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What Works

The Entrepreneurial Union

By Amy Wilkinson

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The Entrepreneurial Union

How the Freelancers Union is modernizing the labor movement for independent workers BY AMY WILKINSON

WHEN THE INTERNET company that Karen Kelly worked for was sold and her job disappeared, she set out to become a freelance writer in New York City. Married to a musician and raising a young son, she struggled to find affordable health care.

Across the country in Pasadena, Calif., Colleen Nelson had a different problem. As a media consultant, she had steady work with MGM Film Studios. But, working from home, she felt isolated.

Both women eventually found their way to the Freelancers Union, a Brooklyn, N.Y.-based nonprofit that provides self-employed workers with health insurance, retirement plans, community events, and political representation. Unlike most employee benefits in the United States, which are tied to particular companies, the Freelancers Union's offerings can travel with independent workers from job to job and from project to project.

Through the Freelancers Union, Kelly purchased health insurance for herself and her family. She also met an accountant at a tax workshop, and improved her Web site "2,000 percent" after attending a union-sponsored Web design seminar, she says. Meanwhile, Nelson began collaborating with like-minded union members in Los Angeles. "The Freelancers Union provides a sense of stability knowing that there is a place to go to get help, contacts, ideas, and other resources," says Nelson. "It's daunting working on your own."

Today, 26 percent of U.S. workers are self-employed as Web designers, software developers, financial advisors, artists, writers, musicians, and consultants—to name a few occupations. This number is up from 19 percent in 2006, reports Kelly Services Inc., a Troy, Mich.-based staffing service. The rise of the free agent economy is allowing more and more people to be their own bosses, liberating them from the confines of a traditional office. It also allows companies to cut costs to meet changing market demands.

With the freedom and flexibility of self-employment, however, come the trade-offs of stability and job security. Freelance paychecks can be erratic. Freelance contractors must pay out of pocket for their own health insurance and retirement plans, and they rarely qualify for unemployment.

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Founded in Brooklyn, N.Y., the Freelancers Union now recruits members nationwide, including in Los Angeles.

To meet the needs of the growing freelance workforce, Sara Horowitz created the precursor to the Freelancers Union, called Working Today, in 1995. (The organization still conducts research and policy analysis.) In 2001, she launched the first version of a new union, the Portable Benefits Network, which was renamed the Freelancers Union in 2003. The Freelancers Union is not just another labor organization. Instead, it updates classic trade unionism with the modern impulses of social entrepreneurship, supporting itself largely with fees for services. At the same time, the Freelancers Union reveals its trade union spirit by working through political channels to secure better conditions for independent workers.

By making the right innovations at the right time, the organization now has some 115,000 members from all 50 states. And in the last 18 months alone, its membership has grown by 86 percent. For her efforts to create a new social safety net, Horowitz won a MacArthur Foundation "Genius" Fellowship in 1999.

"The Freelancers Union is writing new rules for the new workforce," says Cheryl Dorsey, president of Echoing Green, a nonprofit

that supports social entrepreneurs, including Horowitz and her organization. “Sara’s great insight was to recognize that the social safety net that followed Franklin D. Roosevelt’s New Deal no longer meets the needs of the freelance workforce.”

UNION BUSINESS

Horowitz comes from a long line of labor organizers. Her grandfather was vice president of the International Ladies Garment Workers Union in New York, and her father was a union lawyer. “I came to social entrepreneurship accidentally,” she says. “I grew up in a completely lefty family where being an entrepreneur was a dirty word.”

As a union organizer and union-side lawyer, Horowitz spent 1995 at Harvard University’s John F. Kennedy School of Government, rethinking her own assumptions while earning a master’s degree in public policy. She came to believe that existing labor laws and regulations didn’t fit the freelance economy. The old union model that offered standardized packages did not meet the individual needs of such a diverse group of workers.

“I kept thinking if you want to build the next union movement, what will be the killer app that will get it moving?” Horowitz explains. “The No. 1 issue was health insurance.”

To provide access to health care as well as dental, disability, and life insurance, the Freelancers Union uses the bulk purchasing power of its many members, which opens doors and drives down premiums. Discounts are available nationwide for such health-related needs as vision care and dental care. The union also provides otherwise unobtainable access to disability insurance.

In the state of New York, the Freelancers Union even set up its own insurance company last January, drawing on \$17 million of grants and loans from a coalition of businesses and philanthropies. Individual costs for insurance range from \$140 to \$350 per month, depending on the size of the deductible. In comparison, average monthly premiums for other self-insured New Yorkers are in the \$800-\$1,000 range.

The organization also unveiled a nationwide 401(k) retirement plan for its members in April 2009. Milliman Inc. serves as the plan administrator; Charles Schwab Trust Company serves as the trustee. Members enrolled in the plan can elect to invest in 12 professionally vetted and monitored funds or target-date funds. To promote regular savings, the plan also offers automatic withdrawals from freelancers’ checking accounts. There is no minimum investment, and the monthly \$11 fee will go down as more members join. Further, union members can adjust their contributions for free to accommodate the feast-or-famine cash flows that independent workers often experience.

Although the Freelancers Union’s “goals and intent are profoundly the same” as those of traditional unions, “our business and organizing models are profoundly different,” says Horowitz. For instance, unlike most U.S. unions, which support themselves by collecting membership dues, the business-minded Freelancers Union earns revenues by charging fees for its many services. The organiza-

RENEW THE UNION

Customize offerings to individual needs

Charge fees for services

Use the Internet to organize professionally, politically, and socially

Advocate for legislative change

tion then reinvests all its earnings into new initiatives, education, and advocacy.

This year, the Freelancers Union expects that its revenues will exceed \$75 million. The nonprofit has been sustainable since 2006, meaning that its revenue-generating activities cover the costs of its mission-centered projects. Still, the organization seeks grants for the start-up costs of some new initiatives. “We’ve created a hybrid ecosystem,” Horowitz says.

THE FREELANCE FUTURE

Also unlike traditional unions, the Freelancers Union does not negotiate salaries or organize strikes. It does, however, work with politicians to win better protections for free agents. A recent advocacy triumph for the Freelancers Union came on March 23, 2009, when New York City Mayor Michael Bloomberg announced that he would seek a new federal unemployment benefit for freelancers, who make up 15 percent of New York City’s workforce. The Freelancers Union designed the proposed Unemployment Protection Fund, which would require the federal or state governments to match \$300 for every \$1,000 a Freelancers Union member voluntarily pays into a designated fund. Members could draw upon these funds to pay for college tuition, housing, education, or other needs in case of unemployment.

“Freelancers lack any safety net to fall back on during hard times,” Bloomberg said in a speech to the Economic Club of New York. “If a company lays you off, you can collect unemployment. But if you’re a freelancer and you lose all your clients, good luck.”

Horowitz’s organization is improving upon old union models by exploiting the power of the Internet. The Freelancers Union provides an online portal of benefits and unites individual members within and across geographies. Through the organization’s Web site, workers can find copywriters, legal advisors, and babysitters in their extended community, creating even more opportunities to meet clients and make money. They can also orchestrate online and offline meetings. Niche communities within the network unite to discuss such topics as mental health, insurance premiums, taxation policy, and résumé writing. The union’s online presence also allows its members to advocate on their own behalf by signing petitions, organizing political events, and joining together to meet politicians.

Next up for the Freelancers Union is an online credit union where freelancers can save money as well as receive loans, says Horowitz. “We are also going to start really engaging in the policy debate,” she says. “Washington, D.C., is the city of ‘can’t-do-ism’ but we have built a ‘can-do’ model and an institution that reflects that perspective.” In addition, the organization aims to build “real roots” in five cities, establishing bases of support for members as it has in New York City.

“Freelancers need a creative organization to help them develop good benefits, stability of employment, and job security,” says Lawrence Mishel, president of the Economic Policy Institute, a think tank based in Washington, D.C. “The Freelancers Union has had some success, and I would expect to see more.” ■