

SelfInformed

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New Legislation on the Horizon:

Self-Employed & Paid Leave



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Leave

One of the great perks of working for a company is getting paid leave as a benefit. That is a benefit self-employed people in most states give up in exchange for being their own boss.

Unlike 180 other nations, the federal government has yet to come up with a plan for self-employed workers to recoup some of their income if they cannot work because they are ill or have family issues. That said, there is a new push for the federal government to pass a law that enables self-employed individuals to get a paycheck if they cannot work under certain circumstances.



Here is a look at the status of a potential paid family leave policy in the United States, what a law might look like, and who supports and opposes passing such a law.

Paid Leave for the Self-Employed Today

While the Family and Medical Leave Act (FMLA) allows workers to take up to 12 weeks off work if they meet certain criteria, it is not paid leave, and it does not apply to self-employed workers. Furthermore, workers who qualify for FMLA often do not take as much time as they are allowed because they simply cannot afford it.

According to the **U.S. Bureau of Labor Statistics**, 15 million people were self-employed, which makes up 10% of the population. Moreover, a study by **Freshbooks** showed that about 40% of employees were thinking about becoming self-employed as the impact of the Great Resignation motivated them to seek more satisfying work conditions. This likely means that more than 10% of workers are now self-employed.

Despite several organizations pushing for the federal government to enact a law that gives paid leave to workers, including self-employed workers, Congress has not officially acted on it yet.

Nonetheless, **eleven states** have passed state programs offering paid family and medical leave. However, none of the state laws currently pertain to self-employed individuals.



Who Is Considered Self-Employed?

Much as it sounds, a self-employed individual is someone who works for themselves rather than an employer that gives them a weekly paycheck.

The following types of workers may fall under the definition of a self-employed worker:

- Independent contractors
- Sole proprietors
- Partnerships
- Skilled trades
- Freelancers such as writers and artists
- Lawyers
- Accountants
- Financial service professionals
- Investors

Self-employed people are common in certain industries, particularly in the creative arena. People working in this capacity tend to be highly skilled at their craft.

A self-employed worker is different from an entrepreneur or startup that plans to hire and supervise employees as they grow and prosper.

Unlike workers who get paid by an employer for their work, self-employed individuals must pay their own Social Security and Medicare **taxes**. Self-employed individuals must pay both the employee and employer portions of the taxes. This is because their clients do not withhold taxes when they pay a self-employed individual, and there is no employer to pay them either.



Many self-employed individuals are forced to work when they are ill or when their families need them, as they cannot do without income for any length of time. This is one of the hardships self-employed workers face.

According to the **American Psychological Association**, there are notable health benefits for workers who have paid leave. Paid leave has been associated with improved physical and mental health. A report by the **Center for American Progress** states that United States workers lose billions in wages when they are forced to take unpaid leave. Moreover, when parents can take off work to care for their children, their children are healthier and have better outcomes later in their lives.

It is for these reasons that several organizations are lobbying for a federally paid leave law that would include self-employed individuals.

What Would a Paid Family Leave Policy in the United States Look Like?

There have been discussions on the congressional floor about the need for a paid family leave policy at the federal level. If such a policy was to become law, it would be administered either by the U.S. Treasury Department or the Social Security Administration.

As with all laws, there would naturally be some stipulations for those who qualify to collect under

the policy. For example, a new law might state that workers would have to have earned a certain amount of wages over the most recent six months.


Proponents of a paid family leave law suggest that typical workers should be able to receive two-thirds of the wages replaced, and they should continue receiving payments for as many as twelve weeks annually. Additionally, proponents of such potential legislation would like to see a cap of around \$4,000 per month.

Another recommendation being made by lobbyists is that very low-paid workers should receive up to 80% of their income during paid leave. Proponents of paid family leave legislation also agree that a new law should also apply to part-time workers and self-employed individuals.

Who Are the Proponents of a Paid Family Leave Act?

There is much support for the passage of a federal paid leave act among organizations, members of Congress, and the general public.

Michelle McGrain, director of congressional relations and economic justice for the National Partnership for Women & Families, states that a paid family leave act would allow workers to get partial wages so they can take a three-day leave for bereavement.



When parents can take off work to care for their children, their children are healthier and have better outcomes later in their lives.

MomsRising is a charitable organization that is also in favor of passing a paid family leave act. The group supports paying workers to take time off work for circumstances such as caring for children, recovering from a serious illness, tending to an ill family member, or supporting those who need time off because of military deployment reasons.

Perhaps the population that is the most supportive of a paid family leave act is the general public. Although it is a few years old, a **Pew Research Center** study showed that the vast majority of Americans are in favor of a paid family leave act, although there is some disagreement on how a new law should take shape. The study showed that 85% of Americans believe all workers should receive paid leave if they have a serious health condition.

Who Opposes a Paid Family Leave Act?

While there is much support for a federal paid family leave act, such legislation has its critics.

On the political front, Republicans, along with conservative Democrats, are largely not in favor of passing a federal paid family leave act. The biggest issues they have with such a law are how much it would cost the federal government and where the money would come from.

Moreover, some members of Congress are concerned about the passage of a paid family leave act harming the economy. This is a concern for opponents of a paid family leave act, as the federal government would be paying for the benefit.

As of late, the Family and Medical Insurance Leave Act (FAMILY) has been proposed in Congress in both the Senate and the House. This bill would award workers paid leave at a rate of 66% of a worker's pay for up to 60 days. The bill also proposes a 0.2% payroll tax on employees and employers to help pay fund the benefit. Another possible approach is to levy higher taxes on the wealthy population to help fund the law.

Congress is also considering the possibility of allowing workers to establish tax-free savings accounts where employees could make contributions and tap into them if they needed to take parental leave. State legislators in Oregon and Minnesota have recently passed this type of legislation at the state level. In both states, the legislation applies to company employees and self-employed individuals.

The bill that has the most potential for a paid family leave benefit is the American Families Plan under the Biden administration. If passed, this law would phase in twelve weeks of paid leave for workers over ten years. As it stands, the law would apply to the following workers:

- Workers who are parents who care for a newborn, foster child, or adopted child, including same-gender couples
- Workers who need time off to recover from a serious illness
- Workers who are dealing with a loved one's serious illness.
- Workers who are dealing with the effects of military deployment or injury
- Workers who are survivors of domestic violence or sexual assault
- Workers who need time off to grieve over a loved one's death.
- Self-employed workers
- Part-time workers
- Contract workers



The passage of this act would mean that workers could receive two-thirds of their weekly wages or salary at a minimum with a cap of \$4,000 per month. Workers who make low wages could receive up to 80% of their wages.

The plan would coordinate with existing paid family leave plans and policies established by employers. While some states already have paid family leave laws, the federal program would provide a foundation that state legislators and employers could supplement.

Final Thoughts

The pandemic affected nearly all workers in one way or another. For many, it affected their health, employment, and their plans for caregiving children or loved ones. Perhaps, it is no surprise that a broad policy package that includes a paid family leave policy is popular among organizations and the general public.

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Mar 15, 2023

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Mar 06, 2023

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