

CENTERING ON CORONAVIRUS

THE GIG ECONOMY

OLIVE MORRIS
POLICY ANALYST
THE NEW CENTER

CENTERING ON CORONAVIRUS

Centering on Coronavirus: The Gig Economy

In 2017, the Bureau of Labor Statistics reported that 55 million Americans were classified as “gig workers,” more than a third of the U.S. workforce. Gig, tip, and nontraditional workers compose a mounting share of America’s drivers, food service employees, and other workers contributing services critical to daily life.

The gig economy has opened up new flexibility and financial support for single parents, semi-retired people, full-time students, and many others. Yet, workplace flexibility comes at a cost. Despite their importance to the American economy, gig workers often aren’t afforded the same financial, regulatory, and legal protections as the traditional labor force.

Many gig workers have battled financial instability, but now they are facing once-in-a-lifetime strains on their wallets and health. In the last month, a record 22 million people filed claims for unemployment benefits as the COVID-19 pandemic brought the global economy to a grinding halt—with the Dow Jones industrial reporting its worst first quarter in history. More than half a million people in the U.S. have been diagnosed with COVID-19, with many more likely facing exposure in the coming months.

This pandemic will force policymakers to think creatively about how they can provide gig workers some of the labor protections long enjoyed by traditional workers. Uber ride shares and DoorDash deliveries were unimaginable when the New Deal created modern unemployment insurance and the National War Labor Board promoted employer-sponsored health insurance. Congress is racing to adjust the established labor regulatory framework—which is designed for workers with consistent employers, pay, and hours—to account for nontraditional work.

With all these changes, the nation’s disproportionately vulnerable gig workers are left wondering—what’s going to happen to me?

Unemployment Insurance Expanded to Nontraditional Workers

Throughout March, Congress expedited three pieces of bipartisan legislation to mitigate the enormous economic burden caused by the coronavirus pandemic. The first bill, enacted March 3, provided \$8.3 billion in new funding for health agencies and test kits, along with small-business loans. The second bill, enacted March 18, offered around \$100 billion in unemployment benefits, food assistance, and tax credits for employers offering paid leave.

The third bill, enacted March 27, approved the largest economic stabilization package in American history, providing \$2.2 trillion in funding for direct payments to most Americans, assistance for particularly vulnerable industries like travel and hospitality, and financing for small businesses.



CENTERING ON CORONAVIRUS

Fortunately for freelancers, this massive stimulus package, the Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act), also includes critical provisions to protect nontraditional workers. Along with offering \$1,200 to Americans making \$75,000 and under, the bill makes gig workers eligible for newly beefed-up unemployment benefits, making insurance widely available to nontraditional workers for the first time.

The CARES Act allows the self-employed to apply for their state’s unemployment insurance, at a rate set by individual states. In many states, this will mark the first time that freelancers qualify for their state’s “weekly benefit rate.” Each state sets its own benefit rate and decides how long that coverage will last. For example, in Pennsylvania, the weekly benefit rate is around half of a person’s full-time weekly wage, for up to 26 weeks. However, under the new CARES Act, all states will be allowed to provide up to 13 additional weeks of federally funded expanded state benefits. That means that people who haven’t gotten a job after 26 weeks will be allowed to expand their state coverage period by 13 weeks.

Additionally, gig workers will be eligible for a “federal boost” payment, known as Pandemic Unemployment Assistance (PUA). Individuals who receive PUA benefits can collect \$600 weekly until July 31, 2020, on top of any state benefits.



What are my unemployment benefits if I lost my job due to the coronavirus?

You get unemployment insurance for

39 Weeks

That's 13 more weeks than usual in most states

You also get a federal boost of

\$600/wk

These extra benefits stop after July 31, 2020

Source: [Smart Assets](#)

Typically, independent contractors don’t qualify for unemployment insurance because they do not directly pay into it. When they file taxes, that money goes toward Social Security, Medicare, and state and federal taxes. Unemployment insurance is funded exclusively by businesses on behalf of their W-2 employees. This isn’t to say that independent contractors have it easy—on average, they pay around 30% of their earnings in taxes, notably more than traditional employees.

Limitations of CARES Act Benefits

Delayed Direct Payments

Americans will start receiving some of the \$290 billion in direct payments authorized under the CARES Act during the week of April 13. 60 million Americans who have their banking information on file with the IRS could get direct deposits almost immediately. But another 90-110 million people could be waiting up to 20 weeks for paper checks, as the IRS is only able to mail out five million per week. The Department of the Treasury is currently developing a web-based portal for people without direct deposit to provide their banking information online to streamline returns.

Delayed Unemployment Insurance

Because many state unemployment agencies are overwhelmed with claims and unclear about how to expand benefits to gig workers, many people could face long delays in getting benefits. In some areas, gig workers are being told to wait to apply for unemployment benefits, for undetermined amounts of time, while local agencies finalize their unemployment benefit policies. Illinois, which is still finalizing its policies, is telling people not to even call their Employment Security Agency about new federal programs.

Uber and Lyft Drivers

Last week, the Department of Labor issued guidance that appeared to leave out gig workers who could choose to work, but aren't because of low ride requests. However, such drivers may be eligible if they are "forced to suspend operations" due to the coronavirus, "such as if an emergency state or municipal order restricting movement makes continued operations unsustainable."

Those Practicing Social Distancing

The Labor Department's guidance also appeared to cut out certain gig workers, such as older people and those practicing social distancing, who choose not to work because they are at a high risk of suffering serious health complications. People who are immunocompromised are still eligible. Several members of Congress have opposed this guidance and are working to have it overturned.

Missing Documentation

Self-employed workers may not qualify for unemployment insurance if they don't have the right documentation, which is largely determined by an individual state's interpretation of Department of Labor guidance. Most workers can prove employment through recent pay stubs, earnings statements, bank records, or their 2019 tax returns. However, this may be trickier for the self-employed. Individuals who do not have the proper documentation, as outlined by their state, may not be eligible for benefits. Several states have released documentation guidance for these workers, such as North Dakota, which allows the self-employed to prove previous employment through:

1. Business financial statements
2. Recent records connected to the business (e.g., a utility bill), current business licenses, or business rental agreements
3. Affidavits from individuals having knowledge of the business
4. Any combination of the above, along with a copy of Schedule C, F, SE, or K with their Form 1040 to determine eligibility



CENTERING ON CORONAVIRUS

Disparity Across States

Unemployment insurance is administered at the state level, so there will be significant disparities for gig workers in payment rates, coverage duration, and eligibility criteria. According to [an analysis](#) by the Center on Budget and Policy Priorities, “in February 2020, average [state unemployment] weekly benefits were about \$387 nationwide but ranged from a low of \$215 in Mississippi to \$550 in Massachusetts.” States also offer unemployment insurance for different lengths of time. Alabama, Florida, Missouri, North Carolina, and South Carolina offer less than 15 weeks of insurance, while most other states offer 26 weeks. Under the CARES Act, states have the option to offer 13 additional weeks of state unemployment insurance, meaning that most states will provide 39 weeks of coverage. However, the shortest-duration states like Florida and North Carolina, which typically offer 12 weeks of coverage, would still only offer 25 total weeks, even after the CARES Act extension.

Effect on Other Social Programs

Federal unemployment benefits often qualify as income for means-tested social programs at the state level. This means that those receiving unemployment benefits could graduate out of the income brackets from these programs and lose assistance. While this rule does not apply to Medicaid or CHIP, it may affect other critical programs such as the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF), depending on each states’ guidelines.

Tip Workers

There are an estimated 4.4 million tip workers, who are disproportionately women, young, and economically disadvantaged. States allocate unemployment checks based on workers’ prior wages. Tip workers may miss out on full unemployment benefits depending on if their employer reports all tips as income, the figure used to calculate state distribution of unemployment checks. Some employers under-report tip income, meaning the state would pay the worker a smaller unemployment check.

Health Insurance

This health crisis highlights another hurdle confronted by many nontraditional workers—a lack of adequate employer-sponsored health benefits, such as paid sick leave and health insurance. A 2016 [Stride Health study](#) found that 35% of gig workers were uninsured due to “lifestyle-specific challenges in navigating affordable coverage.” This rate is almost three times higher than the general U.S. population uninsured rate.

Many gig workers are now wondering if they can afford to treat any illness that might arise, including coronavirus. They often cannot collect workers’ compensation for onsite illness-related expenses, like contracting the coronavirus at work. Because of the hands-on nature of many gig jobs (e.g., childcare, delivery services, and ride sharing), these workers are at an increased risk of contracting and transmitting the coronavirus.

Traditional workers who lose their jobs are often eligible for COBRA, or the Consolidated Omnibus Budget Reconciliation Act. COBRA allows the recently unemployed to maintain their employer-sponsored health plan for up to 18 months after losing their job (although the unemployed worker still has to pay the premiums). Since most gig workers aren’t offered employer-sponsored health plans in the first place, they don’t have access to this benefit.

Some of those vulnerable gig workers, who still need to go to work despite this crisis, are sounding the alarm about the lack of health protections. Essential workers from major companies [went on strike](#) two weeks ago over health safety and wage concerns.

Workers at a Staten Island Amazon warehouse left their posts amid reports of COVID-19 infections at the facility. Instacart grocery delivery workers staged a walkout after stating that the company had not provided them additional hazard pay or protective items like hand sanitizer and masks—despite some of these shoppers delivering dozens of items each day. Both companies have since taken additional safety precautions and provided some bonus pay, though strikers feel that their demands haven’t been fully met.

Confronting a Harsh Reality

The coronavirus pandemic has brought to light a stark disconnect: although many gig workers are protecting Americans during this crisis—by delivering and serving us food, groceries, and other essential items—they are among the least protected group of workers in our economy. The self-employed make up more than a third of the nation’s workers, and while the assistance provided to them in the CARES Act is welcome, it’s a band-aid solution. In the months ahead, Congress and states will face the instability of our current workforce, and need to consider expanding the protections that traditional workers have enjoyed for decades.



CENTERING ON CORONAVIRUS

AUTHOR

Olive Morris

Policy Analyst

olive@newcenter.org

ABOUT CENTERING ON CORONAVIRUS

Centering on Coronavirus is a new policy series from The New Center that provides insights and analyses of how coronavirus is progressing, how it is impacting our health system, economy and workers, and the extraordinary human, policy, and technological resources that are being mobilized to fight it.

ABOUT THE NEW CENTER

American politics is broken, with the far left and far right making it increasingly impossible to govern. This will not change until a vibrant center emerges with an agenda that appeals to the vast majority of the American people. This is the mission of The New Center, which aims to establish the ideas and the community to create a powerful political center in today's America.

THE NEW CENTER

1808 I Street NW, Fl. 5

Washington, D.C. 20006

www.newcenter.org

