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A New Safety Net for the New Economy

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For decades following the New Deal, most workers had a single employer who provided their safety net. But now tens of millions of workers are working in a high-tech economy for multiple businesses, either as contractors, freelancers, temps, or regularly employed part-timers. Yet few of these businesses provide a safety net for these types of workers. Consequently, the old New Deal economy and its safety net guarantees is crumbling for millions of US workers.

So, in addition to stagnant wages and unyielding inequality, the challenge has become: How do we ensure that millions of Americans who are becoming contingent workers with multiple employers still retain access to the safety net?

Fortunately, we have an American-made model to draw upon. "Multi-employer plans" have been used for many years in trade industries like construction and mining, and increasingly among some Silicon Valley companies. For example, many carpenters and construction workers are independent contractors who do work for numerous employers. To provide safety net benefits, typically each employer chips in a few dollars more per hour beyond wages, pro-rated into an "hour bank" system according to the number of hours the employee works for that employer.

That hour-bank system usually is overseen by a union contract, but as proposed in my book *Raw Deal: How the "Uber Economy" and Runaway Capitalism Are Screwing American Workers*, we can adapt this model for any occupation or industry.

When companies like Ford, Uber, Microsoft or Facebook are hiring contractors, freelancers, temps or regularly-employed part-timers, in addition to the wages they pay, they should also contribute a small amount more per hour into an "Individual Security Account" for each worker's safety net. The specific amount would be pro-rated according to the number of hours an individual works for that company (if wages are not based per hour, the company would contribute a percentage of the gross wages into the worker's ISA).

These accounts then would use automatic payroll deductions to pay for existing state and federal "safety net" programs – Social Security, Medicare, unemployment and injured workers' compensation – as well for other safety net components, such as health care and paid sick leave and vacations. The worker also would have some wages deducted to pay for her or his safety net.

The ISA's could be overseen by the government (much like a Social Security account) or by private entities (like insurance companies or even nonprofit agencies) specializing in "centralized benefit administration."

For example, suppose Donna is employed twenty hours a week by a hairdresser, contracts for 10 hours a week with TaskRabbit, and drives 5 shifts for Uber. She would earn approximately 50% of her full-time benefits from the hairdresser, 25% from TaskRabbit, and another percentage based on her wages from Uber.

How much would all of this cost employers? Not that much. Based on numbers from the Bureau of Labor Statistics, a basic safety net – including healthcare, Social Security, Medicare, unemployment, injured workers compensation and five paid sick days and five vacation days – would cost about $2.25 per hour for service sector workers and $4.15 per hour for sales and office workers.

This wouldn't hurt the competitiveness of any particular business, since all businesses would participate and none would be impacted more than another. Also, those businesses would be able to pass the cost of their ISA contributions on to customers (the largest pool available for broadly distributing costs in this type of social insurance plan)—but since many of those customers will benefit from these changes, a rising tide will float all boats.

There's no reason why a business should be able to evade paying a couple dollars more per hour for a worker's portable benefits, just because that business hired a freelance contractor or part timer. By extending "legal parity" to all classifications of workers, we would mitigate the endless debate – and lawsuits – over whether the worker is a W-2 employee or a 1099 contractor.

Either way, the employer contributes into the worker's safety net. As a result, the incentive for businesses to switch their labor force to contractors and freelancers as a way to evade paying for a regularly employed worker's safety net would be minimized.

This approach already is being deployed all over the world to varying degrees, including in the European Union, Japan, Korea, Israel, and Brazil. These changes can be implemented at the local or state level, we don't have to wait for Washington, DC. Cities and states could require that businesses pay a pro-rated amount into a worker's Individual Security Account.

This "new kind of deal" would start the transition toward the right kind of new economy, in which Americans are enriched by technology and innovation, instead of being disrupted and impoverished by it.

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