABOUT THE AUTHORS

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ACKNOWLEDGMENTS

The authors thank the Annie E. Casey Foundation for their generous support of this research. The findings and conclusions of this work are the authors' alone and may not reflect the opinions of the Foundation. We also thank Family Values @ Work for serving as our fiscal sponsor.

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EXECUTIVE SUMMARY

A sizable and growing portion of the workforce is engaged in nonstandard and often precarious employment, which includes work that is part time, temporary or “on call”; being an independent contractor or otherwise self-employed; and working for a contracting company instead of directly for an employer. Many workers in nonstandard arrangements face considerable insecurity because of lower wages, lack of job security, responsibility for work expenses, uncertain hours and unpredictable schedules. Nonstandard arrangements often lack other elements of security such as paid time off, health insurance and retirement benefits.

The instability inherent in many nonstandard work arrangements, along with inflexible employer practices that fail to accommodate employee sickness or caregiving responsibilities, increase the likelihood of both intermittent spells of unemployment and underemployment. But our labor standards and protections, such as wage and hour laws and Unemployment Insurance (UI), are still based on 20th century norms about employment, gender roles and family. This paper explores the dynamics of intermittent unemployment and volatile work hours in nonstandard employment and the resulting challenges for public policy.

PART I: An Overview Of Nonstandard Employment And Implications For Unemployment

Major findings from our literature review on nonstandard jobs, irregular schedules and low pay include:

- Because nonstandard work is comprised of heterogeneous arrangements and the categories are not mutually exclusive, nonstandard work is difficult to define and to measure; existing data make it difficult to draw definitive conclusions about trends.

- The share of part-time workers who are primary wage earners for their families has grown slowly over time; they now make up 36 percent of the part-time labor force.
- Survey data indicate that self-employment has held steady, but other data suggest that more people are starting their own businesses and/or combining freelancing with other work.
- Temporary work accounts for only a small percentage of total employment, but the temporary help services sector has doubled since 1990, largely from business practices designed to cut costs and evade labor laws.
- An estimated 17 to 24 percent of American workers have irregular schedules, are on-call or work split or rotating shifts. Roughly 10 percent of workers cannot describe a typical weekly schedule because their hours fluctuate.
- Workers who are paid minimum wages defy the stereotypes: more than half (54 percent) are employed full time and more than a quarter (27 percent) are parents.
- Precarious conditions and employer practices associated with nonstandard work arrangements increase the risk of periodic unemployment and underemployment, while reducing the chances that workers will be covered by existing labor protections and supports.

PART II: How Well Do Existing Programs Support Workers With Nonstandard Jobs When They Are Unemployed?

UI provides partial wage replacement to workers who are involuntarily unemployed while they search for work. Although the program works well for beneficiaries, fewer than a quarter of unemployed workers receive benefits. Based on outmoded assumptions about both work and family, UI is particularly ill-suited to the needs of workers whose

employment is nonstandard, despite efforts to modernize the program.

Independent contractors are not covered by UI and workers in other types of nonstandard employment face numerous barriers to UI eligibility and receipt. Regardless of job status, there are four main reasons why unemployed workers do not receive UI benefits:

- They do not apply. Unemployed workers may fail to apply for UI because they lack information about the program, assume they're not eligible, don't know how to apply or encounter obstacles to applying
- They do not earn enough during the specified time period. Nonstandard work conditions – part-time and temporary work, irregular hours, and high turnover – which are particularly common in low-paying jobs, make it less likely that workers will have sufficient earnings and the “consistent work history” necessary to qualify for UI.
- The reason for job separation does not meet allowable criteria. UI provides some narrow exemptions from the general requirement that recipients be involuntarily unemployed. But many so-called “voluntary” separations from work occur because of labor standards and practices that don't accommodate workers with family care responsibilities and those pursuing education and training.
- They are not able and available for work, or not actively seeking work. Requiring jobless workers to be available to work full time as a condition of UI receipt no longer makes sense when the lines between full-time and part-time work are increasingly blurred. Further, men and women both routinely combine employment with caregiving and/or schooling.

For very low-income single parents who are jobless but don't receive UI, one potential source of

support is Temporary Assistance for Needy Families (TANF), which provides means-tested cash assistance and services that support work on a short-term basis. However, the program was never intended to serve as an unemployment support and key aspects of TANF limit its usefulness for this purpose. Key findings include:

- Despite popular misconceptions, the majority of TANF parents are low-wage workers who move in and out of employment, often non-standard jobs.
- The structure of TANF – a means-tested program available only to the poorest families – almost guarantees that benefits will be stingy and that the program will be stigmatized, making it an option of last resort.
- The one thing TANF offers that UI does not is an implicit acknowledgement, if not fully realized in practice, that parents need child care, transportation, health insurance and other supports to fulfill their dual roles as economic providers of their families and nurturers of their children.

PART III: Moving The Needle On Labor Standards And Social Insurance

Work in the 21st century has changed in fundamental ways and will continue to evolve. But without changes in policy, workers will continue to lose ground and face deepening insecurity. We offer three sets of recommendations to “move the needle.”

Reclaim the Conversation

Despite a fundamental shift in income and wealth away from the bottom to the top, dominant narratives about what's happening to ordinary workers portray the dramatic rise in U.S. inequality as the inevitable result of immutable forces, such as global

competition and technological advances. We need to reclaim and reframe the conversation by: (1) reasserting the basic and enduring American value that hard work should be rewarded and provide opportunities for a better life; (2) establishing a modern view of employment that acknowledges the profound changes in work, families and gender roles and rethinking how we view unemployment in light of this; and (3) demanding that employers – particularly large, profitable ones – take on more responsibility for fostering the securing of workers.

Stabilize Employment by Raising Labor Standards

One way to reduce job churn and intermittent spells of unemployment in nonstandard jobs is to raise the floor for all workers by modernizing and expanding U.S. labor standards. Examples include: increasing the national minimum wage and indexing it to inflation; providing paid sick days and paid family and medical leave insurance; guaranteeing minimum hours; giving workers more control over their schedules; and de-coupling basic supports – such as paid time off, health insurance and retirement benefits – from employment with a specific employer. These reforms would stabilize employment and address some of the underlying causes of intermittent unemployment in nonstandard employment, thereby reducing turnover and churn.

Reforming UI and Expanding the Reach of Social Insurance

In the short to medium term, additional efforts are needed to make UI work better for all workers, particularly those in nonstandard employment and those whose jobs pay low wages. Although many states have made important changes to UI through modernization efforts, more extensive reforms are needed to: (1) expand UI eligibility in ways that acknowledge family responsibilities and that value part-time work on par with full-time work, and (2) ensure that eligible workers know they are eligible for UI when they separate from work and know how to access the program.

Additional provisions that would help address the reality that workers are both family economic providers and caregivers would be for states to: (1) increase benefits for UI recipients with dependents, and (2) provide child care allowances to beneficiaries who need care to search for work. The federal government should incentivize state and local experimentation to address the issue of how to provide unemployment benefits to independent contractors.

As the nature of work continues to change, creating a modern system to support underemployed and jobless workers is integral to the larger project of achieving a 21st century social contract that promotes security for all. Our nation's long-term economic stability, and ultimately our democracy, depend on creating economic and policy structures that more equitably distribute the prosperity made possible by the hard work of ordinary people.

The Larger Context: Toward A New Social Contract

One of the great achievements of the 20th century, the social contract guided relationships among business, workers and government. It was a set of rights and responsibilities, both formal and informal, established by government policy, labor contracts and normative practices.

Labor standards, such as minimum wage and overtime regulations, established a floor for employer obligations to workers. New forms of public provision provided basic income support for certain categories of individuals who were normatively excused from work, mostly temporarily but in some cases permanently. For example, Unemployment Insurance assisted workers who were laid off and looking for work. Social Security provided income support for retired workers and Aid to Dependent Children assisted families who were left without a male breadwinner because of a father's death or desertion. These Depression-era and subsequent policies were augmented by the post-war provision of health and retirement benefits by major employers.

Not all groups benefited equally from these 20th century policies and labor practices. African Americans, women, immigrants and the least-educated workers were largely excluded. However imperfect and however unequally its benefits were distributed, the social contract was aspirational and reflected an enduring set of American values about work and family:

- Individuals who work hard should be able to provide for their families.
- Workers who are unemployed involuntarily deserve temporary income support.
- Under certain conditions – for example, chronic disability or old age – workers should be allowed to exit the labor force with dignity and be able to meet their basic needs.

- Children should have opportunities to succeed regardless of their family economic circumstances.

The social contract, built on these values, contributed to several decades of unprecedented economic prosperity and a thriving middle class. Although the values endure, the labor market, families and gender roles have changed dramatically. The vast majority of women, including mothers, now work, and many are raising children on their own. Men spend more time caring for children and more workers of both sexes have responsibility for elderly parents.

At the same time, the wages of ordinary workers have stagnated or declined, despite increased productivity, while income and wealth inequality have skyrocketed. Jobs that pay low wages and nonstandard work arrangements have proliferated and employers continue to reduce their commitment to providing health insurance and retirement support for workers in traditional jobs. Meanwhile, our policy structures to promote economic security remain stuck in the 20th century. Most workers do not receive unemployment benefits when they become jobless and only a minority of workers have paid time off for illness, to care for a sick family member or to bond with and nurture a new baby.

Laid bare by the recession, soaring inequality and structural instability in our economy have fueled a nascent but growing movement to revitalize our labor standards and reimagine the social contract. To remain an effective and sustainable democracy, America needs an economy that works for all of us, rather than one that distributes our collective gains so inequitably. This paper is part of the larger effort to imagine and establish a new social contract that redefines the rights and obligations of employers, workers and government in ways that reflect 21st century realities and strengthen our nation as a whole.

INTRODUCTION

Since the Great Depression, the quintessential American job has been characterized as full time and year round with a single employer on an established schedule. Although many jobs in the United States have never conformed to this archetype, it remains the standard point of reference in discussions about the American labor market. But work is changing, as are employee/employer relationships, in the context of a global economy, changing technologies, declining worker power and growing inequality. Compared with 35 to 40 years ago, workers feel less secure about their jobs and less certain they can find a new job if they become unemployed.¹

A sizable and growing portion of the workforce is engaged in nonstandard and often precarious employment, which includes work that is part time, temporary or “on call”; being an independent contractor or otherwise self-employed; and working for a contracting company instead of directly for an employer. In addition to these nonstandard job statuses, increasing numbers of workers have irregular schedules. Not only did the Great Recession exacerbate these trends, new job growth during the recovery has been disproportionately nonstandard and low wage.

For some individuals, nonstandard employment better suits their family needs or lifestyle or is simply the norm for their profession. A nonstandard job or schedule may solve transportation or child care issues and therefore be desirable. But many workers in nonstandard arrangements would prefer the security a traditional job provides. They may face considerable insecurity because of lower wages, lack of job security, responsibility for work expenses, uncertain hours and unpredictable schedules. Sometimes the employer’s responsibility to the worker is unclear or evaded, as for example, when employees are misclassified as independent contractors. Nonstandard

arrangements often lack other elements of security such as paid time off, health insurance and retirement benefits.

The instability inherent in many nonstandard work arrangements, along with inflexible employer practices that fail to accommodate employee sickness or caregiving responsibilities, increase the likelihood of both intermittent spells of unemployment and underemployment. But our labor standards and protections, such as wage and hour laws and Unemployment Insurance (UI), are still based on 20th century norms about employment, gender roles and family.

In this paper, we explore the dynamics of intermittent unemployment and volatile work hours in nonstandard employment and the resulting challenges for public policy. In part 1, we examine various types of nonstandard employment and address the following questions: How prevalent are nonstandard work arrangements and are they expanding? What are the characteristics of these jobs and workers employed in them? What are the risks for unemployment and underemployment?

The second section analyzes UI and its ability to meet the needs of nontraditional workers when they are temporarily out of work. We also examine research that suggests that some low-income working mothers turn to Temporary Assistance for Needy Families (TANF) as a form of unemployment support.

We conclude by exploring the implications of our findings for public policy, both narratively and substantively. We discuss short- and medium-term solutions as well as labor standards and forms of social insurance that would help build a social contract for the 21st century in light of changes in the labor market and predictions about the future of work.



PART I: An Overview Of Nonstandard Employment And Implications For Unemployment

In this section, we examine five types of nonstandard employment: part-time work, independent contracting, temporary work, subcontracting and irregular schedules. Particularly when combined with low wages, these types of employment can increase economic insecurity and uncertainty and may reduce the chances that a worker is covered by basic labor and social insurance protections.

We explore available data to assess what is known about how widespread nonstandard work arrangements are and whether they are increasing. We also discuss data limitations that make it difficult to draw definitive conclusions. Finally, we summarize the ways in which nonstandard work increases the risk of periodic unemployment and underemployment.

NONSTANDARD WORK: WHAT IT IS AND WHY IT MATTERS

Researchers define nonstandard work in a variety of ways and some categories of nonstandard employment overlap, making it difficult to quantify.² Nonstandard work departs from a “traditional job” on one or more dimensions:

1. **Employer:** Instead of being employed directly by a single employer, the worker is employed by an intermediary or, in the case of self-employment, has no employer.
2. **Job status:** Work is part time and/or temporary rather than full time and permanent.
3. **Schedule:** Instead of a standard schedule, the number and timing of work hours may be variable and unpredictable or the worker is “on call.”

One of the most striking characteristics of nonstandard work is the heterogeneity of arrangements and the diversity of workers it encompasses. The categories of nonstandard work are not mutually exclusive – for instance, a worker with part-time hours may also have an unpredictable schedule. The widespread variation and overlapping categories make nonstandard work difficult to define, let alone measure.³

Nonstandard employment also defies easy generalization. It may be voluntary or involuntary on the part of workers and may have positive or negative effects for individuals and their families.⁴ A highly-educated professional may choose self-employment to maximize flexibility and control over her work environment. Nonstandard work arrangements can increase gender equity in child care and housework. When workers choose nonstandard

employment for increased flexibility and control, it can yield deep psychological benefits.⁵

At the same time, many workers in nonstandard arrangements would prefer the security and predictability associated with traditional employment. Research indicates that nonstandard work is associated with a range of negative outcomes, including low job quality, work-family conflict and low marital stability. Workers with limited education or inadequate financial resources, workers of color and workers who are single parents are disproportionately susceptible to the negative consequences associated with nonstandard employment.⁶

Nonstandard work is often precarious – that is, “uncertain, unpredictable, and risky from the point of view of the worker.”

Nonstandard work is often precarious – that is, “uncertain, unpredictable, and risky from the point of view of the worker.”⁷ One risk is intermittent unemployment. Although some nonstandard work is relatively permanent,

employment may ebb and flow for independent contractors and temporary workers. A second risk is volatile earnings: intermittent unemployment and fluctuation in weekly hours can lead to pay checks that vary from week to week or month to month. Third, unpredictable schedules – that provide limited advance notice, are subject to last-minute changes and that lack worker input – make it difficult for workers to schedule family and personal commitments and to arrange transportation.⁸

Finally, some types of nonstandard work arrangements may increase the likelihood that workers will be subject to labor violations. The use of staffing agencies and layers of subcontractors can create

uncertainty about which employer is responsible for enforcing wage and hour regulations and safety protections. Independent contractors are categorically excluded from most federal and state employment laws, including income security benefits, workers' compensation, the Fair Labor Standards Act, the Occupational Safety and Health Act and the Family

and Medical Leave Act.⁹ Nonstandard work is less likely than traditional employment to provide paid time off – sick time, family and medical leave and vacation time – making it more difficult for workers to provide for their own health and well-being and to meet family obligations.

HOW PREVALENT IS NONSTANDARD EMPLOYMENT?

From a policy standpoint, it matters a great deal if nonstandard employment is widespread and whether it's growing. A substantial share of the labor force is – and has long been – engaged in work that falls outside traditional notions of employment. Our research indicates increases in several areas of nonstandard employment – particularly self-employment, temporary work and unpredictable and irregular schedules.

Researchers disagree about the trends, largely because different types of data paint very different pictures of the labor market. Case studies of firms, industries and occupations suggest that nonstandard employment is rapidly proliferating in certain sectors of the economy and in particular regions, while aggregate data on the labor market, often based on outmoded definitions and limited detail, shows little change overall.¹⁰

There are a number of explanations for the discrepancies. Analysts conducting case studies often seek to track and document emerging trends and may overestimate the extent of change. On the other hand, aggregate data can mask countervailing trends. Large-scale data collection typically lags for the simple reason that changes aren't tracked until they are discovered and deemed significant.¹¹ Further, different sources – for example, employer versus worker surveys – may produce different, or even conflicting, results.

The limitations on available aggregate data on nonstandard employment are significant, beginning with inconsistent definitions among sources. The overlap among categories also makes it difficult to quantify the portion of the workforce engaged in nonstandard arrangements. Few sources are specifically designed to capture nontraditional work. Between 1995 and 2005, the Current Population Survey (CPS) included several supplements on contingent and temporary work, although the supplement has since been discontinued.

Piecing together data from multiple sources, researcher H. Luke Shaefer attempted to estimate the size of the nonstandard labor force for 2005.¹² Although the data are a decade old, his findings illustrate just how challenging the task is. He captured three dimensions of employment: (1) Nontraditional versus traditional job status, (2) part time versus full time, and (3) nonstandard hours versus traditional, daytime hours.¹³ He divided workers into four categories:

1. Nontraditional job status (part and full time, standard and nonstandard hours): 14%
 - Independent contractor
 - Direct-hire temporary
 - Temporary help agency
 - On call
 - Contract firm
2. Standard job status, part-time (standard and nonstandard hours): 15%

3. Standard job status, full time, nonstandard hours: 14%
4. Standard job status, full time, standard hours: 57%

Even a decade ago, Shaefer found that fewer than 60 percent of workers had a full-time permanent job with standard daytime hours, meaning that at least two in five workers had some form of nonstandard employment. These data were collected before the Great Recession and therefore don't reflect any long-term effects it may have on the structure of

the labor market. Moreover, these data also predate more recent phenomena, including the rise of the "gig economy" in which workers broker short-term assignments via online platforms (see box).

In sum, although current aggregate data may not reveal "a strong, unambiguous increase" in nonstandard work over time,¹⁴ a preponderance of evidence suggests that the nature of work has already changed in fundamental ways. We document some of this evidence below and also report on more recent data about specific types of nonstandard employment.



A REVIEW OF NONSTANDARD EMPLOYMENT BY TYPE

This section briefly explores the following types of nonstandard employment: part-time, independent contracting, subcontracting, temporary work and nonstandard schedules. We also discuss low-wage work since the insecurity of unemployment and underemployment is compounded when earnings are low.

Part-time Workers

The Bureau of Labor Statistics defines part-time work as less than 35 hours per week. Using this definition, there are 27 million part-time workers, comprising 18.4 percent of the labor force.¹⁵ Reflecting outmoded assumptions, BLS considers individuals who work part time for noneconomic reasons, such as family obligations, to be working part time “voluntarily”. The majority of part-time workers are classified as voluntary, even though some are compelled to work part time because they are caring for children or elderly parents, attending school or lack adequate supports, such as affordable childcare or transportation. Women are almost twice as likely as men to be working part time.¹⁶

Since about 1980, both the share of part-time work and involuntary part-time work have remained relatively flat, except for cyclical increases during recessions.¹⁷ The number of involuntary part-time workers more than doubled during the Great Recession and is still greatly elevated. At the beginning of 2008, more than 4 million part-time workers wanted to work full time, whereas in May 2015, the number was still 6.7 million.¹⁸

The share of part-time workers who are primary earners has grown slowly over time; they now make up 36 percent of the part-time labor force.¹⁹ Part-time primary earners are more likely than full-time primary earners to have poverty-level earnings and lack health insurance.²⁰ Compared to full-time

workers, part-timers are more likely to be female and low-wage,²¹ and they are disproportionately likely to be found at either end of the age spectrum, among younger workers and those near retirement age. In terms of industries, part-time workers are concentrated in retail, wholesale trade and professional services.²²

Workers who are part time face a host of challenges that lead them to be more likely than full-time workers to separate from a job. Since most part-time workers lack paid sick leave, they risk being fired if they don't come to work when they're sick or need to care for an ill family member. Part-time workers may face variable and changing schedules that create conflicts with family care and personal responsibilities, or they may have insufficient work hours; being on the payroll doesn't guarantee that workers will be scheduled for a minimum number of hours.²³

In an effort to cut labor cuts, some companies are redefining full-time work: instead of guaranteeing a full-time worker at least 35 hours per work, some firms are defining positions that offer as few as 26 or 32 hours per week as “full time”. This allows employers a great deal of leeway when scheduling even full-time workers, and it reduces the chance they'll have to pay overtime when they ask workers to put in additional hours at the last minute.²⁴

Independent Contractors

Independent contractors, sometimes referred to as consultants or freelancers, are self-employed individuals who provide a product or service to customers they find on their own.²⁵ Construction workers, real estate brokers, technical writers, editors, accountants, truck drivers and cable installers can all be found among the ranks of independent contractors. The category includes highly-educated

and highly-paid professionals, such as doctors and lawyers, as well as workers with little education and low pay, such as childcare providers and home health aides. It also includes adjunct college professors, who are highly educated yet paid only a fraction of what their similarly-educated peers at the same institutions are paid.

Work as an independent contractor can be appealing for the flexibility and control it can provide. A

2005 CPS survey found that the vast majority of independent contractors preferred the arrangement over traditional employment.²⁶ Nonetheless, earnings may be volatile given uncertainty about when workers will secure their next project or “gig” (see sidebar/box).

Being an independent contractor requires workers to fully shoulder risks that are usually shared by employees and employers. Independent contractors are

The Rise of the Gig Economy

“Today work is no longer a place.”

~ Gary Swart, CEO of oDesk²⁷

Does the gig economy represent an irreversible shift in the labor market? Propelled in part by the innovation of mobile phone apps and the enormous rise in unemployment in the Great Recession, the gig economy – freelancers brokering a series of short-term projects and tasks typically via an online platform – has flourished.²⁸ Players in the gig economy include Uber, Lyft, oDesk, TaskRabbit, Fivver, Exec and Postmates. Workers set up profiles, often on multiple sites, to find work ranging from delivering flowers, petsitting, tutoring, opening mail, taking surveys, dancing in flash mobs and housecleaning, among numerous other examples. These types of jobs offer easy entry and exit, the lure of flexible schedules and the promise that anyone can be a micro-entrepreneur. Many workers combine gig work with more traditional jobs.

Estimating the size of the gig economy is challenging: government data do not identify these work arrangements and companies closely guard their own data. A recent survey conducted by the Freelancers Union with oDesk estimates that a third of the workforce, 53 million people, are working as freelancers in some way.²⁹

An Uber study shows rapid growth in the number of drivers from 1,000 in 2013 to 160,000 active drivers today. Available data suggests that workers in the gig economy tend to be under age 35, hold a college degree and work part-time hours. For example, the majority of Uber Drivers work 1 to 15 hours a week.³⁰

Anecdotes suggest that workers are attracted by the flexibility and control of gig work and some earn enough to make a living, but most are paid low wages and struggle to find and coordinate gigs that maximize their time and earnings. Workers in the gig economy face the same difficulties as other independent contractors – they are working in a growing but often unregulated marketplace where workers are excluded from most job protections. Recent lawsuits contend that some gig workers should in fact be classified as employees because so many aspects of employment are dictated by the company, not the worker.³¹ Whether the gig economy is a modern version of freedom and flexibility or simply a new form of exploitation is hotly contested.³²

responsible for all business expenses such as equipment, supplies and both the employer and employee portions of payroll taxes. The majority of independent contractors have middle to low earnings and no health insurance or retirement benefits.³³ A substantial portion of independent contractors work part time.³⁴

Trends in Self-Employment

Using CPS data, the Bureau of Labor Statistics reports that nearly 15 million workers (10.1 percent) were self-employed in 2014. These individuals are divided into the unincorporated self-employed (6.4 percent of workers) and the incorporated self-employed (3.7 percent).³⁵ The choice to incorporate one’s business has legal and tax implications and is a step more often taken by more advantaged workers and those with paid employees.³⁶ Data from the CPS indicate that the percent of workers who are self-employed has remained relatively stable over time (see Figure 1). In fact, these data suggest that there has been a slight decline in self-employment over the last decade.

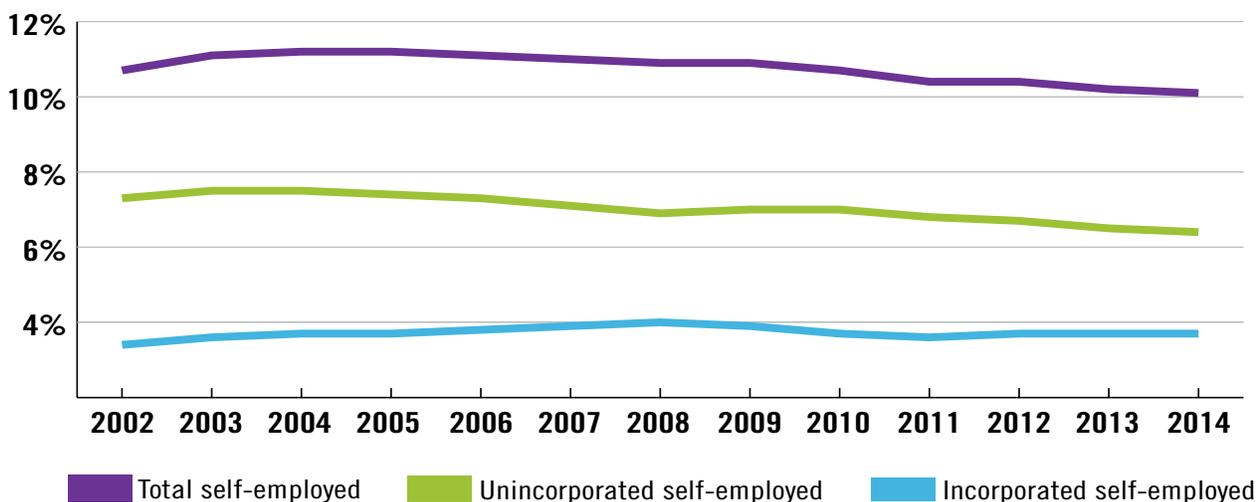
For a number of reasons, the CPS may underesti-

mate the level of self-employment in the U.S. Workers are counted as self-employed only if self-employment is their primary source of income; that is, workers who supplement wages with self-employment income are not included in these figures. Also, workers whose self-employment income is under the table may not necessarily identify themselves as self-employed.

Another reason to question CPS estimates of self-employment is that tax data analyzed by the Census Bureau present a very different picture: these data show a steady increase in the number of businesses without employees – “nonemployer businesses” – the overwhelming majority of which are sole proprietors, that is, self-employed individuals with unincorporated businesses; the remainder are incorporated businesses or partnerships.³⁸ In 2013, there were 23 million nonemployer businesses up from 17.6 million in 2002 (see Figure 2).³⁹

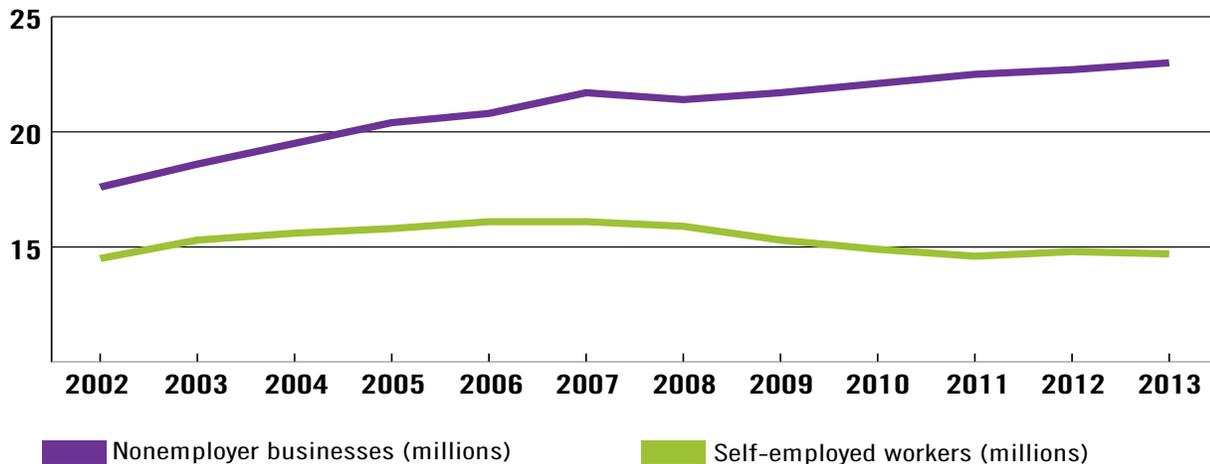
To be sure, data from these two sources are not comparable and there are important differences between them: the CPS counts self-employed workers whereas the nonemployer business data tracks businesses, not individuals. An individual may have

Figure 1. Self-Employed Workers as a Percent of Total Labor Force, 2002-2014



Source: Current Population Survey, U.S. Bureau of Labor Statistics³⁷

Figure 2. Nonemployer Businesses and Self-Employed Workers, 2002-2013



Sources: Current Population Survey, U.S. Bureau of Labor Statistics; Nonemployer Businesses, U.S. Census Bureau⁴⁰

multiple businesses. Sole proprietors do not necessarily derive all or even most of their income from their businesses, which is one reason the numbers are higher than the CPS numbers. However, the nonemployer business data may be a better indicator of trends in self-employment, including the kind of micro-entrepreneurship enabled by the internet, phone apps and other technologies. More research is needed to get an accurate handle on these trends.

Misclassification of Employees as Independent Contractors

The laws that determine independent contractor and employee status vary from state to state and by situation, but most focus on how much control workers have over their work.⁴¹ When the employer controls not only what work is done but how it's done, the worker is more likely to be an employee than an independent contractor.

Some employers misclassify their workers as independent contractors when legally they should be treated as employees, shifting costs and liability onto

workers. The practice is disproportionately high in trucking, construction, home health care and hi-tech industries among others.⁴² As one example, a court ruled in a class-action suit that LaserShip, a shipping company that delivers Amazon Prime packages, misclassified drivers in Massachusetts as independent contractors. The drivers must own their own truck and pay for its upkeep; they must purchase their own uniforms. Yet the company manages the amount and flow of work so drivers cannot truly control their work or earnings.⁴³

State audits of employers and other studies suggest that misclassification of employees as independent contractors is a widespread and growing problem, although it's impossible to know precisely how many workers are affected.⁴⁴ Whether appropriately classified or not, independent contractors are not covered by labor regulations such as minimum wage and overtime and do not have access to other worker protections such as workers compensation, unemployment insurance or paid time off.

Temporary Agencies and Subcontracted Work

In addition to independent contracting, there are other types of employment in which workers perform services for a business that is not their employer. Temporary staffing agencies, professional employer organizations (PEOs, sometimes called employee leasing companies) and contract companies are intermediaries that provide workers to other firms. Temp agencies have been around for a long time, although they are growing rapidly and the nature of their work has changed. A PEO is a newer and expanding form of staffing agency that performs administrative infrastructure functions, such as human resources, payroll and benefits, for a client company. Contract companies are subcontractors that take over whole functions for a business, such as providing janitorial or food services in schools and airports.⁴⁵

The lines among various types of staffing and contractor agencies are often blurred, but from the point of view of the worker, there are two factors that affect economic security and the risk of unemployment as well as worker safety: (1) whether the work is temporary or (relatively) permanent, and (2) whether there is clarity about the employer of record, that is, who is responsible for enforcing labor protections and who is liable when there are violations.

Although temporary work accounts for only a small percentage of total employment, the doubling of the temporary help services sector since 1990 resulted

from changing business practices. Large multinational corporations have increasingly outsourced key parts of their operations – manufacturing, packaging and bottling, and distribution and shipping – to temporary staffing agencies.⁴⁶ Although firms outsource functions for a variety of reasons, some employers do so explicitly to cut wages and benefits and to evade labor laws.⁴⁷

After peaking in 2000, temporary services declined as a portion of the labor market and took a further dive during the Great Recession. But in the years since, employment in temporary services has greatly outpaced overall growth in private-sector employment.⁴⁸ Temporary staffing agencies employ roughly 3 million workers a week; over the course of a year, the figure is 11 million workers.⁴⁹

In the years since the Great Recession, employment in temporary services has greatly outpaced overall growth in private-sector employment.

Temporary service workers are disproportionately African American and Latino and low-wage earners.⁵⁰ And they are increasingly found in blue-collar jobs in factories and warehouses and less likely than in the past to be working in white-collar office jobs. Ironically, many “temporary” service workers aren’t temporary at all in that they are employed by the same agency for years, assigned to one short-term, or even long-term, gig after another. Whether working for a single agency over time, or a series of agencies, some workers become “permatemps,” never moving to a full-time job. Work is often intermittent with unpredictable schedules and hours,⁵¹ and it pays less than the same job in a standard employment arrangement.⁵²

Many outsourcing arrangements create employment structures that fall outside longstanding regulatory frameworks based on direct, bilateral employer/employee relationships. Multiple layers of contracting, multi-tiered supply chains and other complex structures make it easier for companies to evade responsibility for workers, reduce safety and complicate efforts to enforce labor protections. Employees themselves are often confused about who to turn to in the case of labor violations and workers who are particularly vulnerable, such as immigrants, are unlikely to complain.⁵³

Subcontracting as a general practice is widely variable and conditions for workers depend on a range of factors. But the ambiguous legal status of some workers in contracted jobs can drive down wages and is associated with deteriorating working conditions in particular occupations and settings such as janitorial services, school cafeterias, call centers and warehousing.⁵⁴



Nonstandard Schedules

The growth of the U.S. service sector over the last several decades has fueled the demand for evening, weekend and variable-hour employment. Regardless of whether workers have a nonstandard job status, they may have a nonstandard work schedule; that is, they work outside standard, weekday, daytime hours. Examples include evening, night and weekend work; rotating or split shifts; irregular schedules in which the number and timing of hours vary; and being on call.

By the end of the 1990s, an estimated 40 percent of American workers spent a majority of their working hours outside a standard schedule.⁵⁵ Nearly 30 percent of workers reported having schedules with variable start and end times.⁵⁶ The prevalence of non-daytime hours does not seem to have increased over time and actually may have decreased. But work on the fringes of the traditional workday – early morning and evening hours – appears to have grown in recent decades and the trend has disproportionately affected low-wage workers.⁵⁷

Men are slightly more likely than women to work nonstandard hours.⁵⁸ With the exception of truck driving, nonstandard schedules are concentrated in service occupations, such as cashiers and retail sales personnel; restaurant, food service and hotel workers; janitors and cleaners; and nurses' aides, orderlies and other health care workers.⁵⁹ These occupations have high rates of predicted job growth and tend to pay low wages.⁶⁰

Depending on the data source, an estimated 17 to 24 percent of American workers have irregular schedules, are on-call or work split or rotating shifts. Roughly 10 percent of workers cannot describe a typical weekly schedule because their hours fluctuate. Working part time more than doubles the chance that workers will have hours that vary weekly.⁶¹

A growing number of service industries that employ low-wage, hourly workers use variable hours to reduce labor costs. The practice – sometimes called “just-in-time scheduling” or “scheduling to demand” – closely links labor supply to measures of consumer demand, such as sales volume, floor traffic, hotel registrations or dinner reservations.⁶² Employers try to schedule the minimum number of workers needed to cover a shift, even if it means sending workers home. If demand is higher than expected, employers may ask workers to stay beyond their scheduled end time. Weekly schedules may be posted only a few days or a week before the start of the work week and continue to be revised as the week proceeds. Employees often have little input into their schedules.⁶³

Irregular, last-minute scheduling practices create unpredictability for workers both about the number of hours they'll work and the timing of those hours; they also lead to volatile incomes and underemployment. Part-time workers can end up with very few hours during low demand periods simply because there are not enough hours to go around. Without minimum hour guarantees, there are inevitably weeks where some workers end up working little or not at all. But workers can also end up with fewer hours as a result of trying to exercise some control over their schedules, such as specifying periods for which they are not available; they may find themselves inadvertently penalized with reduced hours.⁶⁴

Variable scheduling practices exacerbate the already high turnover rates in low-wage, hourly jobs. Erratic schedules can wreak havoc in the lives of workers and their families, complicating child care arrangements, school attendance and transportation. Workers may quit because they can't accommodate an employer's ever-changing schedule or aren't getting enough hours. Such quits are typically classified as “voluntary,” even though maintaining such a job

requires a high-degree of employee flexibility for the employer's benefit and at the worker's expense. A much smaller number of workers are fired for not meeting employer scheduling demands or laid off during slow periods.⁶⁵

Jobs that Pay Low Wages

Not all nonstandard employment pays low wages and not all low-wage jobs are nonstandard, but the combination of these two job characteristics can leave workers in a constant, precarious state. Workers who earn low wages experience multiple sources of disadvantage. They are much less likely than more highly-paid workers to receive benefits from their employer – health insurance; retirement contributions; and paid sick leave, family leave and vacation time. They are more likely to be paid hourly, work less than full time and have few opportunities for advancement and earnings growth.⁶⁶

Over the last couple of decades, low-wage hourly workers have been increasingly subject to greater demands for flexibility for the benefit of their employers.⁶⁷ As a result, workers paid low wages have endured more uncertainty in their schedules, greater fluctuations in their hours, less predictability in the size of their paychecks and high rates of turnover.⁶⁸

Defining low wages as less than two-thirds of median income, about one-quarter of adult workers ages 24 to 64 – roughly 28 million – were employed in low-wage jobs in 2010; the hourly wage cut-off for two-thirds of median was \$11.61, with the median at \$17.60. The size of the low-wage workforce in 2010 was roughly the same as it was 30 years ago.⁶⁹

In 2010, 60 percent of low-wage workers were women and more than half were white.⁷⁰ But women, people of color and young people are overrepresented among low-wage workers.⁷¹ Just over a third (35 percent) of workers with only a high school diploma earn low wages, as do 60 percent of high-school dropouts. A third of African-American workers and 43 percent of Latino workers hold low-wage jobs.⁷²

More than half (54 percent) of minimum wage workers are employed full time and more than a quarter (27 percent) are parents. On average, minimum-wage workers earn half of their family's income.⁷³ Most low-wage workers live in low- to medium-income families: in 2011, only 32 percent of workers earning poverty-level wages lived in households with an income greater than \$50,000, and 31 percent lived in households with less than \$25,000 in income.⁷⁴

NONSTANDARD WORK AND THE RISK OF UNEMPLOYMENT

A number of conditions associated with nonstandard work arrangements can increase the risk of periodic unemployment and underemployment. First, intermittent unemployment and underemployment are inherent in some forms of nonstandard work, such as temporary jobs. Whether working as direct-hire or agency temps, the majority of temporary workers would prefer permanent employment.⁷⁵ Although some temporary jobs do lead to permanent positions, increasing numbers of workers, in some sectors, work in sequential temporary positions with inevitable gaps. Independent contracting and freelancing are essentially a string of temporary gigs with no guarantee of sufficient or ongoing employment. Workers who are employed part time despite a desire for full-time work are, by definition, underemployed. Part-time workers with fluctuating hours may experience periods with little or no work.

Second is the failure of labor standards and supports to accommodate caregivers in the workplace. A lack of paid sick days forces workers to choose between sending a sick child to school and risking their jobs. Denying workers paid sick leave for themselves forces a similar dilemma with a different set of bad choices. Forcing women to return to work within days or weeks of giving birth because they have no paid family leave turns what most countries value as a collective, societal problem – how to raise the next generation – into an individual economic risk.

Third, many so-called “voluntary” separations from work have structural causes and are not voluntary

in any meaningful sense. Last-minute and inflexible scheduling makes it difficult for workers to secure childcare, care for a sick child or elder family member, pursue education or training, seek needed medical care or arrange transportation. Conflicts invariably arise and some employees quit because they can’t make it work or want to avoid being fired. Though these job separations result from a structural mismatch between current employer practices and the realities of adult life, they are not captured in data on involuntary job loss. They can also disqualify workers from unemployment benefits and interfere with securing a new job.

Fourth, the lack of enforcement of existing labor protections for employees who are misclassified as independent contractors or who are caught in a maze of subcontractors and therefore lack a clear employer of record to hold accountable for violations can lead workers to being fired through no fault of their own yet left without recourse.

The factors that contribute to intermittent unemployment or chronic underemployment in nonstandard jobs hit the most disadvantaged workers the hardest. Workers without a college degree, workers of color, women, single mothers and young workers bear the brunt of these trends. And, as we’ll address in the next section, these are the very workers least likely to benefit from our nation’s unemployment system when they find themselves out of work.



PART II: How Well Do Existing Programs Support Workers With Nonstandard Jobs When They Are Unemployed?

Unemployment Insurance (UI) provides partial wage replacement to jobless workers while they search for work. Although the program works well for those who receive it, access to UI has been declining over the last five decades. Fewer than half of the unemployed received benefits during the Great Recession and fewer than a quarter do now.⁷⁶ Based on outmoded assumptions about work, the program is particularly ill-suited to the needs of workers whose employment is nonstandard. Despite efforts to “modernize” the program in light of changing

employment patterns, UI is not adequately meeting the needs of today’s jobless workers.

In this section, we explore barriers to UI receipt for workers in nontraditional jobs. But we also take a look at another program that is not typically discussed as a support for the unemployed, Temporary Assistance for Needy Families (TANF). For very low-income single mothers cycling in and out of the labor force, TANF is sometimes the only option for support during periods of joblessness.

RECEIPT OF UNEMPLOYMENT BENEFITS HAS STEADILY DECLINED

Created as part of the 1935 Social Security Act, UI originally targeted blue-collar industrial workers who lost their jobs for structural reasons, such as a plant closing or decline in production. Designed to provide partial wage replacement to workers who become jobless through “no fault of their own” – and also to boost consumer spending during an economic downturn – benefits cease when the jobless worker finds new employment or reaches the time limit, typically six months during non-recessionary periods. A form of social insurance, the program is financed by employer contributions. States are responsible for financing and administering the program within federal guidelines.

Eligibility for UI is based on both monetary and non-monetary criteria.

To be monetarily eligible, a jobless worker must: (1) have a minimum level of earnings from a qualified employer, and (2) exhibit a consistent work history (that is, they must meet the minimum earnings requirement for four out of five recent quarters). The minimum earnings threshold varies by state but is generally in the range of \$1,000 to \$3,000.⁷⁷

There are also two components to nonmonetary eligibility: (1) the reason for an individual’s job separation, and (2) whether the unemployed worker is looking for another job. By design, UI is intended to provide temporary assistance to full-time workers who experience involuntary job loss while they search for work.

Over time, some states have modernized their eligibility requirements to expand UI access to part-time and low-wage workers as well as those who leave a job for compelling family reasons. Such provisions particularly benefit women. “Good cause” provisions recognize certain family circumstances under which workers can voluntarily quit and still qualify for UI. Depending on the state, these may include an inability to find child care, caring for a sick family member, escaping domestic violence or relocating for a spouse’s new job.

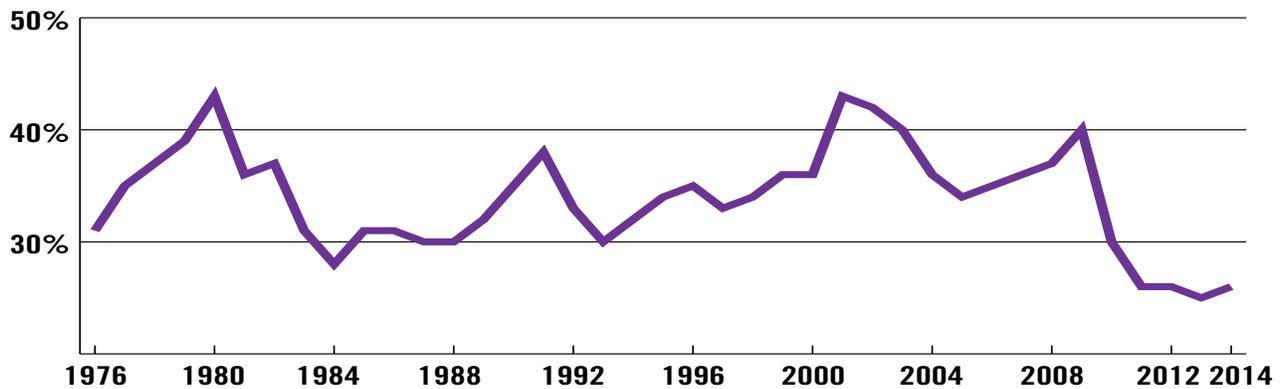
In the aftermath of the Great Recession, the 2009 American Recovery and Reinvestment Act (ARRA) offered one-time incentive funding for states to expand UI eligibility in these ways, but state response was uneven. Research suggests that universal adoption of

the ARRA modernization recommendations would have increased UI eligibility from 50 percent to 70 percent of the unemployed.⁷⁸

Currently, only a fraction of jobless workers receive UI. At the end of 2014, the UI recipiency rate – the number of individuals receiving UI benefits divided by the number of individuals who are unemployed and actively looking for work – was only 23 percent.⁷⁹ At its lowest level in almost 40 years,⁸⁰ UI recipiency rates have steadily declined: they averaged 49 percent in the 1950s, around 41 percent in the 1960s and 1970s, and 33 percent in the 1980s.⁸¹ Even during the Great Recession, the national UI recipiency rate topped out at 40 percent (see Figure 3).

At the end of 2014, the UI recipiency rate was only 23 percent – its lowest level in almost 40 years.

Figure 3. Annual UI Reciprocity Rates, 1976-2014



Source: U.S. Department of Labor, Employment and Training Administration⁸²

Since more workers lose jobs due to economic forces – “no fault of their own” – during a recession, the reciprocity rate typically rises when the economy is in a downturn and falls when the economy recovers. The steep decline in UI receipt since the height of the economic crisis is particularly troubling.

Only individuals actively seeking work in the past four weeks are officially counted as unemployed for the purpose of calculating UI reciprocity,⁸³ so while reciprocity rates are a useful measure, they do not capture those who want to work but for various rea-

sons are not currently seeking work. The reciprocity rate would be even lower if it were based on a more inclusive definition of unemployment.

Some groups of workers are substantially less likely to receive UI benefits than others. Women workers as well as those who are young (ages 16 to 24); African American, Latino or Native American; lacking a high school diploma; and immigrants all experience less access to unemployment insurance than their more advantaged counterparts. UI reciprocity is particularly low among single mothers.⁸⁴

BARRIERS TO UI RECEIPT FOR WORKERS WITH NONSTANDARD EMPLOYMENT

Independent contractors are not covered by UI and workers in other nonstandard jobs face numerous barriers to UI eligibility and receipt. Regardless of job status, there are four main reasons why unemployed workers do not receive UI benefits:⁸⁵

1. They do not apply,
2. They do not earn enough during the specified time period,
3. The reason for job separation does not meet allowable criteria, or
4. They are not able and available for work, or not actively seeking work.

They Do Not Apply

More than half of jobless workers who meet the official definition of unemployment do not file for UI benefits.⁸⁶ Perceived ineligibility is the most cited reason for not applying.⁸⁷ Workers in nonstandard employment, particularly those earning low wages, may believe they earned too little to qualify. The perception of ineligibility and not earning enough to qualify increases as the level of workers' education decreases.⁸⁸ Some may believe that their reason for job separation will not qualify as "good cause" even if the job loss was due to circumstances beyond their control. Those working part time to care for their children may assume they are ineligible even though they are eligible in some states.

Another reason jobless workers may not apply for UI is simply a lack of information about the program. Employers are not required to provide their employees with such information. Workers are often notified about UI benefits through a formal layoff process, but low-wage workers are disproportionately employed in industries that tend to avoid formal layoffs.⁸⁹ Anecdotal evidence suggests that some employers actively discourage separated workers from applying for UI or provide them with inaccurate information. Unions help inform workers about

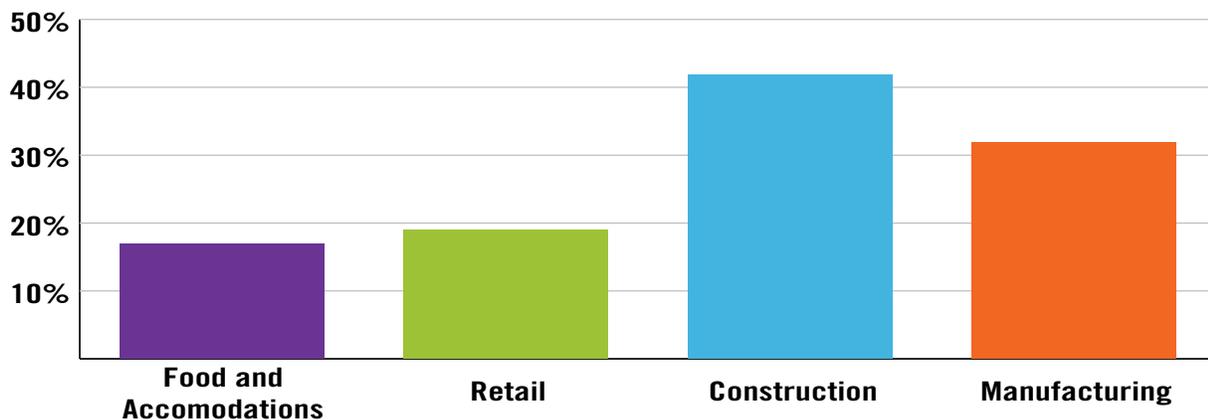
UI eligibility and rules, but few workers in nontraditional jobs are unionized.⁹⁰

Even jobless workers who are aware of the program may not understand how to apply or may be discouraged by onerous application procedures or overloaded, automated phone systems. Finally, some unemployed workers expect a quick transition back to work and don't bother to apply for benefits.⁹¹

They Do Not Earn Enough During the Specified Time Period

Workers who are paid low wages are less likely to receive UI even though they are among the workers who need it most.⁹² Because eligibility is tied to an earnings threshold, they have to work more hours than higher-paid workers to qualify. Nonstandard work conditions in low-wage industries – part-time work with irregular hours, volatile earnings and high turnover – make it less likely that workers will have the "consistent work history" necessary to qualify for UI. For example, in 2014 the UI reciprocity rate was 17 percent for workers in food and accommodations and 19 percent for retail compared with 42 percent for construction and 32 percent in manufacturing (see Figure 4).

Figure 4. UI Reciprocity Rate by Sector, 2014



Source: Current Population Survey, U.S. Bureau of Labor Statistics.⁹³

Temporary workers, even those working for an agency, face interrupted employment and may have insufficient earnings or “inconsistent” work histories that disqualify them from UI. And although more than half the states (29) allow part-time workers to receive benefits,⁹⁴ they may not earn enough to be eligible for benefits.

The Reason for Job Separation Does Not Meet Allowable Criteria

Research suggests that non-monetary eligibility requirements may be more of a barrier to UI receipt than monetary criteria for workers paid low wages and with other labor market disadvantages.⁹⁵ Workers with limited scheduling flexibility and without paid leave may be fired if they are late or miss a shift for family care reasons. Or they may quit because of frequent conflicts between work and family obligations.⁹⁶ These workers are unemployed and disqualified from receiving UI even though they became jobless due to circumstances beyond their control.

“Good cause” provisions allow workers to qualify for UI if they leave a job for compelling family reasons, but allowable exemptions vary widely from state to state and jobless workers may not know about them. Single mothers, African American and young workers are more likely to become jobless for health or family care reasons, such as child care issues or illness, and are thus more likely to be disadvantaged by state rules that narrowly define good cause.⁹⁷

State rules often bar temporary workers from claiming UI if they wish to find a permanent job and do not accept the next offer of temporary employment. In many states, rather than search for other work, temporary workers laid off for lack of work assignments must continually report to the temporary agency or are deemed to have voluntarily quit without good cause and therefore cannot receive UI.⁹⁸



They are Not Available for Work or Not Actively Seeking Work

Some unemployed workers find themselves ineligible for UI because they are part-time workers, or they were full-time workers but now looking only for part-time work. Twenty-nine states allow: (1) unemployed part-time workers seeking part-time work to receive UI benefits, and/or (2) unemployed workers who previously worked full time to seek only part-time work yet still qualify for UI.⁹⁹ But in the rest of the states, part-time workers and those not seeking full-time employment are ineligible for UI.

Requiring jobless workers to be available to work full time as a condition of UI receipt no longer makes sense when the lines between full-time and part-time work are increasingly blurred. Further, men and women both routinely combine employment with other responsibilities. Yet, in an era when employers increasingly require workers to be avail-

able 24/7 with limited notice, requiring availability for full-time work denies UI benefits to jobless workers who are pursuing higher education or job training, caring for children or elderly parents or engaging in other socially-valued pursuits.

Finally, some jobless workers give up looking for employment due to a lack of available jobs or because they have been unemployed for a long time. Since these discouraged workers are not actively seeking employment, they are ineligible for UI even though many of them would willingly work if given the opportunity.

For very low-income single parents who are jobless but don't receive UI, one potential source of support is Temporary Assistance for Needy Families (TANF), which provides means-tested cash assistance on a short-term basis. However, the program was never intended to serve as an unemployment support and key aspects of TANF limit its usefulness for this purpose.

TANF CASH ASSISTANCE: A POOR SUBSTITUTE FOR UNEMPLOYMENT BENEFITS

Adopted in 1996, Temporary Assistance for Needy Families (TANF) is a federal block grant program for states to provide work-focused, time-limited cash assistance and services primarily to single-mother families with little or no income. States have wide discretion in structuring their programs. TANF replaced Aid to Dependent Children (ADC), which was originally created as part of the 1935 Social Security Act, along with UI. ADC provided meager benefits to families in which the father had died, deserted the family or was unable to work because of disability. At the time, it was socially preferable for mothers to remain at home to care for their children rather than enter the labor force. But as norms about women's employment changed, policymakers sought to require adult recipients of cash assistance to work.¹⁰⁰

TANF adopted a "work first" approach, prioritizing employment in any job over the kind of education and training that could help recipients find decent work.¹⁰¹ To avoid federal penalties, at least half of a state's adult TANF recipients must participate in work activities for at least 30 hours a week (20 hours for single parents of young children).¹⁰² Recipients who find low-paying, part-time jobs sometimes find that unpredictable hours interfere with their ability to meet program requirements, yet they don't earn enough to exit the program.¹⁰³ Other work activities can include unpaid work experience, on-the-job training, up to 12 months of vocational training and community service. Federal rules impose a 60 month lifetime limit on the receipt of assistance, but some states have imposed shorter limits.

States can use TANF funds to provide child care, transportation and other services that support work, including wage supplements for working-poor families. Many states provide low-income families with supports in lieu of cash benefits. TANF funded services are wide ranging and include child welfare services – such as case management for families with children who have experienced or are at risk of experiencing child abuse or neglect, foster care and adoption assistance – and family planning and marriage promotion initiatives.¹⁰⁴ Most TANF funds (72 percent in fiscal year 2013) are in fact spent on services rather than cash assistance.¹⁰⁵

Why Do Unemployed Low-Income Single Mothers Turn to TANF?

The majority of TANF parents are low-wage workers who move in and out of employment, often non-standard jobs that pay low wages, although their labor force participation is somewhat more tenuous than non-TANF parents with similar incomes.¹⁰⁶ A lack of access to reliable transportation and affordable child care that accommodates changing schedules are most often cited by TANF recipients as barriers to employment, contributing to intermittent joblessness.¹⁰⁷ Research from Minnesota indicates that most women enrolling in TANF have a recent work history and return to work in the same industry after leaving the program.¹⁰⁸

Even though single mothers have increased their labor force participation and eligibility for UI, their UI reciprocity rates have not increased since 1990.¹⁰⁹ Most low-income single mothers who become job-

less don't receive unemployment benefits for reasons cited earlier: they don't think they're eligible so they don't apply, they don't have sufficient earnings or work history, their job loss does not qualify under "good cause" exemptions for job separation, or they may be disqualified because they are only seeking part-time work.

Another reason low-income working mothers apply for TANF is that they need services that TANF provides and UI does not, such as child care and transportation assistance. In practice, the degree to which these services are available varies dramatically by state and locality.

Although state rules vary, TANF allows exemptions from work requirements immediately following the birth of a child. Lacking paid family leave and without sufficient income to pay for quality child care,

some single mothers take a leave from their jobs or quit and apply for TANF. A report to Congress on TANF's precursor, ADC, indicated that 20 percent of adult recipients relied on the program as a form of maternity leave.¹¹⁰ Research from Wisconsin shows that nearly half the adult caseload is comprised of new mothers, 42 percent of whom

were employed in all four quarters prior to entering TANF. These workers tend to spend less time on TANF than mothers with older children, and they return to higher wage jobs.¹¹¹

Another category of low-income single mothers who occasionally turn to TANF are the long-term unemployed, including jobless workers who received and exhausted UI benefits. The Great Recession left significant numbers of workers unemployed

Another reason low-income working mothers apply for TANF is that they need services that TANF provides and UI does not, such as child care and transportation.

for six months or more.¹¹² The slow recovery of the job market also discouraged workers from continuing to search for work. Although TANF potentially provides a meager income source both for low-income single mothers who have exhausted UI and those who have given up searching for work, only 5 percent of the long-term unemployed receive TANF.¹¹³

The Structure of “Welfare” Versus Social Insurance

Though some low-income single mothers turn to TANF when they’re jobless, the program is an option of last resort. Benefit receipt is deeply stigmatized and beneficiaries are often treated with mistrust; their activities are sometimes closely monitored to ensure compliance with program rules.¹¹⁴ If participants fail to comply with work or other program requirements, states impose punitive sanctions, typically reducing the family’s benefit.¹¹⁵

The structure of TANF – a means-tested program available only to the poorest families – almost guarantees that benefits will be stingy and that the program will be stigmatized. Because means-tested cash assistance is awarded on the basis of need, it triggers cultural frames about whether recipients are “deserving” and whether such aid will lead to “dependency.” In contrast, beneficiaries of a social insurance program such as Social Security are perceived as deserving because they’ve “earned” their benefits by virtue of their payroll tax “contributions.” Benefit receipt is universal and not contingent on individual behavior.¹¹⁶ Although UI is a social insurance program, only employers pay UI taxes; workers don’t. Also, unlike retirement, unemployment is not a universal experience. These attributes, combined with the fact that states have a lot of discretion over UI, help explain the wide state variation in the generosity of UI benefits and the fact that UI has been more vulnerable to political pressure for cutbacks

than Social Security.¹¹⁷

In more than half the states, income eligibility for TANF is capped at 50 percent of the federal poverty level (roughly \$10,000 for a family of three) or less; small amounts of assets can disqualify applicants.¹¹⁸ In contrast, UI has no income eligibility limit and higher-income workers who are jobless are more likely to receive benefits than lower-income unemployed workers. In 2012, 41 percent of children living with higher-income unemployed parents benefited from UI at some point during the year compared to 25 percent of children living with low-income unemployed parents.¹¹⁹

In the vast majority of states, TANF benefits are paltry. In 2012, only a third (16) of the continental states provided a maximum monthly benefit of \$480 a month or higher for a single parent with two children. In Mississippi, the state with the lowest TANF benefits, a family of three received a maximum of \$170 a month (see Figure 5).

In contrast, UI benefits typically replace nearly half of a worker’s previous wages up to a maximum benefit level. Fourteen states provide an additional amount, usually quite modest, for an unemployed worker’s dependents.¹²¹ In 2013, the average weekly UI benefit for an individual was \$311 for the nation as a whole, ranging from a low of \$197 a week in Mississippi to a high of \$408 a week in Massachusetts across the continental U.S.¹²² Even among low-income families, the difference in benefits is stark: families with incomes below twice the federal poverty line supported by UI received an average annual benefit of \$5,922 in 2012 compared with \$3,440 for those relying on TANF.¹²³

The one thing TANF offers that UI does not is an implicit acknowledgement, if not fully realized in practice, that parents need child care, transportation, health insurance and other supports to fulfill



PART III: Moving The Needle On Labor Standards And Social Insurance

Work in the 21st century has changed in fundamental ways and will continue to evolve. But without changes in policy, workers will lose more ground and face deepening insecurity. In this section, we share our overarching vision for improving and expanding labor standards, including strengthening UI and thinking more boldly about how to use

social insurance to protect workers in nonstandard employment arrangements. There are already encouraging signs at the state and local levels – with increased momentum, organizing and victories around increasing the minimum wage, requiring paid sick days and creating paid family leave insurance programs.

REFRAME THE CONVERSATION

Over the past 35 years, the nation has undergone a fundamental shift in income and wealth away from the bottom and middle to the top, with economic resources increasingly concentrated at the very, very top. By capturing a disproportionate share of income growth, workers at the top have left the rest of us with stagnating or declining earnings. Wealth has become more concentrated and ordinary workers have lost bargaining power. These trends have been enabled and facilitated by conscious policy choices, from deregulation to unbalanced trade agreements to shifts in the tax code to the gutting of labor protections.¹²⁵

Yet dominant narratives about what's happening to ordinary workers portray the dramatic rise in inequality and threats to the American Dream as the inevitable result of immutable forces, such as global competition and technological advances. Modest proposals to increase labor standards, such as increasing the minimum wage and requiring employers to provide a minimal amount of paid sick time, are inevitably met with claims that such reforms will place undue burdens on employers, destroy jobs and stifle economic growth.

An important first step in larger reform efforts is to reclaim and reframe the conversation and to actively push back against narratives about economic inevitability. We need to prioritize communications strategies much more than we have. And we need a compelling narrative – one that's accessible to the engaged public – about what's happening in our economy and what it means for the future. As part of that collective effort, which is already underway (thanks to the many efforts of allied organizations and grassroots movements), we need to reassert basic and enduring American values about hard work and dignity, opportunity for the next generation and economic security:

- Individuals who work hard should be able to provide for their families.

- Workers who are unemployed involuntarily deserve temporary income support.
- Under certain conditions – for example, chronic disability or old age – workers should be allowed to exit the labor force with dignity and be able to meet their basic needs.
- Children should have opportunities to succeed regardless of their family economic circumstances.

Part of reaffirming the fundamental American value that hard work should be rewarded and provide opportunities for a better life is reframing the concept of employment itself. For nearly a century, our labor protections have been built on normative assumptions about what a “real job” looks like: full time, year round with a single employer on an established schedule. This traditional view of employment has guided policy decisions about what kind of work is deemed worthy of being protected and regulated.

We need to firmly establish a modern view of employment that acknowledges the profound changes in work described in this paper as well as the dramatic shifts in families and gender roles that fundamentally reshaped the relationship between work and family over the course of the 20th century. This rethinking must also include changing how we view unemployment. If intermittent periods of joblessness are increasingly built into the structure of work, this needs to be reflected in our labor protections and policies to promote security. Conscious efforts to change prevailing narratives about the nature of work are integral to asserting the principle that all work should be protected and justly compensated.

The conversation about a new generation of labor standards must directly address the responsibilities of employers for fostering a more secure society. When employers collectively decrease their own economic risk by replacing full-time employees

with part-timers, demanding increasing amounts of scheduling flexibility from workers, misclassifying employees as independent contractors, outsourcing core functions to staffing agencies that employ non-unionized workers and engaging in other cost-cut-

ting strategies, they create a class of insecure workers who can't adequately provide for their families and can't support their local economies. A thriving economy requires that risk and responsibility be shared by employers and workers alike.

STABILIZE EMPLOYMENT BY RAISING LABOR STANDARDS

One way to reduce job churn and intermittent spells of unemployment in nonstandard jobs is to raise the floor for all workers by modernizing and expanding U.S. labor standards. Improving work conditions and treating workers well doesn't just benefit workers: employers benefit from reduced turnover, increased employee expertise and loyalty, reduced training costs and higher customer satisfaction.¹²⁶ Successful models and examples exist, but basic employee protections must be required through legally enforceable standards and not dependent on the whims of employers.

Here is a basic list of reforms that we argue must be part of the next generation of labor standards. Each of these reforms has been analyzed by others, so here we simply list them, providing examples of work that discuss concrete proposals and strategies:

- Increase the national minimum wage and index it to inflation, while raising the required minimum even higher in states and localities with high living costs.¹²⁷
- Provide paid sick days and paid family and medical leave insurance.¹²⁸
- Address minimum hours and scheduling issues.¹²⁹
- Expand access to high-quality, affordable child care.¹³⁰
- De-couple basic supports – such as paid time off, health insurance and retirement benefits – from employment with a specific employer.¹³¹

These reforms would stabilize employment and address some of the underlying causes of intermittent unemployment, thereby reducing turnover and churn.

REFORM UI AND EXPAND THE REACH OF SOCIAL INSURANCE

In the Short and Medium Term

In the short to medium term, additional efforts are needed to make UI work better for all workers, particularly those in nonstandard employment and those whose jobs pay low wages. Although many states made important changes to UI through the modernization provisions in ARRA, more extensive reforms are needed to: (1) ensure that eligible workers know they are eligible for UI when they separate from work and know how to access the program,

and (2) expand UI eligibility in ways that acknowledge family responsibilities and that value part-time work on par with full-time work. For example the federal government could:

- Provide fiscal incentives for states to implement comprehensive information campaigns and enrollment assistance so that workers better understand their eligibility for UI and how to sign up.
- Require employers to notify workers about UI eligibility.

- Complete the modernization of UI eligibility by federalizing eligibility provisions to expand access to all those who leave their jobs for compelling family reasons and to part-time workers.
- Set a federal floor for minimum UI weekly benefits.

Additional provisions that would help address the reality that workers are both family economic providers and caregivers would be for states to:

- Increase benefits for UI recipients with dependents. Fewer than a third of states provide dependent allowances and some of them are quite small.
- Provide child care allowances to beneficiaries who need care to search for work (such allowances should be larger for parents of pre-school age children and prorated for school-age children 13 and under).

The federal government should incentivize state and local experimentation to address the challenge of how to provide unemployment benefits to all workers. Independent contractors pose a particular challenge, yet states and localities could implement pilot programs that would pool contributions of self-employed workers or experiment with other funding mechanisms. California's paid family leave program provides a state model for providing benefits to independent contractors; self-employed workers contribute to the program at amounts similar to other employees and receive similar benefits.¹³²

For the Longer Term

Although all of these reforms would help, the federal UI system was designed for a labor market and social structure that have long been a thing of the past. It's time to think boldly and creatively about how to provide temporary support to workers who are unemployed or underemployed in the context of changing employment structures.

One challenge in taking on such a task is we know that work patterns, however they continue to evolve,

will not look like the employment patterns of the past. Although it's not yet clear where we're going, it is clear that our current data collection efforts are woefully behind. We urgently need to find better ways of identifying, measuring and tracking all work arrangements, including self-employment, temporary work and subcontracted work.

We must move beyond narratives of economic inevitability and make clear the policy choices that have led to widespread worker insecurity and soaring inequality.

In addition to improving available data, here are some guiding principles for thinking about a wider vision of social insurance that acknowledges the multiple ways people work.

- As we think about new ways of providing social insurance, new systems should be flexible and able to accommodate change. Although Depression-era social policies were transformational, they institutionalized time-bound ideals of work, family and gender roles.
- As we build new models of social insurance – including paid family leave insurance and perhaps new models of smoothing income to

cover periods without work or volatile earnings – we need to critically analyze the advantages and disadvantages of various programmatic decisions. Who contributes – workers, employers or both? For example, to increase worker awareness and influence, perhaps it is time to consider worker contributions to UI. Should contributions be made on the first dollar earned or subject to a threshold? Should there be an earnings cap? These are all critical decisions that affect program viability and sustainability.

- Risk needs to be more equitably shared between employers and workers, and government needs to take a more active role in distributing and balancing risk. The flexibility provided by non-standard work arrangements has the potential to benefit both workers and employers, but workers currently bear a disproportionate share

of risks and costs. More equitable sharing of these burdens can decrease turnover, reduce training costs and increase productivity, generating more rewards for all.

- Employers who take the high road should be rewarded and low-road employers should be penalized. The current incentive structure of UI, for example, encourages employers to turn to nontraditional work arrangements, such as relying on contractors and part-time workers, as a way to minimize their obligations, which reduces the percentage of their workforce that qualifies for UI. Making UI more widely available would leave employers fewer opportunities to evade job protections, and workers who are informally self-employed would have more incentive to join the formal labor market, report their earnings and pay required taxes.

CONCLUSION

After transformational changes in labor regulations, public assistance and social insurance in the 1930s, followed by the creation of Medicare and Medicaid in the early 1960s, labor standards, as well as protections for individuals outside the labor market, have mostly stagnated or been weakened. As new and nonstandard forms of employment have emerged and expanded, and, as inadequate regulation, lax enforcement, the weakening of unions and other forces have allowed employers to abandon the 20th century social contract, workers have been left to bear the brunt of change while employers, particularly large corporations, prosper at their expense.

If nonstandard work trends continue, as we believe they will, labor standards will also need to address worker risk through full employment strategies

that allow for and promote economic security for less than full-time work, in various types of work arrangements.¹³³ But regardless of conditions within the labor market itself, creating a modern system to support underemployed and jobless workers is integral to the larger project of achieving a 21st century social contract that promotes security for all.

We must move beyond narratives of economic inevitability and make clear the policy choices that have led to widespread worker insecurity and soaring inequality. Our nation's long-term economic stability, and ultimately our democracy, depend on creating economic and policy structures that more equitably distribute the prosperity made possible by the hard work of ordinary people.

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