Methods and Milestones (Handout 2)

Proviso

Commerce must convene an advisory committee to provide assistance with the development of the study, comprised of: individuals from the public and private sector with expertise in labor law; individuals from business and industry; representatives of labor unions, and nonprofit organizations promoting economic security and educational opportunity.

The report must include information on the needs of workers earning income as independent contractors including sources of income, the amount of income derived from independent work, and a discussion of the benefits provided to such workers.

Committee milestones and project timelines

Phase 1-August to October, 2018

Committee meeting 1: Refine study objectives; select procurement team members

- Procurement team provides input on firm qualifications, scoring methodology, statement of work, and scores bids.
- Commerce issues procurement, schedules interviews, issues notifications, and negotiates contract
- Commerce hosts a data session for committee members to review known data sources and limitations to be included in the final interim report; members provide input on research questions and strategies to close information gaps (late September)

Phase 2 October to December, 2018

Committee meeting 2: Focus group/survey design session (half-day late October)

- Commerce works with contractor and subject matter experts on question development and testing based on criteria put forth by committee
- Commerce finalizes and issues interim report by November 1st.
- Commerce creates draft study outline; obtains custom Census tables; performs literature review and gathers additional resources as needed or identified by the committee

Phase 3-December to March, 2019

Committee meeting 3: Review and discuss project status and preliminary survey results (late February)

- Contractor completes initial research, possibly to include focus group work, cognitive interviewing, and field testing
- Contractor provides preliminary report to Commerce, possibly to include launch of survey
- Committee reviews study outline and provides feedback on topics and content via videoconference and email, or in-person (January)
- Commerce completes first working draft of study describing the project's purpose, work of the committee, methods and data sources; incorporates technical information about worker classification, the state of research on existing policy models, and descriptive analysis from custom tables

Phase 4-March to June, 2019

Committee meeting 4: Review and provide feedback on draft study; discuss information gaps, and future research recommendations (late March)

- Commerce closes out contract with receipt of all final deliverables
- Commerce vets study findings with subject matter experts
- Commerce completes final draft of study
- Commerce completes internal and external editing and review cycles; issues final report

Research methods overview

Surveys

Telephone surveys are generally the most expensive, and response rates tend to be lower. This is because it is increasingly harder to get people on the phone, and it is unclear whether respondents are able to distinguish between a marketing call and a legitimate survey which impacts the quality of the information received.

Online surveys are the least expensive, and can be implemented quickly. Respondents without access to the internet would be excluded from the research. Mail surveys are also less expensive than telephone surveys, and response rates tend to be lower. Data collection and quality can be impacted by whether respondents follow directions and provide complete and/or legible information.

Focus groups and interviews

Focus groups are an important step to inform survey question design so that information sought can be reasonably obtained from the populations you are trying to reach. Focus groups, unlike interviewing, capture diverse respondent profiles. Interviews are used to go into more depth on a particular subject or module, and are particularly helpful in testing survey response outcomes.

Descriptive analysis

Washington-specific self-employment statistics taken from existing survey data helps triangulate survey data by verifying job characteristics, worker demographics, and industry and occupational break-outs. Custom tables can be obtained directly from the Census bureau or through small direct services contracts with research and academic institutions.

Triangulation

Data triangulation assists in validation by cross-checking data from multiple sources to search for regularities. Methodological triangulation involves using more than one method to study a phenomenon which is valuable to guard against intrinsic bias and broaden insight into different issues underlying the phenomena being studied.

Others-To be identified

Research questions-examples

1. To what extent do workers perform independent contract work throughout the state?
2. How many workers report income generated from independent contracting as their main or secondary source of income/hours?
3. Are there meaningful differences in income levels and benefits coverage between workers who earn income from non-wage sources and those who earn income primarily from wages?
4. How many workers identify sources of income from online platforms, and by type of platform?
5. What are the most common occupations for independent contractors?

Current research issues

There is growing evidence of major discrepancies between what workers report on household surveys and administrative tax records. Trends on self-employment show a decline since 1979, while IRS records show a clear increase. This is concerning from the perspective of being able to accurately understand current labor market trends.

There is virtually no information about how, when, and why workers supplement their income or earnings. And, independent contract work is spread across industries and occupational groups, creating meaningful variation in terms of job characteristics and worker demographics. Reasons for discrepancies between administrative tax records and household surveys are unknown. Discrepancies could be reflective of differences in the definition of "self-employment", misclassification of employees or underreporting.
The Upjohn Institute and University of Maryland are currently working on a study for the Russel Sage Foundation to assist in narrowing the gap between how workers self-identify on household surveys and report income for tax purposes.

The US Treasury Department's Office of Tax Analyses recently published a study that differentiates self-employed tax filers based on whether their income is comprised of a return from labor, or a combination of returns from labor and capital. This approach uses itemized business expenses to determine the size of an enterprise, and whether income is derived from organizing multiple factors of production, or primarily from labor.

Data sources and limitations

The best data source to measure prevalence of independent contracting, sources of income, and benefits coverage comes from federal administrative tax records. Gaining access to IRS data requires submitting a project proposal, and if successful, negotiating a data sharing agreement. It may be possible to obtain limited Washington 1099 data through existing contracts with qualified researchers if given approval by the IRS.

What can be observed about independent contracting in Washington from existing data sets is limited to what workers report as their main source of income on federal household surveys administered by the Census Bureau, e.g., Current Population Survey, American Community Survey, and the Annual Social and Economic Supplement.

Due to a small sample size, it is not possible to breakout Washington-specific information from the Contingent Worker Survey, administered by Census in partnership with the Bureau of Labor Statistics.

The best data source to measure needs of workers comes from the Survey of Household Economics and Decisionmaking (SHED) administered by the Federal Reserve Board of

Governors. This annual survey captures data on household economic well-being such as schedule stability, access to benefits, credit outcomes, and financial literacy. It is not possible to obtain state-specific data from the SHED survey, however, the surveys modules can help inform survey design related to identifying needs of workers.

State administrative records, such as business licenses and excise taxes, provide the number of registered sole proprietorships that both actively report and are in non-reporting status for purposes of state tax liability. Employee demographics, wages, and hours are available through the unemployment insurance wage file. And, there is data on businesses that choose to opt-in for worker’s compensation coverage. State data sources do not provide for individual sources of income or itemized business expenses; therefore, it is not possible to distinguish between registered businesses and self-employed individuals who may or may not earn a majority of their income as independent contractors.