

# Misclassifying workers as independent contractors is costly for workers and social insurance systems

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## Key findings:

- This analysis estimates the cost to workers of being misclassified as an independent contractor for 11 commonly misclassified jobs. We find, for example, that a typical construction worker misclassified as an independent contractor would lose as much as \$20,399 in annual income and job benefits compared with what they would have earned as an employee. A typical truck driver, if misclassified as an independent contractor, would lose as much as \$23,266 annually.
- Lost compensation due to misclassification varies by state. Estimated annual per-worker costs in lost compensation are as high as \$31,326 for truck drivers in New Jersey. On average, misclassified workers stand to lose more in higher-wage states and occupations because W-2 earnings are greater, but losses are substantial in all states.
- Misclassification can happen in any occupation. However, because of occupational segregation and other labor market disparities, people of color, women, and immigrants—and people at the intersections of these categories—are more likely to be in occupations where misclassification is common, like most of the 11 occupations analyzed in this report.
- Misclassification shifts the full burden of social insurance—like Social Security and Medicare—to workers, while also reducing the total revenues received by the social insurance system. We estimate that social insurance systems can lose up to roughly 30% of per-worker revenue when workers are misclassified as independent contractors.
- In 2025 and 2026, lawmakers in at least 12 states proposed or passed legislation to address worker misclassification. Most recent state efforts have focused on increasing accountability of employers that misclassify workers, bolstering remedies for workers subject to illegal misclassification, and strengthening enforcement capacity.

## What is misclassification?

The type of misclassification addressed in this report occurs when an employer wrongly classifies an employee as an independent contractor. The problem of workers being misclassified as independent contractors is pervasive and widespread. An analysis from the National Employment Law Project focusing on state-level reports on misclassification estimated that as many as 10–30% of employers misclassify their workers.<sup>1</sup>

The way a worker is classified has serious implications for their labor rights and economic

security. Federal, state, and local labor laws provide extensive protections for employees that are not available to independent contractors. For example:

- When a worker is misclassified as an independent contractor, they are stripped of minimum wage and overtime protections.
- These misclassified workers are no longer eligible for unemployment insurance or workers' compensation.
- They do not qualify for paid sick or family leave, even in places where those benefits are statutorily prescribed for employees, and they are extremely unlikely to receive employer-provided health insurance or retirement benefits.
- They are no longer protected by the National Labor Relations Act, which ensures workers' rights to form unions and bargain collectively to improve their working conditions.
- In most states, misclassified workers are not covered by anti-discrimination and sexual harassment protections.<sup>2</sup>
- Workers misclassified as independent contractors also must assume the full financial cost of Social Security and Medicare contributions, rather than split it evenly with their employer.

Losing these benefits and protections leaves independent contractors in a far more vulnerable position than employees when it comes to their basic rights on the job. Employers have argued that many workers prefer being classified as independent contractors because they value “flexibility” over fundamental labor rights. But this so-called flexibility is often illusory, given the degree of control many employers retain over workers and their schedules.<sup>3</sup>

Misclassification remains pervasive in part because its costs to individual workers can be hard to quantify and thus easy to obscure. Prior research has estimated the costs of misclassification by quantifying the number of workers misclassified; the amount of wage theft experienced by misclassified workers; and the loss in federal and state tax revenues resulting from employers not paying payroll taxes and workers' compensation insurance.<sup>4</sup> This report presents estimates of two types of costs caused by misclassification for 11 commonly misclassified occupations:

1. What workers lose when they are misclassified—that is, the difference in the value of a job to a worker if the worker is classified as an independent contractor rather than as an employee; and
2. What social insurance funds lose when workers are misclassified—that is, the difference in payments to social insurance funds if a worker is classified as an independent contractor rather than as an employee.

Misclassification can happen to any worker. However, because of occupational segregation and other labor market disparities, people of color, women, and immigrants—and people at the intersections of these categories—are more likely to be in occupations where misclassification is common, such as most of the 11 occupations

investigated in this analysis (see **Appendix Table 1**). Any policy conversations about worker classification status should center these types of occupations, as workers classified as independent contractors in these occupations are often not genuine independent contractors with full control over their work conditions and are more likely to be exposed to the harms of reduced earnings and loss of labor protections.

## The cost to workers

**Table 1** presents estimates of the cost to workers of being misclassified as an independent contractor for 11 occupations that are highly prone to misclassification.<sup>5</sup>

For example, when classified as an employee, the typical construction worker had annual earnings of \$58,360 in 2025 (column 1, top row of Table 1). This includes the average value of supplemental pay—overtime, shift differentials, and paid time off. When we also include the value of health insurance and retirement plans and subtract the worker contribution to Social Security and Medicare, the full value of the job to the worker when classified as an employee rises to \$62,567 (column 2, top row). But when the typical construction worker is misclassified as an independent contractor—and therefore loses access to legal protections, supplemental pay, and employer contributions to Social Security and Medicare—we estimate that the value of that job falls to between \$42,169 and \$49,382 (columns 3 and 4, top row). That estimated range depends on the assumptions we make about the degree to which the employer increases the base pay of independent contractors, if at all, to offset the fact that the worker does not have access to many rights and benefits.

The estimates in columns 3 and 4 are based on two scenarios, described below, that together define the endpoints of this range and establish plausible estimates of the cost of misclassification to workers. It should be noted, however, that this range is conservative because it does not account for the loss independent contractors face of many rights associated with being an employee—for example, it excludes the impact of the loss of rights guaranteed by the National Labor Relations Act, such as the right to union representation.

In both scenarios, we assume that the worker—if classified as an independent contractor—receives the full regular pay of a W-2 employee but does not receive supplemental pay (like overtime or paid time off), must pay the full combined employer and employee contribution to Social Security and Medicare (15.3% of earnings), and must cover paperwork costs like invoicing, bookkeeping, and small business tax filings.

### Scenario 1: No compensation for health and retirement benefits

In the first scenario, we assume employers do not compensate independent contractors for the value of health insurance and retirement benefits. This generates our low estimate

of the value to workers of independent contractor jobs—along with the *high* estimate of the cost to workers of independent contractor jobs—in Table 1.

Under this assumption, we conservatively estimate the net value of a construction job done as an independent contractor falls to \$42,169 per year. This is \$20,399—or 32.6%—less than if that worker were a W-2 employee (\$62,567 in column 2). Notably, misclassified truck drivers also see a massive decline in net value of the job. As a W-2 employee, a truck driving job is worth \$64,474, while an independent contractor receiving the same wage, but no supplemental pay or benefits, earns \$41,208, which is \$23,266 less.

## Scenario 2: Full compensation for health and retirement benefits

In the second scenario, we assume employers fully compensate independent contractors for the value of health insurance and retirement benefits. This generates our high estimate of the value to workers of independent contractor jobs, along with the low estimate of the cost to workers of independent contractor jobs, in Table 1.

Access to these benefits increases the annual earnings of an independent contractor, but not to the level of a W-2 employee. For a construction worker, the net value of the job as an independent contractor is only \$49,382, or more than \$13,000 below the net value of the same job done as an employee. For a truck driver, the switch to independent contractor status would cost \$13,760.

Table 1 also shows estimates for nine other occupations with lower annual earnings than construction workers and truck drivers. As W-2 employees, these workers had median annual earnings between \$33,690 and \$44,140. Under the estimates in scenario 1 (no compensation for health and retirement benefits), being misclassified as an independent contractor would cost between \$8,858 (retail sales workers) and \$17,939 (light truck delivery drivers). Under scenario 2 (full compensation for health and retirement benefits), the costs would be \$6,294 and \$10,634, respectively.

## Mapping cost to workers by state

See [fact sheets by state](#).

Because worker pay varies meaningfully across states, we also estimate the cost of misclassification to workers by state. We follow the same methodology we used for our national-level estimates but incorporate state-level data where available.

**Figure A** maps the financial penalty that workers face when wrongfully misclassified as independent contractors. This figure uses estimates from scenario 1, where we assume employers do not compensate independent contractors for health and retirement benefits.

Table 1

## Summary of range of costs to workers of independent contractor status, by representative occupations, 2025 dollars

Occupations	Median annual W-2 earnings	Value to worker, as employee	Range of value to worker of job as independent contractor		Range of cost to worker of independent contractor status	
			Low estimate	High estimate	Low estimate of cost to worker	High estimate of cost to worker
			(1)	(2)	(3)	(4)
Construction workers	\$58,360	\$62,567	\$42,169	\$49,382	\$13,186	\$20,399
Truck drivers	\$57,440	\$64,474	\$41,208	\$50,713	\$13,760	\$23,266
Janitors and cleaners	\$35,930	\$36,503	\$26,148	\$28,911	\$7,592	\$10,355
Home health and personal care aides	\$34,900	\$36,130	\$25,167	\$28,411	\$7,719	\$10,963
Retail sales workers	\$33,690	\$34,195	\$25,337	\$27,901	\$6,294	\$8,858
Housekeeping cleaners	\$34,660	\$35,213	\$25,215	\$27,880	\$7,333	\$9,999
Landscaping workers	\$38,090	\$38,698	\$27,736	\$30,665	\$8,033	\$10,962
Customer service reps/ call center workers	\$42,830	\$43,514	\$31,219	\$34,513	\$9,000	\$12,294
Security guards	\$38,370	\$38,982	\$27,941	\$30,892	\$8,090	\$11,041
Light truck delivery drivers	\$44,140	\$49,545	\$31,606	\$38,911	\$10,634	\$17,939
Manicurists and pedicurists	\$34,660	\$36,133	\$25,647	\$29,077	\$7,056	\$10,486

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**Notes:** The low estimate of the value to worker of job as an independent contractor is calculated as the occupation's median annual earnings via regular pay, which excludes supplemental pay, paid leave, and employer contributions to health insurance and retirement plans. The high estimate is calculated as regular pay plus the dollar value of employer contributions to health insurance and retirement plans. Some differences may not be exact due to rounding.

**Source:** Economic Policy Institute analysis of data from the Bureau of Labor Statistics' (BLS) National Compensation Survey's Employer Costs for Employee Compensation data and the BLS' Occupational Employment and Wage Statistics data.

(See **Appendix Table 2** and **Appendix Table 3** for a detailed breakdown of costs to

workers by occupation and state for independent contractors with and without compensation for health and retirement benefits.)

The cost of misclassification ranges from \$5,774 annually for housekeeping cleaners in Mississippi to \$31,326 for truck drivers in New Jersey. This range of estimates reflects the fact that misclassified workers stand to lose more in higher-wage states and occupations where the W-2 earnings of employees are greater. Even so, losses are substantial across all states.

## The cost to social insurance

Social insurance consists of government programs funded by dedicated payroll taxes paid by workers and/or employers, which entitle workers to benefits when they experience qualifying events—such as reaching retirement age (Social Security and Medicare), being laid off (unemployment insurance), or being injured on the job (workers' compensation). When a worker is misclassified as an independent contractor, the entire cost of Social Security and Medicare contributions is shifted to the worker.<sup>6</sup> Misclassification also renders workers ineligible for participation in state and federal unemployment insurance and workers' compensation programs.

Misclassification does not just shift the full burden of social insurance to workers—it also reduces the total revenues received by the social insurance system. This occurs for several reasons. First, unemployment insurance and workers' compensation systems receive no contributions from independent contractors—though it is worth noting that this in no way ensures that these workers will not need to rely on public safety net programs if they are laid off or injured on the job. Second, independent contractors in the occupations we analyze may earn less than they would as employees, because, for example, they are no longer legally entitled to the minimum wage, overtime protections, and are highly unlikely to receive any paid time off. Because Social Security contributions are a percentage of earnings (and the taxable maximum is not binding in these occupations), lower pay translates directly into lower contributions.

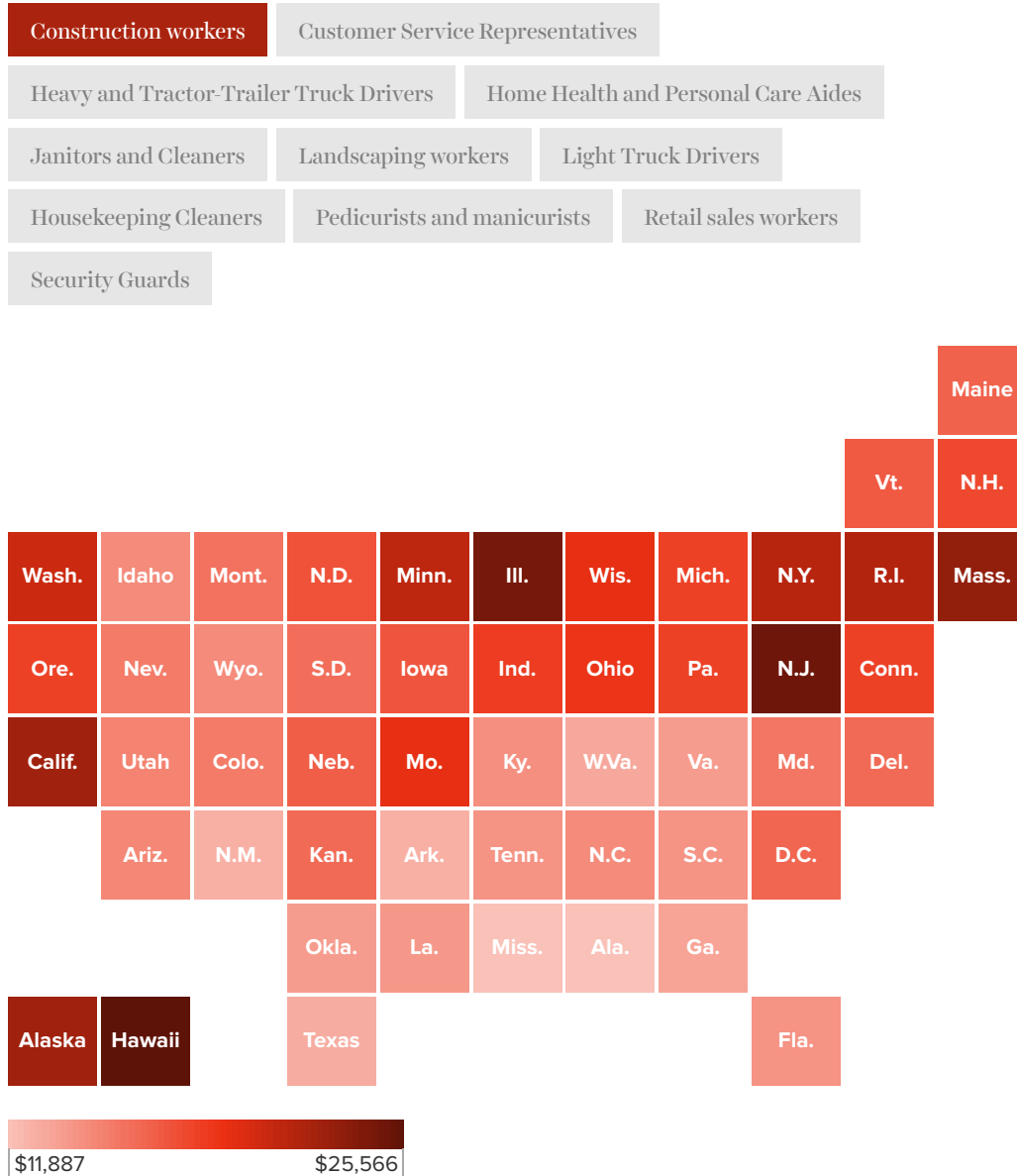
**Table 2** illustrates the impact of worker misclassification on payments to social insurance funds in the 11 occupations analyzed above. For example, the typical construction worker classified as an employee and their employer jointly contributed a total of \$10,663 toward these social insurance programs in 2025. When misclassified as an independent contractor, total payments toward social insurance programs fall to between \$7,617 and \$8,920 per construction worker (using the same two scenarios described above). This represents a decline in social insurance revenues between \$1,743 and \$3,046 per construction worker per year.

Under our scenario 1 assumptions (where employers do not increase pay to compensate independent contractors for their lack of employer-provided health and retirement benefits), total contributions to social insurance fall from between 21% (\$1,220) for manicurists/pedicurists and 29% (\$3,046) for construction workers. Under our scenario 2 assumptions (where employers increase pay enough to fully compensate independent

Figure A

## Wrongful misclassification costs workers thousands of dollars per year

Median per-worker cost of being misclassified as an independent contractor, by occupation and state, 2025 dollars



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**Note:** Estimates represent the difference between a value job to a W-2 employee compared with an independent contractor when an independent contractor receives no compensation for health and retirement benefits.

**Source:** EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation 2025Q4 and Occupational Employment and Wage Statistics Research Estimates by State and Industry May 2024 data.

contractors for health and retirement benefits), payments to social insurance drop by

somewhat less—10% (\$601) for manicurists/pedicurists and 16% (\$1,743) for construction workers—due to the higher base pay.

## Mapping the cost to social insurance funds by state

Expanding this methodology to states reveals how misclassification deprives social insurance funds of crucial dollars needed to maintain crucial programs, such as unemployment insurance and workers' compensation. **Figure B** maps the difference in contributions to social insurance funds between W-2 employees and independent contractors under scenario 1, where we assume employers do not compensate independent contractors for health and retirement benefits. The median cost to social insurance funds ranges from \$654 per person annually for housekeeping cleaners in Mississippi to \$4,008 for construction workers in Hawaii. See **Appendix Table 4** and **Appendix Table 5** for a detailed breakdown of costs to social insurance funds by occupation and state for the full range of estimates for independent contractors with and without compensation for health and retirement benefits.

## Recent state and federal policy changes

*Strong statutory language, like the ABC test, provides the legal foundation for identifying misclassification*

Given the high stakes of misclassification for workers' access to fundamental rights and protections, embedding strong legal definitions in state and federal law is fundamental to ensuring that employees are not improperly classified as independent contractors.

The ABC test is the strongest, most protective test for determining employee status. The test establishes a presumption that an individual performing services for an employer is an employee—not an independent contractor—unless the employer can establish three factors:

1. The work is done without the direction and control of the employer;
2. The work is performed outside the usual course of the employer's business; and
3. The work is done by someone who has their own, independent business or trade doing that kind of work.

The ABC test differs from other “tests” of employee status such as the National Labor Relations Act (NLRA) “common law” test and the Fair Labor Standards Act (FLSA) “economic realities” test because the ABC test shifts the presumption to one of employee status, places the burden on the employer to prove independent contractor status, and provides a clear, narrow definition of independent contractor status. In turn, this

Table 2

## Summary of range of losses to social insurance of independent contractor status, by representative occupations, 2025 dollars

Occupations	Median annual w-2 earnings	Total employer and employee contributions to social insurance, employee status	Total contributions to social insurance, independent contractor status		Total cost to social insurance programs of independent contractor status	
			Low estimate	High estimate	Low estimate	High estimate
Construction workers	\$58,360.00	\$10,662.95	\$7,617.24	\$8,920.18	\$1,742.78	\$3,045.71
Truck drivers	\$57,440.00	\$10,160.69	\$7,443.76	\$9,160.76	\$999.93	\$2,716.93
Janitors and cleaners	\$35,930.00	\$6,156.54	\$4,723.31	\$5,222.44	\$934.10	\$1,433.23
Home health and personal care aides	\$34,900.00	\$5,926.34	\$4,546.14	\$5,132.14	\$794.21	\$1,380.20
Retail sales workers	\$33,690.00	\$5,902.26	\$4,576.84	\$5,039.91	\$862.35	\$1,325.41
Housekeeping cleaners	\$34,660.00	\$5,938.93	\$4,554.70	\$5,036.19	\$902.74	\$1,384.23
Landscaping and groundskeeping workers	\$38,090.00	\$6,526.65	\$5,010.09	\$5,539.22	\$987.43	\$1,516.57
Customer service representatives	\$42,830.00	\$7,338.84	\$5,639.40	\$6,234.38	\$1,104.46	\$1,699.45
Security guards	\$38,370.00	\$6,574.63	\$5,047.26	\$5,580.29	\$994.34	\$1,527.37
Light truck drivers	\$44,140.00	\$7,808.02	\$5,709.31	\$7,028.75	\$779.27	\$2,098.71
Manicurists and pedicurists	\$34,660.00	\$5,852.93	\$4,632.79	\$5,252.41	\$600.51	\$1,220.14

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**Notes:** The low estimate of the value to worker of job as an independent contractor is calculated as the occupation's median annual earnings via regular pay, which excludes supplemental pay, paid leave, and employer contributions to health insurance and retirement plans. The high estimate is calculated as regular pay plus the dollar value of employer contributions to health insurance and retirement plans. Some differences may not be exact due to rounding. For further details, see "Heidi Shierholz, 'EPI comments on independent contractor status under the Fair Labor Standards Act,'" October 26, 2020.

**Source:** Economic Policy Institute analysis of data from the Bureau of Labor Statistics' (BLS) National Compensation Survey's Employer Costs for Employee Compensation data and the BLS' Occupational

reduces the likelihood that workers are misclassified and lose protections they should be guaranteed under the law as employees.

The strength of frameworks used to determine employee status is highly varied across states. At least **18 states** and the District of Columbia currently use the ABC test for determining employee status for certain workplace laws. Some states have taken action recently. In addition to pursuing strong, innovative **enforcement strategies** to combat misclassification, New Jersey’s labor department proposed a **new administrative rule** in 2025 to codify into state law the agency’s existing ABC test for preventing independent contractor misclassification (the rule has since been paused). This year, a **West Virginia bill** proposed establishing a new ABC test into state law.

However, the number of states with ABC tests has decreased in the past decade, with some states **weakening or repealing** their statutory definitions as a result of lobbying efforts by digital platform companies (e.g. Uber) and other industries whose business models depend on designating large numbers of workers as “independent contractors.” While most states with ABC tests apply them to determine workers’ eligibility for unemployment insurance benefits, only a few states apply them to wage and hour standards like the minimum wage and overtime compensation, and some states have them in place only for workers in certain occupations.

*Strong enforcement mechanisms allow lawmakers to protect workers and hold employers accountable*

While strong legal tests provide a basis for determining whether an employee has been misclassified as an independent contractor, they must be paired with strong enforcement mechanisms to uphold workers’ rights and deter employers from violating the law. Many states are taking steps to strengthen enforcement. In 2025 and 2026, lawmakers in at least 12 states proposed or passed legislation to address worker misclassification. For example, Delaware **passed a law** in 2025 to hold contractors liable when their subcontractors misclassify workers, Colorado **enacted a law** to penalize employers that willfully misclassify workers, and Minnesota **enacted a law** requiring the state labor agency to study the impact of misclassification on workers and state revenue. In 2026, lawmakers in at least eight additional states<sup>7</sup> have proposed legislation to address worker misclassification, and two states (Virginia and Washington) have sent approved legislation to the governor.

At the same time, attacks also continued in 2026. Bills in several states proposed weakening existing ABC tests and excluding certain occupations from being subject to the tests. Other bills proposed establishing **corporate-backed sham** “portable benefits” schemes that promise some limited (but often inaccessible) benefits for gig workers while locking them out of full coverage under standard state programs and protections by treating them as “independent contractors.”<sup>8</sup>

Strong enforcement is important, *and* whether a given situation will be subject to



enforcement depends on the strength of a state’s statutory definitions of employment. Both strong legal tests and enforcement are critical to protecting workers from being misclassified.

## Policy recommendations

Policymakers at the federal, state, and local levels should act to curb misclassification and enforce the rights to which all workers should be entitled. Unfortunately, federal protections from misclassification are limited, and recent progress to address misclassification has been undermined. For example, the ABC test is not currently part of any federal workplace laws. In 2024, the Department of Labor **finalized a rule** to combat misclassification by adopting a six-factor test to determine worker classification under wage and hour laws. However, the Trump administration stopped enforcing the 2024 rule and **recently** proposed replacing it with a weaker standard. Given federal retrenchment, state lawmakers have an opportunity and responsibility to strengthen existing state standards.

State and federal policymakers should:

- Establish or expand the use of a strong, uniform protective legal test for determining employee status, such as the ABC test;<sup>9</sup>
- Strengthen enforcement and increase penalties to deter the misclassification of workers as independent contractors;
- Pass the Protecting the Right to Organize (PRO) Act,<sup>10</sup> which would make it harder for employers to misclassify employees in order to prevent them from forming a union and bargaining collectively;
- Strengthen enforcement of wage theft and misclassification, and fully fund the federal and state agencies responsible for enforcing workers’ wage and hour rights;
- Require employers to provide workers with transparent statements of their employment status and a justification for their classification;
- Extend basic wage and hour protections, workplace health and safety protections, paid sick leave, and other protections to independent contractors to discourage misclassification as a “race to the bottom” for workers’ rights; and
- Improve coordination among state and federal tax and labor enforcement agencies by establishing interagency misclassification task forces with dedicated resources and staff and strong co-enforcement partnerships capable of effectively cracking down on misclassification in targeted industries.<sup>11</sup>

## Methodology

Since there are no comprehensive private or public data sources on workers misclassified as independent contractors, we apply a methodology that makes use of available

Table 3

### Average compensation profile for construction workers, 2025

Compensation component	Cost per hour worked	Ratio of compensation to pay
Pay (wages, salaries, supplemental pay, vacation, holiday, sick, personal)	\$40.58	100.0%
Wages and salaries	\$35.47	87.4%
Supplemental pay (e.g., overtime)	\$2.52	6.2%
Paid leave (vacation, holiday, sick, personal)	\$2.59	6.4%
Insurance benefits and retirement benefits	\$6.03	14.9%
Legally required benefits (Social Security, Medicare, federal and state unemployment insurance, and workers' compensation)	\$4.31	10.6%
Total compensation	\$50.92	125.5%

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**Note:** Totals may not sum exactly due to rounding.

**Source:** Bureau of Labor Statistics, Employer Costs for Employee Compensation, "Table 4. Employer Costs for Employee Compensation for private industry workers by occupational and industry group," December 2025.

employee total compensation and earnings data to estimate the costs of misclassification. For each of the 11 occupations included in our analysis, we begin with the average compensation profile drawn from the Bureau of Labor Statistics' (BLS) Employer Costs for Employee Compensation (ECEC) database. This profile provides a breakdown of average employer costs for employee compensation in the private sector. As an example, **Table 3** presents the average hourly compensation profile for construction workers broken into its component parts. We take the ratio of the individual compensation components to regular pay—which includes wages, salaries, supplemental pay, and paid leave—to estimate the ratio of compensation to pay.

Next, we apply the ratios of total compensation to pay to median annual earnings obtained from the BLS' Occupational Employment and Wage Statistics data (OEWS). This gives us estimates of the regular pay, supplemental pay, paid leave, and insurance and retirement benefits for a W-2 employee. We then calculate the net value to the worker as an employee based on the sum of all pay, paid leave, insurance and benefits, minus Social Security and Medicare taxes.

From here, we model two possible ways that the value of a job to a worker can change if the employee is misclassified as an independent contractor. In both scenarios, we assume that the worker, if classified as an independent contractor, receives the full regular pay of a W-2 employee, does not receive supplemental pay (like overtime or paid time off), must pay the full employer and employee contribution to Social Security and Medicare (15.3% of earnings), and must cover paperwork costs like invoicing, bookkeeping, and small business tax filings. We calculate paperwork costs by updating the methodology used in

2020 comments on independent contractor status under the Fair Labor Standards Act.<sup>12</sup> The difference in the two scenarios is in our assumptions about the degree to which the employer increases the base pay of independent contractors, if at all, to offset the fact that the worker does not have access to many rights and benefits.

1. In the first scenario, we assume employers do not compensate independent contractors for health and retirement benefits. This generates our low estimate of the value to workers of independent contractor jobs—along with the *high* estimate of the cost to workers of independent contractor jobs.
2. In the second scenario, we assume that employers fully compensate independent contractors for the cost of health insurance and retirement benefits that employers would have paid to the same worker working as an employee. This generates our high estimate of the value to workers of independent contractor jobs, along with the low estimate of the cost to workers of independent contractor jobs.

## State estimates

Estimates of the cost of misclassification by state and occupational group are produced similarly to national estimates, using compensation data from the BLS' ECEC data and state earnings data from the BLS' OEWS data.

Compensation profiles can be obtained from the ECEC that detail the total hourly cost of compensating a worker, including the share of total compensation derived from regular pay, insurance and retirement benefits, and legally required benefits. A ratio of compensation to pay can be calculated from these profiles by dividing each compensation component by regular pay, as in Table 3.

The ECEC does not have compensation profiles for occupational groups at the state level. They do, however, have compensation profiles for all workers, for all workers by occupation, and for all workers by census division, which we combine to estimate compensation profiles for occupational groups at the census division level. **Table 4** illustrates this procedure using construction workers in New England as an example. First, we create compensation to pay ratios for private-sector workers at the national level, for each occupational group (e.g. construction workers), and for each census division (e.g. New England). Next, we divide the occupation-specific ratio by the national ratio and multiply this quotient by the census division ratio. This yields a unique compensation to pay ratio for New England construction workers, which is then mapped onto all states within this respective census division. This procedure is followed for all occupational groups and census divisions to produce compensation to pay ratios for all 50 states and the District of Columbia.

We apply the state- and occupation-specific compensation to pay ratios to state and occupation median annual earnings obtained from BLS' OEWS data. This gives us estimates of total compensation that comes from regular pay, supplemental pay, paid leave, and insurance and retirement benefits for W-2 employees across all states and occupations.

Table 4

## Procedure for creating ECEC compensation to pay ratios for occupational groups, by state

	a	b	c	d
Compensation component ratio	National (all workers)	Construction workers (nationally)	New England (all workers)	New England construction workers
Pay (wages, salaries, supplemental pay, vacation, holiday, sick, personal)	100.0%	100.0%	100.0%	100.0%
Wages and salaries	85.7%	87.4%	85.5%	87.9%
Supplemental pay (e.g., overtime)	5.0%	6.2%	3.7%	4.6%
Paid leave (vacation, holiday, sick, personal)	9.3%	6.4%	10.9%	7.5%
Insurance benefits and retirement benefits	13.4%	14.9%	14.9%	16.5%
Legally required benefits (Social Security, Medicare, federal and state unemployment insurance, and workers' compensation)	8.8%	10.6%	8.5%	10.2%
Total compensation	122.3%	125.5%	123.4%	126.7%
				= (b ÷ a) × c

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**Notes:** Pay is calculated as the sum of wages and salaries, supplemental pay, and paid leave; The components of pay are normalized, and forced to equal 100%, by dividing each by their sum. Total compensation is calculated as the wages and salaries, supplemental pay, paid leave, insurance and retirement benefits, and legally required benefits.

**Source:** EPI analysis Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2025Q4 data.

As in the national estimates, the cost of misclassification to both workers and to social insurance funds is calculated by comparing the net value of a job for a W-2 employee with that of an independent contractor under two scenarios: with and without compensation for health and retirement benefits. Appendix Tables 2–5 provide detailed breakdowns of these costs in both net dollar amounts and percentage differences relative to W-2 employees.

## Notes

1. National Employment Law Project, *Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries*, October 2020.
2. Meghan Racklin, Molly Weston Williamson, and Dina Bakst, "State Leadership on Anti-Discrimination Protections for Independent Contractors," *Future of Work Blog* (A Better Balance), April 22, 2020.

3. Margaret Poydock, Lynn Rhinehart, and Celine McNicholas, *Flexible Work: What Workers, Especially Low-Wage Workers, Really Want And How Best To Provide It*, Economic Policy Institute, July 2024.
4. Françoise Carré, *(In)dependent Contractor Misclassification*, Economic Policy Institute, June 2015; Government Accountability Office, *Employee Misclassification: Improved Coordination, Outreach, and Targeting Could Better Ensure Detection and Prevention*, GAO-09–717, August 2009.
5. For discussions of occupations where workers are particularly vulnerable to misclassification as independent contractors, see Annette Bernhardt, Sarah Thomason, Chris Campos, Allen Prohofsky, Aparna Ramesh, and Jesse Rothstein, *Independent Contracting in California: An Analysis of Trends and Characteristics Using Tax Data*, UC Berkeley Labor Center and California Policy Lab, March 2022; Françoise Carré, *(In)dependent Contractor Misclassification*, Economic Policy Institute, June 2015; National Employment Law Project, *Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries*, October 2020; and Lisa Xu and Mark Erlich, *Economic Consequences of Misclassification in the State of Washington*, Harvard Labor and Worklife Program, December 2019.
6. When workers are employees, they pay the employee share of Social Security and Medicare (7.65% of W-2 earnings). Their employers also make identical payments to Social Security and Medicare.
7. Arizona HB 2463, Illinois HB 2794, Iowa HB 2385, Kentucky HB 449, Virginia SB 644, Washington SB 6302, West Virginia HB 4571, and Wisconsin AB 1160.
8. See, for example, New Jersey A 1184, California SB 527, and Georgia HB 987.
9. Lynne Rhinehart et al. *Misclassification, the ABC Test, and Employee Status*, Economic Policy Institute, June 2021.
10. Celine McNicholas, Margaret Poydock, and Lynne Rhinehart, *Why Workers Need the Protecting the Right to Organize Act*, Economic Policy Institute, February 2021.
11. For more on interagency misclassification task forces, see Rebecca Smith, *Public Task Forces Take on Employee Misclassification: Best Practices* (policy brief), National Employment Law Project, updated August 2020. For more on co-enforcement partnerships, see Janice Fine, Daniel Galvin, Jenn Round, and Hana Sheperd, “Strategic Enforcement and Co-enforcement of U.S. Labor Standards Are Needed to Protect Workers Through the Coronavirus Recession,” *Boosting Wages for U.S. Workers in the New Economy* series, Washington Center for Equitable Growth, January 2021.
12. Heidi Shierholz, “EPI comments on independent contractor status under the Fair Labor Standards Act,” comments submitted on behalf of the Economic Policy Institute to Division of Regulations, Legislation, and Interpretation (Wage and Hour Division) Director Amy DeBisschop, October 26, 2020.

The IRS estimates that business taxpayers spend 13 more hours than nonbusiness taxpayers doing their taxes. If we conservatively assume that independent contractors spend 30 minutes per week on other (non-tax) paperwork costs that they wouldn't have to spend if they were a payroll employee, that, plus the additional 13 hours spent on taxes, is an additional 39 hours of paperwork per year. This is equivalent to 1.8% of pay, or \$880 annually for an independent contractor who earns \$48,887 in regular pay annually.

Additionally, we estimate these paperwork costs as the annual purchase of basic bookkeeping

Appendix  
Table 1

## Demographic shares of select occupations, 2025

Occupation	Total employed (thousands)	Women	White	Black	Hispanic	AAPI	Other race	Immigrant	
								Naturalized US citizen	Not a US citizen
Construction laborers	8,340	4.3%	48.3%	6.3%	42.0%	2.2%	1.2%	8.7%	25.4%
Customer service representatives	2,604	64.8%	51.8%	17.4%	22.6%	7.0%	1.3%	7.2%	5.6%
Driver/sales workers and truck drivers	3,584	7.8%	49.3%	19.5%	25.7%	5.0%	0.5%	12.4%	10.5%
Home health aides	725	86.0%	29.5%	27.8%	28.6%	13.0%	1.2%	25.4%	19.5%
Janitors and building cleaners	2,340	36.2%	43.5%	16.4%	35.6%	3.3%	1.3%	11.5%	21.1%
Landscaping and groundskeeping workers	1,113	7.9%	41.0%	9.4%	47.5%	1.2%	0.9%	7.8%	30.5%
Maids and housekeeping cleaners	1,392	86.4%	29.3%	13.8%	49.8%	5.7%	1.5%	17.5%	38.3%
Manicurists and pedicurists	276	85.0%	12.5%	4.9%	14.6%	67.0%	1.0%	46.2%	22.7%
Personal care aides	1,840	79.7%	38.8%	26.7%	23.1%	9.9%	1.6%	15.9%	11.5%
Retail salespersons	2,665	47.1%	58.9%	13.2%	20.5%	6.4%	1.1%	7.4%	6.8%
Security guards and gambling surveillance officers	964	22.9%	36.1%	35.7%	21.2%	5.4%	1.7%	8.4%	5.8%
All occupations	163,493	47.1%	58.1%	12.6%	20.0%	8.2%	1.1%	9.7%	9.4%

Economic Policy Institute

**Notes:** AAPI refers to Asian American and Pacific Islander. Race and ethnicity are mutually exclusive (i.e. White non-Hispanic, Black non-Hispanic, Hispanic any race, AAPI non-Hispanic, Other, non-Hispanic).

**Source:** Authors' analysis of the Current Population Survey Outgoing Rotation Group microdata, EPI Current Population Survey Extracts, Version 2026.3.11, <https://microdata.epi.org>.

software (\$114 on the lowest end, using FreshBooks, see <https://www.freshbooks.com/pricing>, accessed October 16, 2024), self-employed tax filing software for federal taxes (\$129, using TurboTax, <https://turbotax.intuit.com/personal-taxes/online/live/>, accessed October 16, 2024) and state taxes (\$64, using TurboTax).

## Data appendix

Appendix Table 2 **The cost of misclassification to workers, low and high estimates, net difference relative to**

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
Alabama	\$7,941	\$11,887	\$6,818	\$9,077	\$12,624	\$20,768	\$5,035	\$6,944	\$5,643	\$7,495
Alaska	\$14,898	\$22,680	\$8,891	\$11,977	\$15,912	\$26,523	\$8,682	\$12,172	\$8,602	\$11,584
Arizona	\$9,962	\$14,864	\$7,625	\$10,111	\$11,231	\$18,290	\$7,762	\$10,699	\$7,157	\$9,483
Arkansas	\$8,410	\$12,792	\$7,733	\$10,432	\$13,855	\$23,181	\$6,090	\$8,528	\$5,899	\$7,932
California	\$14,798	\$22,526	\$10,339	\$13,946	\$14,955	\$24,914	\$8,703	\$12,201	\$8,203	\$11,041
Colorado	\$10,320	\$15,403	\$9,163	\$12,172	\$13,396	\$21,854	\$8,161	\$11,256	\$7,311	\$9,691
Connecticut	\$11,420	\$18,454	\$9,163	\$12,880	\$14,377	\$25,311	\$8,821	\$12,893	\$7,568	\$10,615
Delaware	\$10,700	\$16,202	\$9,208	\$12,363	\$14,019	\$23,216	\$7,936	\$11,063	\$6,263	\$8,374
District of Columbia	\$10,842	\$16,420	\$9,371	\$12,583	\$15,470	\$25,640	\$8,202	\$11,439	\$7,958	\$10,670
Florida	\$9,459	\$14,304	\$7,619	\$10,211	\$13,797	\$22,846	\$7,361	\$10,253	\$6,279	\$8,396
Georgia	\$8,835	\$13,350	\$7,686	\$10,301	\$13,809	\$22,865	\$6,590	\$9,166	\$6,285	\$8,404
Hawaii	\$16,781	\$25,566	\$8,492	\$11,434	\$14,613	\$24,341	\$8,586	\$12,035	\$6,674	\$8,963
Idaho	\$9,802	\$14,622	\$6,752	\$8,942	\$12,284	\$20,023	\$7,292	\$10,044	\$7,149	\$9,473
Illinois	\$15,505	\$24,535	\$9,110	\$12,667	\$14,704	\$25,673	\$8,308	\$12,069	\$8,064	\$11,199
Indiana	\$11,739	\$18,530	\$7,915	\$10,988	\$15,159	\$26,475	\$7,822	\$11,354	\$7,075	\$9,810
Iowa	\$10,831	\$17,279	\$7,673	\$10,720	\$14,127	\$24,854	\$7,776	\$11,351	\$6,663	\$9,292
Kansas	\$10,281	\$16,391	\$7,859	\$10,982	\$14,791	\$26,033	\$7,627	\$11,131	\$6,569	\$9,159
Kentucky	\$9,597	\$14,398	\$7,044	\$9,382	\$12,794	\$21,050	\$6,410	\$8,874	\$5,993	\$7,967
Louisiana	\$9,159	\$13,946	\$7,202	\$9,708	\$12,013	\$20,072	\$5,246	\$7,328	\$5,799	\$7,796
Maine	\$10,371	\$16,741	\$9,876	\$13,892	\$12,812	\$22,529	\$8,530	\$12,464	\$7,914	\$11,107
Maryland	\$10,389	\$15,727	\$7,894	\$10,583	\$13,248	\$21,928	\$8,202	\$11,439	\$7,411	\$9,929
Massachusetts	\$14,309	\$23,171	\$9,739	\$13,698	\$14,428	\$25,401	\$8,906	\$13,020	\$9,565	\$13,451
Michigan	\$11,635	\$18,365	\$8,334	\$11,578	\$13,617	\$23,757	\$7,960	\$11,556	\$7,476	\$10,372
Minnesota	\$13,376	\$21,382	\$9,928	\$13,908	\$14,870	\$26,174	\$8,376	\$12,238	\$7,930	\$11,083
Mississippi	\$7,976	\$11,939	\$6,890	\$9,175	\$13,048	\$21,472	\$5,674	\$7,841	\$5,415	\$7,187
Missouri	\$12,233	\$19,539	\$8,115	\$11,345	\$12,658	\$22,244	\$8,085	\$11,807	\$7,111	\$9,925
Montana	\$10,599	\$15,824	\$7,110	\$9,421	\$13,532	\$22,077	\$7,228	\$9,954	\$7,542	\$9,999
Nebraska	\$10,641	\$16,972	\$7,618	\$10,642	\$14,644	\$25,771	\$7,863	\$11,480	\$6,579	\$9,174
Nevada	\$10,412	\$15,541	\$7,513	\$9,960	\$13,503	\$22,030	\$6,469	\$8,897	\$6,003	\$7,938

Appendix Table 2 (cont.)

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
New Hampshire	\$11,073	\$17,888	\$9,725	\$13,678	\$13,693	\$24,095	\$8,886	\$12,990	\$7,794	\$10,936
New Jersey	\$15,336	\$24,901	\$9,961	\$14,073	\$17,625	\$31,326	\$8,993	\$13,233	\$7,920	\$11,162
New Mexico	\$8,499	\$12,658	\$7,652	\$10,147	\$10,929	\$17,793	\$6,264	\$8,610	\$6,025	\$7,967
New York	\$13,351	\$21,653	\$9,972	\$14,088	\$14,845	\$26,346	\$8,586	\$12,628	\$8,177	\$11,529
North Carolina	\$9,700	\$14,674	\$7,543	\$10,108	\$11,817	\$19,538	\$6,934	\$9,650	\$6,359	\$8,505
North Dakota	\$11,057	\$17,643	\$7,934	\$11,089	\$13,618	\$23,950	\$8,781	\$12,836	\$7,626	\$10,654
Ohio	\$12,054	\$19,033	\$8,010	\$11,122	\$14,695	\$25,656	\$7,872	\$11,428	\$6,706	\$9,291
Oklahoma	\$9,012	\$13,719	\$7,268	\$9,798	\$13,882	\$23,228	\$6,011	\$8,415	\$6,418	\$8,640
Oregon	\$12,055	\$18,320	\$9,062	\$12,209	\$15,514	\$25,855	\$9,409	\$13,202	\$8,151	\$10,971
Pennsylvania	\$11,327	\$18,341	\$7,993	\$11,267	\$14,820	\$26,302	\$8,251	\$12,129	\$7,349	\$10,348
Rhode Island	\$13,395	\$21,678	\$8,459	\$11,880	\$14,910	\$26,257	\$9,658	\$14,131	\$7,669	\$10,759
South Carolina	\$9,340	\$14,123	\$7,579	\$10,157	\$13,029	\$21,562	\$6,753	\$9,396	\$5,946	\$7,945
South Dakota	\$10,042	\$16,006	\$7,465	\$10,426	\$14,501	\$25,518	\$8,108	\$11,842	\$6,995	\$9,761
Tennessee	\$9,435	\$14,152	\$7,351	\$9,795	\$13,071	\$21,511	\$6,885	\$9,540	\$5,936	\$7,890
Texas	\$8,573	\$13,042	\$7,675	\$10,353	\$13,395	\$22,405	\$6,295	\$8,819	\$6,378	\$8,585
Utah	\$10,066	\$15,021	\$7,588	\$10,062	\$13,483	\$21,998	\$7,510	\$10,348	\$6,133	\$8,112
Vermont	\$10,625	\$17,156	\$11,668	\$16,437	\$15,189	\$26,753	\$8,768	\$12,815	\$8,206	\$11,521
Virginia	\$9,064	\$13,700	\$7,581	\$10,160	\$13,683	\$22,656	\$7,648	\$10,658	\$6,546	\$8,757
Washington	\$13,610	\$20,704	\$9,996	\$13,479	\$15,691	\$26,152	\$10,265	\$14,414	\$8,701	\$11,719
West Virginia	\$8,682	\$13,116	\$7,742	\$10,377	\$11,909	\$19,691	\$6,040	\$8,391	\$6,115	\$8,173
Wisconsin	\$12,343	\$19,493	\$8,387	\$11,652	\$14,088	\$24,588	\$8,192	\$11,898	\$7,746	\$10,751
Wyoming	\$9,850	\$14,694	\$7,933	\$10,523	\$14,344	\$23,414	\$6,252	\$8,594	\$7,180	\$9,515

**Notes:** Estimates represent the difference between a value job to a W-2 employee compared to an independent contractor under two models. The low estimate is calculated as the difference when the independent contractor receives no compensation for health and retirement benefits.

**Source:** EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2025Q4 Occupational Employment and Wa

Appendix Table 3 **The cost of misclassification to workers, low and high estimates, percent difference relative to**

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
Alabama	-20.4%	-30.5%	-19.9%	-26.5%	-20.2%	-33.2%	-20.7%	-28.5%	-20.1%	-26.7%
Alaska	-22.3%	-33.9%	-22.0%	-29.7%	-22.3%	-37.2%	-22.6%	-31.6%	-22.1%	-29.7%
Arizona	-20.5%	-30.6%	-20.1%	-26.7%	-20.6%	-33.6%	-20.6%	-28.4%	-20.2%	-26.8%
Arkansas	-21.2%	-32.2%	-20.7%	-27.9%	-21.0%	-35.1%	-21.4%	-30.0%	-20.9%	-28.2%
California	-22.3%	-33.9%	-21.9%	-29.6%	-22.4%	-37.3%	-22.6%	-31.6%	-22.1%	-29.7%
Colorado	-20.5%	-30.5%	-20.0%	-26.6%	-20.5%	-33.5%	-20.6%	-28.4%	-20.2%	-26.7%
Connecticut	-20.8%	-33.7%	-20.9%	-29.4%	-21.5%	-37.9%	-21.7%	-31.8%	-21.0%	-29.5%
Delaware	-21.0%	-31.8%	-20.6%	-27.7%	-21.1%	-35.0%	-21.3%	-29.7%	-20.9%	-28.0%
District of Columbia	-21.0%	-31.8%	-20.6%	-27.6%	-21.1%	-34.9%	-21.2%	-29.6%	-20.7%	-27.8%
Florida	-21.1%	-31.9%	-20.7%	-27.8%	-21.1%	-35.0%	-21.3%	-29.7%	-20.9%	-28.0%
Georgia	-21.1%	-31.9%	-20.7%	-27.8%	-21.1%	-35.0%	-21.5%	-29.8%	-20.9%	-28.0%
Hawaii	-22.2%	-33.9%	-22.1%	-29.7%	-22.4%	-37.3%	-22.6%	-31.6%	-22.3%	-29.9%
Idaho	-20.5%	-30.6%	-20.2%	-26.8%	-20.6%	-33.6%	-20.7%	-28.5%	-20.2%	-26.8%
Illinois	-21.7%	-34.3%	-21.3%	-29.6%	-21.6%	-37.6%	-21.8%	-31.6%	-21.4%	-29.7%
Indiana	-21.8%	-34.4%	-21.4%	-29.7%	-21.5%	-37.6%	-21.8%	-31.7%	-21.5%	-29.8%
Iowa	-21.0%	-33.5%	-20.7%	-29.0%	-21.0%	-36.9%	-21.2%	-31.0%	-20.9%	-29.1%
Kansas	-21.0%	-33.5%	-20.7%	-29.0%	-21.0%	-36.9%	-21.2%	-31.0%	-20.9%	-29.1%
Kentucky	-20.2%	-30.4%	-19.9%	-26.5%	-20.2%	-33.2%	-20.4%	-28.3%	-20.0%	-26.6%
Louisiana	-21.1%	-32.1%	-20.7%	-27.9%	-21.1%	-35.2%	-21.6%	-30.2%	-21.0%	-28.2%
Maine	-20.9%	-33.7%	-20.8%	-29.3%	-21.6%	-37.9%	-21.8%	-31.8%	-21.0%	-29.5%
Maryland	-21.0%	-31.8%	-20.7%	-27.8%	-21.1%	-35.0%	-21.2%	-29.6%	-20.8%	-27.8%
Massachusetts	-20.7%	-33.6%	-20.8%	-29.3%	-21.5%	-37.9%	-21.7%	-31.8%	-20.9%	-29.3%
Michigan	-21.8%	-34.4%	-21.4%	-29.7%	-21.6%	-37.7%	-21.8%	-31.7%	-21.5%	-29.8%
Minnesota	-20.9%	-33.4%	-20.5%	-28.8%	-21.0%	-36.9%	-21.2%	-30.9%	-20.7%	-29.0%
Mississippi	-20.4%	-30.5%	-19.9%	-26.5%	-20.2%	-33.2%	-20.6%	-28.4%	-20.2%	-26.7%
Missouri	-20.9%	-33.4%	-20.7%	-28.9%	-21.0%	-37.0%	-21.2%	-31.0%	-20.8%	-29.0%
Montana	-20.4%	-30.5%	-20.2%	-26.8%	-20.5%	-33.5%	-20.7%	-28.5%	-20.1%	-26.7%
Nebraska	-21.0%	-33.5%	-20.7%	-29.0%	-21.0%	-36.9%	-21.2%	-31.0%	-20.9%	-29.1%
Nevada	-20.5%	-30.5%	-20.2%	-26.7%	-20.5%	-33.5%	-20.8%	-28.6%	-20.4%	-26.9%

Appendix Table 3 (cont.)

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
New Hampshire	-20.9%	-33.7%	-20.9%	-29.3%	-21.5%	-37.9%	-21.7%	-31.8%	-21.0%	-29.5%
New Jersey	-21.1%	-34.3%	-21.1%	-29.8%	-21.6%	-38.3%	-21.9%	-32.2%	-21.3%	-30.0%
New Mexico	-20.6%	-30.7%	-20.1%	-26.7%	-20.7%	-33.6%	-20.8%	-28.7%	-20.4%	-26.9%
New York	-21.2%	-34.4%	-21.1%	-29.8%	-21.6%	-38.4%	-21.9%	-32.2%	-21.3%	-30.0%
North Carolina	-21.1%	-31.9%	-20.8%	-27.8%	-21.2%	-35.1%	-21.4%	-29.8%	-20.9%	-28.0%
North Dakota	-21.0%	-33.5%	-20.7%	-29.0%	-21.0%	-36.9%	-21.1%	-30.9%	-20.7%	-29.0%
Ohio	-21.8%	-34.4%	-21.4%	-29.7%	-21.6%	-37.6%	-21.8%	-31.7%	-21.6%	-29.9%
Oklahoma	-21.1%	-32.1%	-20.7%	-27.9%	-21.0%	-35.1%	-21.4%	-30.0%	-20.8%	-28.1%
Oregon	-22.4%	-34.1%	-22.0%	-29.7%	-22.4%	-37.3%	-22.5%	-31.6%	-22.1%	-29.7%
Pennsylvania	-21.3%	-34.5%	-21.3%	-30.0%	-21.6%	-38.4%	-21.9%	-32.3%	-21.4%	-30.1%
Rhode Island	-20.8%	-33.6%	-21.0%	-29.4%	-21.5%	-37.8%	-21.7%	-31.7%	-21.0%	-29.5%
South Carolina	-21.1%	-31.9%	-20.8%	-27.8%	-21.2%	-35.0%	-21.4%	-29.8%	-21.0%	-28.1%
South Dakota	-21.0%	-33.5%	-20.8%	-29.0%	-21.0%	-36.9%	-21.2%	-30.9%	-20.8%	-29.1%
Tennessee	-20.2%	-30.4%	-19.8%	-26.4%	-20.2%	-33.2%	-20.3%	-28.2%	-20.0%	-26.6%
Texas	-21.1%	-32.2%	-20.7%	-27.9%	-21.0%	-35.2%	-21.4%	-29.9%	-20.9%	-28.1%
Utah	-20.5%	-30.6%	-20.1%	-26.7%	-20.5%	-33.5%	-20.7%	-28.5%	-20.3%	-26.9%
Vermont	-20.9%	-33.7%	-20.7%	-29.2%	-21.5%	-37.8%	-21.7%	-31.8%	-21.0%	-29.5%
Virginia	-21.1%	-31.9%	-20.8%	-27.8%	-21.1%	-35.0%	-21.3%	-29.7%	-20.9%	-28.0%
Washington	-22.3%	-34.0%	-21.9%	-29.6%	-22.3%	-37.2%	-22.4%	-31.5%	-22.0%	-29.7%
West Virginia	-21.1%	-31.9%	-20.7%	-27.8%	-21.2%	-35.1%	-21.5%	-29.9%	-21.0%	-28.0%
Wisconsin	-21.8%	-34.4%	-21.4%	-29.7%	-21.6%	-37.7%	-21.8%	-31.6%	-21.4%	-29.8%
Wyoming	-20.5%	-30.6%	-20.1%	-26.7%	-20.5%	-33.5%	-20.8%	-28.7%	-20.2%	-26.8%

**Notes:** Estimates represent the percentage difference in the value of a job to a W-2 employee compared to an independent contractor under two models. The low estimate reflects the percentage difference when the independent contractor receives health and retirement benefits. The high estimate reflects the percentage difference when the independent contractor receives no compensation for health and retirement benefits.

**Source:** EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2025Q4 Occupational Employment and Wages by State.

Appendix Table 4 **The cost of misclassification to social insurance funds, low and high estimates, net difference**

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
Alabama	\$889	\$1,601	\$640	\$1,048	\$708	\$2,179	\$374	\$719	\$525	\$859
Alaska	\$2,144	\$3,550	\$1,159	\$1,717	\$1,357	\$3,274	\$959	\$1,589	\$1,120	\$1,659
Arizona	\$1,379	\$2,264	\$908	\$1,357	\$905	\$2,180	\$777	\$1,307	\$850	\$1,270
Arkansas	\$853	\$1,644	\$680	\$1,168	\$641	\$2,326	\$421	\$861	\$512	\$880
California	\$2,129	\$3,525	\$1,355	\$2,006	\$1,274	\$3,073	\$961	\$1,593	\$1,066	\$1,579
Colorado	\$1,430	\$2,348	\$1,099	\$1,642	\$1,084	\$2,612	\$818	\$1,377	\$869	\$1,299
Connecticut	\$947	\$2,218	\$713	\$1,385	\$397	\$2,372	\$529	\$1,264	\$585	\$1,135
Delaware	\$1,090	\$2,084	\$809	\$1,379	\$666	\$2,327	\$555	\$1,120	\$541	\$923
District of Columbia	\$1,105	\$2,113	\$824	\$1,404	\$736	\$2,573	\$575	\$1,159	\$695	\$1,185
Florida	\$960	\$1,835	\$665	\$1,133	\$655	\$2,289	\$513	\$1,036	\$543	\$925
Georgia	\$895	\$1,710	\$671	\$1,143	\$655	\$2,291	\$457	\$922	\$543	\$926
Hawaii	\$2,421	\$4,008	\$1,105	\$1,637	\$1,244	\$3,001	\$948	\$1,571	\$860	\$1,273
Idaho	\$1,356	\$2,226	\$800	\$1,195	\$992	\$2,390	\$728	\$1,225	\$849	\$1,269
Illinois	\$1,738	\$3,369	\$933	\$1,575	\$744	\$2,726	\$676	\$1,355	\$822	\$1,388
Indiana	\$1,308	\$2,534	\$806	\$1,361	\$768	\$2,812	\$635	\$1,273	\$717	\$1,211
Iowa	\$1,204	\$2,369	\$779	\$1,329	\$704	\$2,641	\$628	\$1,274	\$672	\$1,147
Kansas	\$1,141	\$2,245	\$798	\$1,362	\$738	\$2,768	\$615	\$1,248	\$662	\$1,130
Kentucky	\$1,081	\$1,949	\$663	\$1,085	\$717	\$2,209	\$483	\$928	\$559	\$916
Louisiana	\$931	\$1,796	\$632	\$1,084	\$554	\$2,009	\$359	\$736	\$503	\$864
Maine	\$858	\$2,008	\$771	\$1,496	\$353	\$2,108	\$511	\$1,221	\$613	\$1,189
Maryland	\$1,058	\$2,022	\$690	\$1,175	\$628	\$2,196	\$575	\$1,159	\$646	\$1,100
Massachusetts	\$1,193	\$2,794	\$760	\$1,475	\$398	\$2,380	\$534	\$1,277	\$746	\$1,448
Michigan	\$1,296	\$2,511	\$851	\$1,437	\$688	\$2,520	\$647	\$1,296	\$760	\$1,283
Minnesota	\$1,495	\$2,941	\$1,017	\$1,736	\$742	\$2,783	\$678	\$1,376	\$806	\$1,375
Mississippi	\$893	\$1,609	\$647	\$1,060	\$732	\$2,254	\$425	\$816	\$502	\$822
Missouri	\$1,364	\$2,684	\$825	\$1,409	\$629	\$2,361	\$654	\$1,326	\$719	\$1,228
Montana	\$1,470	\$2,413	\$844	\$1,261	\$1,095	\$2,639	\$721	\$1,214	\$898	\$1,341
Nebraska	\$1,182	\$2,326	\$773	\$1,319	\$730	\$2,740	\$635	\$1,288	\$663	\$1,132
Nevada	\$1,443	\$2,369	\$894	\$1,336	\$1,093	\$2,633	\$642	\$1,081	\$707	\$1,056

Appendix Table 4 (cont.)

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
New Hampshire	\$918	\$2,149	\$759	\$1,473	\$377	\$2,256	\$533	\$1,274	\$603	\$1,171
New Jersey	\$1,683	\$3,411	\$1,031	\$1,774	\$866	\$3,341	\$744	\$1,510	\$813	\$1,398
New Mexico	\$1,170	\$1,921	\$911	\$1,362	\$880	\$2,120	\$621	\$1,045	\$709	\$1,060
New York	\$1,461	\$2,960	\$1,032	\$1,775	\$727	\$2,804	\$709	\$1,439	\$840	\$1,446
North Carolina	\$986	\$1,884	\$658	\$1,121	\$559	\$1,953	\$482	\$973	\$550	\$938
North Dakota	\$1,230	\$2,419	\$806	\$1,376	\$678	\$2,544	\$712	\$1,445	\$774	\$1,320
Ohio	\$1,344	\$2,604	\$816	\$1,378	\$744	\$2,724	\$639	\$1,281	\$678	\$1,145
Oklahoma	\$916	\$1,766	\$638	\$1,095	\$642	\$2,330	\$415	\$849	\$560	\$961
Oregon	\$1,726	\$2,858	\$1,182	\$1,751	\$1,322	\$3,190	\$1,042	\$1,727	\$1,059	\$1,568
Pennsylvania	\$1,234	\$2,501	\$821	\$1,412	\$726	\$2,800	\$681	\$1,381	\$752	\$1,294
Rhode Island	\$1,115	\$2,612	\$657	\$1,275	\$412	\$2,461	\$581	\$1,389	\$593	\$1,151
South Carolina	\$948	\$1,812	\$661	\$1,127	\$618	\$2,159	\$469	\$946	\$513	\$874
South Dakota	\$1,114	\$2,191	\$757	\$1,291	\$723	\$2,713	\$656	\$1,330	\$707	\$1,207
Tennessee	\$1,063	\$1,915	\$693	\$1,134	\$733	\$2,258	\$521	\$1,000	\$554	\$906
Texas	\$870	\$1,677	\$675	\$1,159	\$619	\$2,247	\$436	\$892	\$556	\$955
Utah	\$1,393	\$2,288	\$903	\$1,350	\$1,091	\$2,629	\$751	\$1,263	\$723	\$1,080
Vermont	\$879	\$2,059	\$915	\$1,776	\$420	\$2,509	\$525	\$1,256	\$636	\$1,235
Virginia	\$919	\$1,756	\$661	\$1,127	\$649	\$2,270	\$534	\$1,078	\$567	\$967
Washington	\$1,955	\$3,236	\$1,308	\$1,938	\$1,338	\$3,227	\$1,140	\$1,889	\$1,133	\$1,679
West Virginia	\$879	\$1,680	\$676	\$1,152	\$563	\$1,969	\$417	\$842	\$528	\$900
Wisconsin	\$1,377	\$2,668	\$856	\$1,446	\$712	\$2,609	\$666	\$1,336	\$788	\$1,331
Wyoming	\$1,363	\$2,238	\$946	\$1,414	\$1,163	\$2,801	\$619	\$1,042	\$853	\$1,274

**Notes:** Estimates represent the difference in contributions to social insurance funds—Social Security, Medicare, federal and state Unemployment Insurance, and the difference when the independent contractor receives full compensation for health and retirement benefits. The high estimate reflects the difference when the

**Source:** EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2025Q4 Occupational Employment and Wages

Appendix Table E **The cost of misclassification to social insurance funds, low and high estimates, percent of**

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
Alabama	-13.3%	-24.0%	-11.1%	-18.2%	-7.1%	-21.9%	-9.4%	-18.0%	-11.1%	-18.2%
Alaska	-18.2%	-30.2%	-16.5%	-24.5%	-11.7%	-28.3%	-14.7%	-24.4%	-16.5%	-24.5%
Arizona	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%
Arkansas	-12.8%	-24.6%	-11.0%	-18.8%	-6.2%	-22.6%	-9.2%	-18.7%	-11.0%	-18.8%
California	-18.2%	-30.2%	-16.5%	-24.5%	-11.7%	-28.3%	-14.7%	-24.4%	-16.5%	-24.5%
Colorado	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%
Connecticut	-10.5%	-24.7%	-10.0%	-19.3%	-3.9%	-23.5%	-8.2%	-19.6%	-10.0%	-19.3%
Delaware	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
District of Columbia	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
Florida	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
Georgia	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
Hawaii	-18.2%	-30.2%	-16.5%	-24.5%	-11.7%	-28.3%	-14.7%	-24.4%	-16.5%	-24.5%
Idaho	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%
Illinois	-14.4%	-27.8%	-13.0%	-21.9%	-7.0%	-25.6%	-10.8%	-21.7%	-13.0%	-21.9%
Indiana	-14.4%	-27.8%	-13.0%	-21.9%	-7.0%	-25.6%	-10.8%	-21.7%	-13.0%	-21.9%
Iowa	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Kansas	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Kentucky	-13.3%	-24.0%	-11.1%	-18.2%	-7.1%	-21.9%	-9.4%	-18.0%	-11.1%	-18.2%
Louisiana	-12.8%	-24.6%	-11.0%	-18.8%	-6.2%	-22.6%	-9.2%	-18.7%	-11.0%	-18.8%
Maine	-10.5%	-24.7%	-10.0%	-19.3%	-3.9%	-23.5%	-8.2%	-19.6%	-10.0%	-19.3%
Maryland	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
Massachusetts	-10.5%	-24.7%	-10.0%	-19.3%	-3.9%	-23.5%	-8.2%	-19.6%	-10.0%	-19.3%
Michigan	-14.4%	-27.8%	-13.0%	-21.9%	-7.0%	-25.6%	-10.8%	-21.7%	-13.0%	-21.9%
Minnesota	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Mississippi	-13.3%	-24.0%	-11.1%	-18.2%	-7.1%	-21.9%	-9.4%	-18.0%	-11.1%	-18.2%
Missouri	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Montana	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%
Nebraska	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Nevada	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%

Appendix Table 5 (cont.)

State	Construction workers		Customer service reps/call center workers		Heavy and tractor-trailer truck drivers		Home health and personal care aides		Janitors and cleaners	
	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate	Low estimate	High estimate
New Hampshire	-10.5%	-24.7%	-10.0%	-19.3%	-3.9%	-23.5%	-8.2%	-19.6%	-10.0%	-19.3%
New Jersey	-13.7%	-27.8%	-13.0%	-22.3%	-6.8%	-26.3%	-11.1%	-22.5%	-13.0%	-22.3%
New Mexico	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%
New York	-13.7%	-27.8%	-13.0%	-22.3%	-6.8%	-26.3%	-11.1%	-22.5%	-13.0%	-22.3%
North Carolina	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
North Dakota	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Ohio	-14.4%	-27.8%	-13.0%	-21.9%	-7.0%	-25.6%	-10.8%	-21.7%	-13.0%	-21.9%
Oklahoma	-12.8%	-24.6%	-11.0%	-18.8%	-6.2%	-22.6%	-9.2%	-18.7%	-11.0%	-18.8%
Oregon	-18.2%	-30.2%	-16.5%	-24.5%	-11.7%	-28.3%	-14.7%	-24.4%	-16.5%	-24.5%
Pennsylvania	-13.7%	-27.8%	-13.0%	-22.3%	-6.8%	-26.3%	-11.1%	-22.5%	-13.0%	-22.3%
Rhode Island	-10.5%	-24.7%	-10.0%	-19.3%	-3.9%	-23.5%	-8.2%	-19.6%	-10.0%	-19.3%
South Carolina	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
South Dakota	-13.7%	-27.0%	-12.5%	-21.3%	-6.7%	-25.1%	-10.5%	-21.2%	-12.5%	-21.3%
Tennessee	-13.3%	-24.0%	-11.1%	-18.2%	-7.1%	-21.9%	-9.4%	-18.0%	-11.1%	-18.2%
Texas	-12.8%	-24.6%	-11.0%	-18.8%	-6.2%	-22.6%	-9.2%	-18.7%	-11.0%	-18.8%
Utah	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%
Vermont	-10.5%	-24.7%	-10.0%	-19.3%	-3.9%	-23.5%	-8.2%	-19.6%	-10.0%	-19.3%
Virginia	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
Washington	-18.2%	-30.2%	-16.5%	-24.5%	-11.7%	-28.3%	-14.7%	-24.4%	-16.5%	-24.5%
West Virginia	-12.7%	-24.3%	-10.9%	-18.6%	-6.4%	-22.5%	-9.2%	-18.6%	-10.9%	-18.6%
Wisconsin	-14.4%	-27.8%	-13.0%	-21.9%	-7.0%	-25.6%	-10.8%	-21.7%	-13.0%	-21.9%
Wyoming	-16.1%	-26.4%	-13.9%	-20.7%	-10.2%	-24.5%	-12.3%	-20.6%	-13.9%	-20.7%

**Notes:** Estimates show the percentage difference in contributions to social insurance funds—Social Security, Medicare, federal and state Unemployment Insurance. The low estimate reflects the percentage difference when the independent contractor receives full compensation for health and retirement benefits. The high estimate reflects the percentage difference when the independent contractor does not receive full compensation for health and retirement benefits.

**Source:** EPI analysis of data from the Bureau of Labor Statistics' Employer Cost for Employee Compensation (ECEC) 2025Q4 Occupational Employment and Wages by State.