

HOW TO HELP IMPROVE UNDERSTANDING OF ALTERNATIVE WORK ARRANGEMENTS AND THE GIG ECONOMY

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Comment on the Draft Department of Labor (DOL) FY 2022–2026 Strategic Plan and Evidence-Building Plan
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The US Department of Labor (DOL) has requested input on the drafts of its strategic plan and its evidence-building plan.¹ I am a senior research fellow at the Mercatus Center at George Mason University, a center dedicated to advancing knowledge about the effects of government policy on society, which includes policies and programs regarding government-collected data. Accordingly, my comment seeks to aid the DOL, and the Bureau of Labor Statistics in particular, in meeting the strategic plan’s fourth goal: “Statistical Goal—Produce Gold-Standard Statistics and Analyses.”

IMPROVING MEASUREMENTS TO ALTERNATIVE WORK ARRANGEMENTS

The world of work is changing, and there have been transformations in how people work, how often they work, and how they are paid and in several other aspects of labor market arrangements. With the rise of new technologies and changes in preferences for flexible work arrangements, public attention for the independent workforce—that is, individuals considered to have alternative work arrangements—has increased. These arrangements include freelancing, contracting, consulting, gigging, and self-employment. Even though public attention has increased, understanding of these arrangements is still limited, owing significantly to a lack of data. In this comment, I provide suggestions on how to improve measurements of the independent workforce.

1. “Comment on the Draft Department of Labor (DOL) FY 2022–2026 Strategic Plan and Evidence-Building Plan,” US Department of Labor, July 16, 2021, <https://www.dol.gov/agencies/oasam/centers-offices/performance-management-center/reports/FY2022-2026-strategic-plan>.

My comments focus on how to improve the Current Population Survey by, in particular, amending the questions that appear in the Contingent Worker Supplement (CWS). In summary, I recommend that the survey add questions regarding the following topics:

- Supplementary sources of income, particularly for nontraditional work arrangements such as jobs in the gig economy.
- Workers' motivations for seeking nontraditional work arrangements. In particular, CWS data should reveal the value of flexibility in independent work—that is, flexibility to balance work with family and other responsibilities.
- The frequency with which people use nontraditional work arrangements to compensate for loss of employment or to supplement income.
- The criminal history of workers in alternative work arrangements.
- Workers' preferences and attitudes toward portable benefits.

Currently, one of the main limitations to the survey is that it asks workers only about their main job, whereas most other data sources show that many individuals working as independent workers do so as a secondary job—especially those individuals engaged in the newer forms of work, such as work offered through gig or digital platforms. For example, using IRS tax data, Brett Collins and coauthors find that the majority of workers using online labor platforms use them for a supplemental, not primary, job. Collins and coauthors conclude, “we find that the exponential growth in labor [online platform economy] work is driven by individuals whose primary annual income derives from traditional jobs and who supplement that income with platform-mediated work.”²

Therefore, in accordance with the recommendations of the 2020 report by the Committee on National Statistics,³ the CWS should be modernized by reporting on individuals who engage in alternative work arrangements for primary or supplementary income; otherwise, the CWS will continue to underestimate the presence of workers in alternative arrangements. In particular, the survey should unpack whether workers in alternative arrangements fall into the following categories:

- a) Individuals who earn income from one independent job.
- b) Individuals who earn income from multiple different independent jobs.
- c) Individuals who earn income from independent work and traditional employment.
- d) Individuals who earn income from independent work and other nonemployment work (e.g., ownership of a business, leasing of property, or other passive sources of income).

Additionally, the survey could ask how many hours a week individuals work in their independent contracting roles. Unpacking these dimensions is fundamental to understanding these workers and for prescribing public policy because independent workers generally are outside the purview of employment benefits policies. Policy prescriptions may vary greatly, depending on, for example, whether a minority or majority of independent workers already have a full-time employment job.

2. Brett Collins et al., “Is Gig Work Replacing Traditional Employment? Evidence from Two Decades of Tax Returns” (working paper, IRS SOI Joint Statistical Research Program, March 25, 2019), 3.

3. National Academies of Sciences, Engineering, and Medicine, *Measuring Alternative Work Arrangements for Research and Policy* (Washington, DC: National Academies Press, 2020).

Also, the survey already contains a vital question on whether workers prefer to keep their alternative arrangements over having a traditional employment arrangement, and one can see how the answer to this question might vary, depending on the worker category (a, b, c, or d).

Another limitation of the survey is that it does not ask about workers' motivations for engaging in alternative work arrangements or about the extent to which flexibility is a motivation for those workers. Inquiring about the flexibility motivation is important because it has been identified as an important factor by several research papers on alternative work arrangements.⁴

Relatedly, several studies find that a loss of income may be a primary motivation for individuals to engage in alternative work arrangements.⁵ For example, using IRS tax data to understand the income trends of both online platform economy workers and traditional freelancers, one study published in *AEA Papers and Proceedings* finds that individuals turn to both types of independent work opportunities to smooth temporary income shocks after being faced with income declines or unemployment.⁶ The survey could include questions about whether individuals have been employed in the past six months, the past year, or the past one and a half years and, if they have not been, questions about whether they have been unemployed or whether they have already been earning income from alternative work arrangements.

The report from the Committee on National Statistics also recommends mapping the answers to many survey questions, including those on preferences, onto other worker characteristics, "such as educational background, age, and experience, as well as job characteristics, such as occupation, skill requirements, and industry."⁷ I concur with this recommendation and suggest one additional characteristic: previous contact with the criminal justice system. This characteristic is important because a host of research papers find that individuals who have had contact with the criminal justice system face limited employment opportunities, and a natural question is whether these individuals may find income through alternative work arrangements instead. Indeed, a 2020 Census Bureau study using data from the Paycheck Protection Program finds a high prevalence of self-employment income in the criminal justice population.⁸ Unfortunately, the data on alternative job opportunities for the criminal justice population are limited.

Moreover, the aforementioned suggested survey questions would be valuable also for understanding women in these alternative work arrangements because literature on female workforce participation and the gender wage gap suggests that flexibility is a large factor in women's distinct career and labor market choices.⁹ If the aforementioned questions include a

4. Tito Boeri et al., "Solo Self-Employment and Alternative Work Arrangements: A Cross-Country Perspective on the Changing Composition of Jobs," *Journal of Economic Perspectives* 34, no. 1 (2020): 170–95; M. Keith Chen et al., "The Value of Flexible Work: Evidence from Uber Drivers," *Journal of Political Economy* 127, no. 6 (2019): 2735–94.

5. Lawrence F. Katz and Alan B. Krueger, "The Role of Unemployment in the Rise in Alternative Work Arrangements," *American Economic Review* 107, no. 5 (2017): 388–92; Andrew Garin et al., "Is New Platform Work Different from Other Freelancing?," *AEA Papers and Proceedings* 110 (2020): 157–61; Dmitri K. Koustas, "What Do Big Data Tell Us about Why People Take Gig Economy Jobs?," *AEA Papers and Proceedings* 109 (2019): 367–71; Boeri et al., "Solo Self-Employment."

6. Garin et al., "Is New Platform Work Different than Other Freelancing?"

7. National Academies of Sciences, Engineering, and Medicine, *Measuring Alternative Work Arrangements*, 39.

8. Keith Finlay, Michael Mueller-Smith, and Brittany Smith, "Criminal Disqualifications in the Paycheck Protection Program" (Working Paper Number ADEP-WP-2020-04, Census Bureau, Washington, DC, June 2020).

9. Claudia Goldin, "A Grand Gender Convergence: Its Last Chapter," *American Economic Review* 104, no. 4 (2014): 1091–119; Allan King, "Industrial Structure, the Flexibility of Working Hours, and Women's Labor Force Participation," *Review of Economics and Statistics* 60, no. 3 (1978): 399–407; Guy Standing, "Global Feminization through Flexible Labor," *World*

demographic breakdown, the CWS will enhance public understanding of women’s participation in alternative work arrangements.

A final limitation of the CWS is that it does not report on the demand for portable benefits, despite there being scholarly and public interest in understanding whether workers in alternative work arrangements might prefer access to a portable benefits fund, which would fund benefits not tied to a particular job or employer. In a research paper published in the *Journal of Economic Perspectives* in 2020, economists Tito Boeri and coauthors find preliminary evidence that 80 percent of self-employed workers would prefer access to a flexible or portable benefits fund.¹⁰ Their paper also unpacks the exact types of benefits self-employed individuals would like (in the United States, the top choice was health insurance), and it attempts to measure willingness to pay for those benefits. In addition to its questions asking about health insurance and retirement plans, the CWS could include a handful of questions relating to whether demand exists for access to these benefits through a shared portable or flexible fund.

Development 17, no. 7 (1989): 1077–95; Guy Standing, “Global Feminization through Flexible Labor: A Theme Revisited,” *World Development* 27, no. 3 (1999): 583–602.

10. Boeri et al., “Solo Self-Employment.”