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## The Independent Contractor Workforce: New Evidence on Its Size and Composition and Ways to Improve Its Measurement in Household Surveys

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# The Independent Contractor Workforce: New Evidence on Its Size and Composition and Ways to Improve Its Measurement in Household Surveys

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## **The Independent Contractor Workforce: New Evidence on Its Size and Composition and Ways to Improve Its Measurement in Household Surveys**

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### **ABSTRACT**

Good data on the size and composition of the independent contractor workforce are elusive, with household survey and administrative tax data often disagreeing on levels and trends. We carried out a series of focus groups to learn how self-employed independent contractors speak about their work. Based on these findings, we designed and fielded a large-scale telephone survey to elicit more accurate and complete information on independent contractors, including those who may be coded incorrectly as employees in conventional household survey data and those who are independent contractors in a secondary work activity. We find that, upon probing, roughly one in 10 workers who initially reports working for an employer on one or more jobs (and thus is coded as an employee) is in fact an independent contractor on at least one of those jobs. Incorporating these miscoded workers into estimates of work arrangement on the main job nearly doubles the share who are independent contractors, to about 15 percent of all workers. Young workers, less-educated workers, workers of color, multiple-job holders, and those with low hours are more likely to be miscoded. Taking these workers into account substantively changes the demographic profile of the independent contractor workforce. Our research indicates that probing in household surveys to clarify a worker's employment arrangement and identify all low-hours work is critical for accurately measuring independent contractor work.

**JEL Classification Codes:** C83, J41, J46, L24, M55

**Key Words:** independent contractor, self-employment, work arrangements, survey design, miscoding, secondary work

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Independent contractors are a subset of the self-employed. According to the Internal Revenue Service, independent contractors generally are people “who are in an independent trade, business, or profession in which they offer their services to the general public.”<sup>1</sup> They include workers with a wide range of skills and pay, such as freelance consultants providing technical services to businesses; drivers providing rideshare services through platforms like Uber and Lyft; and informal workers providing home maintenance, child care, and elder care services. Independent contractors are distinct from self-employed workers who have other types of businesses, such as a shop or restaurant. As self-employed workers, independent contractors do not enjoy many of the basic rights and protections afforded to W-2 employees. For example, they are not covered by wage and hours laws, do not have the right to unionize, and are not eligible for workers’ compensation or unemployment insurance. They also are not eligible for employer-provided benefits, such as retirement plans and health insurance.

Federal and state law stipulates the circumstances under which businesses may legally classify workers who provide them with labor services as independent contractors instead of as employees. While the details have varied over time and by state, in general the law requires that independent contractors must have considerable autonomy over how the work they perform is done. Reflecting concerns that many businesses classify workers, especially low-wage workers, as independent contractors to avoid the legal liabilities and costs associated with having employees, the Biden administration has committed to stepping up the pace of enforcement actions against businesses that misclassify workers in violation of current rules (Kullgren and Penn 2021). In addition, it has proposed tightening federal regulations governing the

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<sup>1</sup> See IRS, “Independent Contractor Defined.” <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-defined>

classification of workers as independent contractors, reversing the loosening of these regulations during the Trump administration (Telford 2022).

The urgency for policy action to address independent contractor issues depends on the size and composition of this workforce. Good data on independent contracting, however, are sparse. Large nationally representative household surveys, such as the Current Population Survey (CPS) and the American Community Survey (ACS), do not collect information on independent contracting per se, and because independent contractors are not employees, they are rarely captured in business surveys or in data provided by businesses to federal and state agencies for administrative purposes. Recent studies have used federal and state administrative tax data to estimate the size of the independent contractor workforce and how it has grown (Jackson, Looney, and Ramnath 2017; Collins et al. 2019; Lim et al. 2019; Bernhardt et al. 2021), but income from this type of self-employment is known to be significantly underreported in tax data. Moreover, administrative tax data, like data derived from other administrative sources and from business surveys, lack the rich demographic information that can be collected in household surveys.

The Contingent Worker Supplement (CWS) to the CPS was developed by the Bureau of Labor Statistics to help fill the data gap on independent contracting as well as on other alternative work arrangements. The CWS has been conducted six times between 1995 and 2017. Data from the CWS, which collects information only on a worker's main job, suggest that independent contractor employment constitutes a relatively small share of all employment—between 6.3 and 7.4 percent—and has exhibited no trend increase over the 22-year period that the survey has been fielded. In addition, while workers in independent contractor arrangements are heterogeneous, CWS data indicate that they are disproportionately White men and have

higher average earnings than traditional employees (Abraham and Houseman 2020). As described in this paper, however, mounting evidence from a variety of sources suggests that the CWS may substantially undercount independent contracting.

The motivation for the research described in this paper is to explore better ways to measure contract work in household surveys, including contract work on both main jobs and secondary jobs. To this end, we contracted with Gallup to include a contract work module on a nightly telephone household survey it conducted. Gallup administered the module in four waves in 2018 and 2019. It yielded over 60,000 completed responses from adults aged 18–80. To guide the development of our survey module questions, we conducted six focus groups composed of individuals who engaged in independent contractor work, were socioeconomically and racially diverse, and lived in urban, suburban, and rural areas. Among other things, our focus groups revealed that many individuals who are engaged in independent contract work think of themselves as employed by their clients and may not answer standard employment questions about their employment arrangement in the way intended.

Consistent with the qualitative evidence from our focus groups, data from the Gallup Contract Work Module show that a sizable minority (9–11 percent) of those who initially report being employed by an organization indicate, upon probing, that they are independent contractors, not employees, on at least one job that they currently hold. A comparison of findings from the Gallup module with those from the 2017 CWS reveals that, without these miscoded employees, the level of independent contracting on workers' main job and the demographic distribution of independent contractors in the Gallup module is similar to that in the CWS. Accounting for those who are miscoded as employees, however, the independent contractor share of employment roughly doubles in the Gallup module. Moreover, while we find that the incidence of miscoding

is high among all demographic groups, it is disproportionately higher among those with low educational attainment and among minorities, changing the overall demographic pattern of the independent contract workforce. More specifically, after accounting for miscoded employees in the Gallup module, the overall incidence of independent contracting on the main job in the Gallup module is higher among Black and Hispanic workers compared to White workers, and higher among those with no more than a high school education compared to those with greater educational attainment. We argue that the high levels of miscoding we observe likely reflect not only confusion among workers about their employment status, but also question wording in household surveys that implicitly assumes that individuals who are working for an organization are hired as employees rather than working on a contract basis.

The incidence of secondary work activity also is considerably higher in the Gallup module than in the main CPS, with the higher level of secondary self-employment (both independent contractor and other self-employment) and informal work in the Gallup module explaining most of the difference. We attribute this finding to the fact that the Gallup module encouraged the reporting of very-low-hours work and probed about self-employment and informal work. Independent contractors, particularly those who are miscoded as employees, have an especially high incidence of secondary job holding in the Gallup module.

Additionally, we study contract company work, which occurs when employers subcontract their workers to other organizations. Although the overall incidence of such subcontracting is low in our data, we find that it is substantially higher among those who are hired by an employer as independent contractors than among those who are hired as employees. To our knowledge, our study is to the first to provide estimates of such multilevel contracting in

which workers hired as independent contractors by one organization are subcontracted to another organization.

The remainder of the paper is organized as follows. In the next section, we review previous studies that examine measurement of employee and self-employment work, including independent contracting, in household surveys and other data sources. We discuss disagreement in estimates across sources and evidence of potential undercounting of self-employment in major household surveys. We also briefly describe key observations from the focus groups that we conducted while developing our survey module. Next, we introduce the Gallup Contract Work Module. We discuss the module's questions and their wording, comparing them to similar questions in other household surveys and highlighting how various features of the module may help overcome challenges to the measurement of nonemployee work and secondary work activities. In the following section, we describe our empirical findings, with a focus on the extent of independent contractors being miscoded as employees and how this varies across demographic groups and between the Gallup Contract Work Module and the CWS. We also examine secondary job holding and contract company work, noting the particularly high incidence of these arrangements among independent contractors and especially among independent contractors who are miscoded as employees. Finally, we discuss the implications of our results for improving question wording in standard household surveys for more accurate measurement of independent contracting and, more broadly, self-employment.

## **BACKGROUND**

Workers fall into two broad categories—wage and salary workers, who are employed by an organization, and self-employed workers, who are in business for themselves. Self-



employment may take different forms, including providing labor services as an independent contractor. In recent years, considerable attention has focused on work obtained through online platforms. From a legal perspective, online platform workers generally are independent contractors, though the provisions that govern how these workers are classified have been evolving. The CPS and other household surveys ask respondents who identify as being self-employed whether their business is incorporated. Published CPS statistics count the incorporated self-employed as wage and salary workers, but these individuals can be separately identified in the microdata, and for the purposes of our analysis we include them among the self-employed.

The Contingent Worker Supplement (CWS) to the CPS, administered six times to date and most recently in May 2017, seeks to identify several types of alternative work arrangements, including independent contractor arrangements. Questions about independent contractor status are asked of everyone who is coded in the main survey questionnaire as self-employed, whether incorporated or not incorporated, but these questions are asked only of a subset of those who are coded as employees. In the CWS, workers generally are assigned to a single work arrangement category and the independent contractor questions designed for employees are not asked of those who said they are paid by a temporary help agency, are an on-call or day laborer, or work for a company that contracts out their services. Some on-call workers and day laborers likely are independent contractors, but the CWS does not attempt to collect that information.

The CPS collects information about second jobs from a quarter of the monthly sample (those in the so-called outgoing rotation groups), but the CWS asks about work arrangements only on a person's main job. Additional household survey information on self-employment comes from the Annual Social and Economic Supplement (ASEC) to the CPS. The ASEC is

fielded each spring and asks about earnings over the previous year from both wage and salary employment and self-employment.

Existing research suggests that standard household surveys may do a poor job of measuring self-employment, especially work as an independent contractor. The literature points to two separate measurement issues—miscoding of people as employees when in fact they are independent contractors and underreporting of self-employment work. There is considerable uncertainty, however, about the extent of these measurement problems.

Miscoding may arise if workers are confused about their employment relationship or do not interpret the questions as intended. The CWS provides suggestive evidence that the monthly CPS miscodes some independent contractors as employees. Among the independent contractors identified in the 1995 CWS, 15 percent had been coded as wage and salary workers in the monthly CPS; among those identified in the 1997 CWS, 12 percent had been coded as wage and salary workers (Cohany 1996, 1998). For reasons discussed later in the paper, the CWS questions likely do not capture all of the independent contractors who initially were miscoded as employees, meaning that the miscoding problem likely is larger than these numbers suggest.

Abraham et al. (2021) provide additional evidence on the potential miscoding of self-employed individuals as employees. Using ASEC records linked to tax records for the same people in the same years, they identify individuals who report only wage and salary income in the ASEC and only self-employment income on their tax returns. In 2015, there were an estimated 5 million such people; adding them to the number estimated in the ASEC with income from unincorporated self-employment would have raised the ASEC unincorporated self-

employment count in that year by nearly 45 percent.<sup>2</sup> The number of people reporting the opposite pattern—income only from unincorporated self-employment in the ASEC and only wage and salary income on their tax returns—was considerably smaller, about 1.4 million people.<sup>3</sup> Reporting one’s employment and earnings over the prior year, as is done in the ASEC, may be more difficult than reporting one’s work activity during the prior week, as is done in the monthly CPS. Still, the two surveys use the same questions to categorize jobs as wage and salary versus self-employment (the longest job during the year in the ASEC and the job held last week in the monthly CPS). The large number of people incorrectly reporting earnings from a wage and salary job rather than self-employment income in the ASEC suggests problems with how these questions are answered.

Underreporting of self-employment may occur if individuals doing non-employee work do not think of themselves as self-employed and do not report that work in response to standard household survey questions. Two recent studies using MTurk samples have investigated the potential underreporting of informal work by asking survey respondents the standard battery of CPS employment questions, then following up by asking about informal work the standard questions may have missed. As a follow-up question, Katz and Krueger (2019) asked, “Did you work on any gigs, HITs or other small paid jobs last week that you did not include in your response to the previous question?”<sup>4</sup> Because they were active on MTurk, most of their survey respondents likely did such work. Almost two-thirds said there was informal work they had not included when answering the standard CPS employment questions. Abraham and Amaya (2019)

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<sup>2</sup> Abraham et al. (2021) consider individuals to have had income from unincorporated self-employment if they a) reported self-employment income on the longest job during the year and this job was unincorporated self-employment or b) reported any income from self-employment other than on the longest job.

<sup>3</sup> These may have been self-employed individuals who owned an incorporated business but said in the ASEC that their main job was unincorporated self-employment.

<sup>4</sup> An HIT (or a human intelligence task) is a small online assignment or exercise.

asked those not reporting other employment, “Sometimes people who don’t have a job do other things to earn money. Did you do other things to earn money last week?” Those who had already reported a job or business were asked an appropriately modified version of this question.

Accounting for the additional work uncovered by these questions raised the overall employment rate in Abraham and Amaya’s sample by a few percentage points and had a dramatic effect on the multiple job-holding rate. A limitation of both these studies is that the results are based on MTurk samples that are not representative of the population as a whole. The findings nonetheless suggest that the employment questions on the monthly CPS may not do a good job of capturing informal work and that this work can be identified by asking more probing questions.

Other studies have attempted to measure the prevalence of informal work among samples representative of U.S. adults. Robles and McGee (2016) analyze data from the Enterprising and Informal Work Activities (EIWA) survey fielded by the Federal Reserve Board in October and November of 2015. They find that, during the six months prior to the survey date, 36 percent of the adult population had participated in informal work that involved either selling or renting property or providing services. For more than half of those reporting these activities, informal work was a complement to a formal job. The estimate from the 2016 Survey of Household Economics and Decisionmaking (SHED), which included similar questions, is that 28 percent of adults earned money from informal work during the month prior to the survey. More than two-thirds of those reporting informal work also had full-time or part-time jobs (Abraham and Houseman 2019). The two waves of the Survey of Informal Work Participation (SIWP) carried out during 2015 asked whether respondents were “currently engaged” in informal paid activity or side jobs, exclusive of selling property, renting property, or responding to surveys. Overall, an estimated 18.5 percent of household heads were currently engaged in labor-intensive informal

employment. Most of those reporting informal work also had a formal job, but accounting for informal employment nonetheless raised the estimated employment rate among household heads in the SIWP from 65.1 percent to 69.6 percent (Bracha and Burke 2021). An important caveat is that the EIWA, the SHED, and the SIWP all were administered to people who were members of an online survey panel. Engagement in informal work could well be higher among those willing to participate in an online panel than among the general population. At least in the SHED, however, even after excluding all informal work done by anyone who reported any online work, the estimated prevalence of informal work activity remained substantial (Abraham and Houseman 2019).

Taking a different approach, Allard and Polivka (2018) used data from the American Time Use Survey (ATUS) to gauge the effects of accounting for informal work on rates of employment and multiple job holding. The ATUS, which uses the CPS as a sampling frame, includes CPS-style questions about individuals' labor force status and collects information on each respondent's allocation of time during a 24-hour period. Allard and Polivka focus on time devoted to labor-intensive income-generating activities such as hobbies, crafts, food, performances, or services that are not part of a job or business. They estimate that, in the ATUS over the 2012–2016 period, accounting for such activities would have raised the employment count by between 0.4 and 3.0 percent and raised the multiple job-holding count by between 3.0 and 20.7 percent. In both cases, the range reflects uncertainty about the extent to which average daily participation in such activities reflects the same people engaging in the activity on multiple days as opposed to different people engaging in the activity on different days. These estimates also rely on the ATUS accurately capturing time devoted to the full range of informal income-generating activities.

Abraham et al. (2021) provide additional evidence on underreporting of self-employment in household survey data in their study using ASEC data linked to tax information. They estimate that, in 2015, there were 2.8 million people with no earned income in the ASEC who reported self-employment income on their tax returns and 6.3 million people with only wage and salary income in the ASEC who reported both wage and salary and self-employment income on their tax returns. Adding these 9.1 million people to those reporting self-employment income in the ASEC would have raised the ASEC self-employment count by almost 80 percent.<sup>5</sup> Although there also are people who report self-employment income in the ASEC that is missing from their tax returns, this count is only about half as large as the reverse reporting pattern (4.8 million versus 9.1 million).

Abramowitz (2022) provides further evidence regarding the reporting of self-employment in household surveys. She examines the self-employment reported by adults aged 53 and older in the 2004–2016 waves of the Health and Retirement Study (HRS) and compares that information to estimates of self-employment for the same age groups in the ASEC. The structure and wording of the HRS questions about income from self-employment arguably are better designed than the ASEC questions to cue reports of such activity, in that they begin by asking explicitly whether the respondent earned any income from self-employment during the previous year. In addition, in contrast to the ASEC, the HRS generally does not allow proxy responses. Interestingly, perhaps for these reasons, Abramowitz (2022) finds that the self-employment rates for older workers in various age brackets are on the order of 13–18 percentage points higher in the HRS than in the

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<sup>5</sup> Garin, Jackson, and Koustas (2022) present evidence that the growth in self-employment over time as measured in tax data may be overstated, reflecting changes in reporting behavior rather than a true increase. Their findings suggest that earlier readings of self-employment from tax data may have been too low, but not that the 2015 reading is too high.

ASEC. These results are of interest because they suggest that how the questions in household surveys are asked can make a significant difference to the answers obtained.

## **FOCUS GROUPS WITH CONTRACT WORKERS**

To better understand why independent contractor work may not be captured in many existing household surveys, we began our research by convening a series of focus groups. We sought to understand how individuals who are independent contractors think about and speak about their work, and what their answers suggest about how they would respond to typical survey questions regarding work arrangements. We used insights from these focus groups to develop questions for our Gallup survey module. For some questions, we randomized respondents to different question versions to test how alternate wording affects respondents' answers. After developing the survey instrument, we subjected it to cognitive testing, as did the Gallup organization, and this testing led to some refinement of question wording.

Focus groups were especially appropriate for our purposes because they allowed us to ask open-ended questions and to take advantage of the group dynamic to generate new information (Liamputtong 2011). Participants could respond to our questions with any terms they use for contract work and self-employment, not only terms that have been used on previous surveys. They also could respond to and build on the suggestions made by other group members.

We conducted six in-person focus groups in and around a Midwestern U.S. city. Using personal contacts and partnerships with community organizations, we recruited 22 people who engaged in various types of independent contractor work to participate in the focus groups. Because we wanted to capture the broadest possible set of attitudes and terms, our selection strategy was to *sample for range* (Small 2009). Participants' ages ranged from the early 20s to

the mid-60s; educational levels ranged from less than high school to professional degree; racial and ethnic identities included White, Black, and Hispanic; and residence and work locations included urban, suburban, and rural places. Each focus group lasted about an hour. The conversations were audio-recorded and transcribed, and we analyzed them for terminology and common themes.

Our focus groups suggest several reasons why standard household surveys may miscode or fail to capture independent contractor work.

### **Working for an Organization but Self-Employed**

Employment sections on surveys frequently ask respondents if they are working for or employed by an organization, and if so, code them as employees. If some contractors respond to this question by thinking of the organization they “work for,” they may be miscoded as employees. In our focus groups, participants typically described *working for* their clients. Kenneth said he had “worked for” a large financial services firm as an IT consultant.<sup>6</sup> Brianna said she had “worked for” an auction house—first as an unpaid intern, then as a salaried employee, and finally as an independent contractor. Her sense that she was “working for” the organization seemed unaffected by changes in her formal work arrangement.

In many cases, participants knew that they were independent contractors even as they described working for an organization. They sometimes used the word “technically” to distinguish between the *practical* and *legal* work relationships between a worker and a controlling or lead organization. George, a self-employed journalist, noted that he typically tells people he works for the local newspaper: “I don’t want to take the time to try to explain, okay, *technically* I don’t work for the [newspaper name].”

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<sup>6</sup> All names used in this section are pseudonyms.



While some independent contractors may understand their contractual arrangement and still describe themselves as “working for” an organization, others, in fact, may believe they are employees of their client. During the cognitive testing phase, we interviewed Gloria, a woman who walked dogs for five clients. The cognitive testing revealed that Gloria considered herself as having five employers and being an employee of each. Nonetheless, we confirmed with her that none of her “employers” took any taxes out of her pay and that she was working for them as an independent contractor.

Independent contractors who have ongoing contracts with one or a small number of organizations may be less likely than others to be identified as independent contractors in existing survey data because they may not think of themselves as finding their own customers. In the CWS question on independent contracting that was asked of survey respondents who were coded as employees on their main job, an independent contractor is defined as “someone who obtains customers on their own to provide a product or service.” Many of our participants, especially those in the predominately White focus groups, described long-term contracting arrangements with organizations such as school districts, nonprofit organizations, and firms of all sizes. Workers in these arrangements generally were not actively looking for new clients, nor did they use the words “client” or “customer” to refer to the organizations for which they worked. Platform workers also may not think of themselves as finding their own clients because the platform helps them connect with those needing their services, and, in some cases, they may not think of themselves as having customers or clients. Those who had experience driving for Uber, for instance, spoke of themselves as “working for” Uber; they did not think of individual riders as customers or clients.

Our focus groups also revealed that the label “self-employed” sometimes carries negative connotations. While some focus group members expressed pride in working for themselves and “being the boss,” others indicated that they or others they knew would be reluctant to describe themselves as self-employed because the income was “erratic and unstable” and because, they believed, people resorted to that type of work only when they could not obtain a traditional employee job. George, the freelance journalist, said, “I thought self-employed people were bozos who just couldn’t get a real job. Then I realized, wait a minute, I guess I fall into that category... I realized I shouldn’t be ashamed of it.”

### **Common Terms to Capture Independent Contracting Arrangements Mean Different Things to Different People**

To measure independent contracting, the CWS asks respondents if they are “independent contractors, independent consultants, or freelance workers.” People’s understanding of these terms varied widely, however, among our focus group members. Although independent contracting encompasses a wide range of jobs, for many focus group participants, the term “independent contractor” or simply “contractor” was associated narrowly with the skilled trades or construction work. As Andy said, “Usually if there’s a house or something needs to be built, an independent contractor gets the money, then he’ll bid it out to different people who he wants to do the different types of work.” Many associated freelance work with project-based professional work in the arts, journalism, or white-collar consulting. Few of our participants thought of platform work, such as work for Uber, Lyft, Doordash, Instacart, Amazon Flex, Upwork, or MTurk, as contract work or independent contracting. Indeed, Kenneth specifically excluded Uber and other nonprofessional work from his definition of independent contracting: “[Independent contracting] is like, ‘Hey, we’re going to contract you to work for X months on

this.’... That does go with web design and stuff like that, but not necessarily a masseuse or the Uber driver even—that’s something different.”

The term “gig work” has become popular in recent years to describe on-demand, short-term independent contractor work that is often done through online platforms or apps.<sup>7</sup> However, we found that the phrase “gig work” fell flat in many of our groups, especially but not only among Black participants, who associated the term with music gigs. For example, Brianna said a gig is “like playing music at a bar every Thursday, that you get some money back for, that’s like a regular gig you would have.” Other participants thought of gig work as short-term work (low- or high-wage), and still others thought of it as a hobby. Although platform work is frequently the intended meaning of “gig work” in media and research, other definitions came to mind for our participants, and few used the term to refer to platform work.

In place of gig work, “hustle,” “side hustle,” “odd jobs,” “under-the-table work,” and “moonlighting” were alternative terms that our focus group participants used to refer to short-term, on-demand, nonemployee work. Many participants used “side hustle” or “odd jobs” to refer to their own work, and these terms included both formal contracting and informal work. By contrast, those who used “under-the-table work” and “moonlighting,” which may be more stigmatized terms, were referring to others’ work. Several participants mentioned various types of off-the-books work they saw in their local area. Two candidly described strategies they used to avoid giving out 1099s to tradespeople who did work for them.

### **Multilayered Contracting**

Our focus groups also uncovered instances of multilayered contracting, in which independent contractors were subcontracted to others. Bob, for example, was a painter and hired

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<sup>7</sup> For example, the IRS includes such a definition of gig work on its website.

workers as independent contractors to help him, but another company gave him his jobs and told him exactly when they needed to be done. Although he recognized that he was self-employed, he did not feel he controlled his business or “called the shots.” Kenneth, who used to work in IT, described a situation in which he worked as an independent contractor for one company that in turn assigned him to jobs in other companies. Kenneth initially reported being an employee, but when we asked whether his employer took taxes from his pay, he indicated that his employment status varied over time.

### **Independent Contractors Often Have Several Streams of Work**

A goal of our study is to identify all paid work, including secondary work, which prior evidence suggests is important for helping many middle- and lower-income households make ends meet and often is in the form of informal nonemployee work (Abraham and Houseman 2019). Findings from our focus groups pointed to the prevalence and potential importance to household income of secondary work activities. Although we recruited focus group participants who were doing at least one type of nontraditional work, it was notable that many people had two, three, four, or more streams of income—some done concurrently, others done sequentially. These came in different mixes of tasks and legal work arrangements, including W-2 employment, independent contracting, and other self-employment.

Collectively, evidence from our focus groups points to challenges in capturing the wide variety of primary and secondary work activities falling under the independent contractor rubric. Individuals in independent contractor arrangements may identify more as working for an organization than they do as being self-employed. There is no well-established terminology to describe independent contracting, and the terms used vary across the types of independent contractor arrangements and among workers with different demographic characteristics, making

it difficult for household surveys to capture these arrangements for all workers. Additionally, people in multilayered contracting arrangements may not report themselves as self-employed on surveys, and even when they do, the survey may fail to capture the nuances of their arrangement. The prevalence of different streams of income among those in independent contractor arrangements may further complicate efforts to collect information on all paid work.

## **THE GALLUP CONTRACT WORK MODULE**

The Gallup Contract Work Module was designed to improve the information available on contract employment—including independent contractors and contract company workers—by asking questions that address the miscoding and underreporting problems with standard household survey questions. We contracted with the Gallup organization to add our module questions to the Gallup Education Consumer Pulse Survey, a large, nationally representative telephone survey. Like the CPS, the Gallup survey collects employment information for a specified week (the seven days preceding the interview), and so should be subject to little recall bias. Also like the CPS, the Gallup Education Consumer Pulse is an interviewer-administered survey, rather than an online survey. This should mean that our findings are more likely to be directly applicable to possible modification of the current CPS questions.

### **Employment Questions on the Gallup Survey**

The Gallup Education Consumer Pulse Survey includes a standard battery of questions on respondents' employment status used in other Gallup surveys. The employment section of the Gallup survey begins by asking respondents if they do any work for an employer. Those who answer in the affirmative are coded as employees. Those coded as employees next are asked the number of hours per week they usually work for an employer (across all employers if they have more than one).

Respondents then are asked about self-employment work activities and, if applicable, the usual hours they work per week in self-employment.

Our module consists of 14 questions that are interspersed, as appropriate, among the standard employment questions in the Gallup survey. Gallup’s flexibility and the size of the survey sample also permitted us to vary the wording for selected questions randomly in order to test the effects of alternative phrasing on respondent answers. In this paper, we focus on three sets of questions that

- identify potential problems in standard household surveys with respondents being miscoded as employees and test alternative wording for capturing such miscoding;
- measure all sources of work for pay, including self-employment and other informal, low-hours nonemployee work, and test alternative question wording for eliciting this information;
- measure employment arrangements in which employers contract out workers to clients and test alternative wording for capturing this type of outsourcing in household surveys.<sup>8</sup>

### **Testing for miscoding of workers as employees in the Gallup survey**

The standard employment section of the Gallup Education Pulse Survey begins by asking respondents about any employment they had with an employer in the preceding 7 days:

Thinking about your WORK SITUATION over the past 7 days, have you been employed by an employer—even minimally like for an hour or more—from whom you receive money or goods? (This could be for one or more employers.)

Consider how individuals—such as IT workers, engineers, construction workers, or maintenance workers—who are hired on a contract basis by a private company might answer the

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<sup>8</sup> In addition, the Gallup Contract Work Module included questions designed to 1) provide evidence on the workers’ use of mobile apps or online platforms and to test alternative household survey question wording for eliciting this information, and 2) provide evidence on older workers’ use of independent contractor arrangements as a transition to retirement. The latter topic is discussed in Abraham, Hershbein, and Houseman (2021).

Gallup question about whether they are employed by the company. Respondents may know that legally they are treated as self-employed and so reply “no.” On the other hand, the workers obtain employment through the company, and, unless they are cued to think about their legal employment arrangement, it would be reasonable for them to report that they are “employed by an employer.” Consistent with the term’s common usage, such workers may even think of themselves as the company’s “employee.” As described earlier, we found that focus group participants working on a contract basis often described themselves as “working for” their client.

Note that, although the question wording used in the CPS to classify workers as employees differs from that in the Gallup survey, the CPS arguably suffers from similar problems of interpretation. CPS respondents who reply “yes” to the question “Last week, did you do ANY work for either pay or profit?” are classified as employed.<sup>9</sup> To distinguish whether they are employees or self-employed, employed respondents are asked: “Were you employed by government, by a private company, a nonprofit organization, or were you self-employed or [if applicable] working in the family business?” Someone working on a contract basis for a company or organization might respond that they are self-employed if they are thinking about their legal employment status when answering the question. Alternatively, it would be reasonable and accurate for respondents to answer that they are employed by a company or organization, particularly if they work primarily for one or a small number of organizations.

To test whether miscoding of workers as employees is a significant problem in the standard Gallup survey, we probed about the nature of the employment arrangement in our Contract Work Module. Those answering that they were “employed by an employer” in the preceding seven days were randomly asked one of two questions. The first variant asked, “Were

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<sup>9</sup> CPS respondents also are asked about the employment of other working-age household members (proxy reporting), whereas in the Gallup survey, individuals answer only for themselves.

you an employee on this job or were you an independent contractor, independent consultant, or freelance worker?” Those reporting that they had more than one employer were asked, “Were you an employee on each of your jobs; an independent contractor, independent consultant, or freelance worker on each of your jobs; or did the arrangement vary across jobs?” This question asks respondents explicitly whether they are employees, and they must choose between the two classifications.

“Independent contractor,” “independent consultant,” and “freelance worker” are the terms used in the Contingent Worker Supplement (CWS) to the CPS to classify workers as independent contractors. Based on our focus group findings, we were concerned that these terms might have different connotations for different groups of respondents. For example, some focus group participants indicated that they thought of independent contractor, independent consultant, and freelance worker as terms applying only to professionals or workers in the construction trades.

To avoid vague terminology, the second variant asked respondents reporting a single employer, “Did this employer take any taxes out of your pay?” If respondents reported more than one employer, they were asked, “Did all of your employers take out taxes from your pay, did none of them take out taxes from your pay, or did it vary across employers?” If the worker is not an employee (or the employer is misclassifying the worker as an independent contractor), then the employer will not withhold Social Security taxes (mandated for employees) or other taxes from the worker’s pay. Although cognitive testing indicated that respondents would be able to answer this question accurately, we were concerned that any question about taxes might be sensitive and cause some respondents to terminate the interview or refuse to answer the question. According to Gallup, however, the question did not prompt interview terminations;



further, the question's item nonresponse rate was very low and comparable to the item nonresponse rate for other questions.

### **Measuring all sources of work for pay**

Another of the survey's goals was to capture all sources of work for pay, including work that involves low usual weekly hours or is informal in nature. The wording of the standard Gallup employment questions encourages respondents to report low-hours jobs, asking whether they are employed by an employer, "even minimally like for an hour or more," and the question instructions clarify that this work "could be for one or more employers." Similarly, the standard Gallup question about self-employment encourages respondents to think broadly about the types of work that are considered self-employment and to include activities that involve a small number of hours:

Again, thinking about the last 7 days, were you self-employed, even minimally like for an hour or more? This means working for yourself, freelancing, or doing contract work, OR working for your own or your family's business.

Self-employment also includes fishing, doing farm work, or raising livestock for either your own or your family's ranch.

The Gallup survey normally asks the self-employment question only of respondents who do not report being employed by an employer or who report being employed by an employer for fewer than 30 hours per week. To shed light on how individuals combine employee and self-employment work, our Contract Work Module asked this question of *all* respondents.

Given the structure of the Gallup questions, there is a risk that those who report being employed by an employer but who with further probing indicate that they are not employees might subsequently report this work again in response to the self-employment question. To avoid

double counting, we asked the relevant respondents the following question: “Just to check, was all or was some of the self-employment work you did in the last 7 days work you already told me about, or not?” For those answering that they had reported some of the work in response to an earlier question, we asked about the hours worked in this additional self-employment: “Excluding the work you already told me about, in a typical week (7 days), how many additional hours do you work as a self-employed individual?”

Although the standard employment questions on the Gallup survey probe for even minimal work for an employer or in self-employment, these questions may miss certain types of informal work if those doing it do not consider themselves to be working for an employer or do not view themselves as self-employed, an independent contractor, or a freelance worker. To capture such work, our survey randomly assigned all respondents to one of two questions. The first asked, “Did you do anything in the last 7 days that you have not already mentioned for which you received (or expect to receive) payment?” The second repeated that question and added examples of such work, stating, “Examples might include babysitting or elder care, cleaning or maintenance work, data entry tasks, driving for a car service, or making and selling handicrafts.” Findings in the survey methodology literature suggest that adding examples to questions may encourage more accurate reporting, whether because the examples clarify for respondents what they should be reporting or because the examples remind them of things they might otherwise have forgotten (see, e.g., Tourangeau et al. 2014). Our expectation was that providing examples of different types of informal work should have increased the share of respondents reporting such work. If respondents reported doing additional work for pay, they were asked the number of hours that they spent on such activities in a typical week.

### **Measuring contract company work**

As in the CWS, we also probed whether those working for an employer were contracted out to work for another organization. Because our focus groups identified situations of multilayered contracting in which individuals working as an independent contractor for one organization were contracted out to another, we asked this question of all respondents indicating that they worked for an employer, even if they subsequently indicated that they were working as an independent contractor for that employer. Individuals were randomly assigned to one of two question versions. The first, which closely follows the wording used in the CWS, asks, “In the last 7 days, did your employer [any of your employers] contract you or your services out?” To avoid possible confusion over what it meant for an employer to contract out individuals or their services, a second version asks, “In the last 7 days, [on any of your jobs] were you doing work for a business or organization that was different from the business or organization that paid you?”

If individuals answered yes to either of the questions about contract work, they were asked if they were usually assigned to more than one client or customer. If they indicated that they usually worked for just one client or customer, they were asked if they usually worked at the client’s or customer’s worksite. Our broad definition of contract company work includes all contracted workers who primarily work for one client or customer, whether remotely or at the client’s worksite. Our narrow definition of contract work is further restricted to workers who primarily work at the client or customer’s worksite. The latter corresponds to the definition used by the Bureau of Labor Statistics when reporting estimates based on the CWS. In this paper, we focus on the incidence of contracting out by employers of individuals who are miscoded as employees on their jobs.

## Fielding the Contract Work Module

The target population for the Gallup Education Consumer Pulse survey, the vehicle for fielding our Contract Work Module, is adults aged 18–64. During the periods that our survey module was in the field, however, Gallup asked core survey questions together with our module questions of individuals aged 18–80.<sup>10</sup> Gallup administered our module in four waves spread at roughly three-month intervals across a year. In each wave of data collection, Gallup fielded our questions until about 15,000 completed interviews were obtained, roughly a month in each case. The first wave was administered from mid-May through mid-June 2018, the second wave from mid-August through mid-September 2018, the third wave from mid-November through mid-December 2018, and the fourth and final wave from late February through late March 2019.<sup>11</sup> Across the four waves, the survey collected information on contract and informal work from some 61,000 respondents, more than any other household survey that has investigated related topics other than the CWS.

Among other information, the Gallup Education Consumer Pulse survey collects respondents' age, gender, race, ethnicity, and education. Gallup uses this information together with respondents' region of residence to weight the survey responses so that they match the characteristics of the adult population as recorded in the CPS-ASEC. We use these survey weights in all of our analyses of the Gallup survey data.

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<sup>10</sup> Few adults over age 80 work for pay. Because we compare findings in our Gallup module to those from the CWS and the CWS reports ages from 80 onward only in intervals, in the analyses below we focus on individuals who were aged 18–79.

<sup>11</sup> Our motivation for fielding the survey four times spread out over the course of the year was to capture seasonal variation in contract work, but we found little evidence of seasonality and thus do not focus on that question in this paper.

## **FINDINGS**

Our analysis of independent contracting is divided into three parts. We begin by examining the incidence of miscoding of independent contractors as employees in our Gallup data and the characteristics of these miscoded employees. In this analysis, we include miscoding in both primary and secondary jobs. Next, we compare findings in the Gallup survey with those in the May 2017 CWS, focusing on comparisons of independent contractor work. Because measures of independent contracting and other employment arrangements are available only for the main job in the CWS, we limit our analysis to the main job when making these comparisons. We examine differences across the two surveys in measures of the incidence of independent contracting and other employment arrangements, the characteristics of workers in the various employment arrangements, and the incidence of secondary work by employment arrangement in the main job. Finally, we examine the phenomenon of multilayer contracting among miscoded employees in the Gallup data.

### **Miscoding of Workers as Employees**

Table 1 shows, for those who report being employed by an employer, the percent who, when questioned further, indicate they are not employees. The first column of Table 1 reports tabulations for the first version of the probing question—the percentage who answered that they are (on at least one job) an independent contractor, independent consultant, or freelance worker rather than an employee. The second column reports tabulations for the second version of the question—the percentage who indicate that their employer (or, if they have multiple employers, that at least one employer) does not take taxes out of their pay. The third column of the table combines responses from the two question versions.

**Table 1 Among Those “Employed by an Employer,” Share Who Indicate They Are Not an Employee on at Least One Job, Gallup Contract Work Module**

	Question Version		Question Version		Total	
	1	(0.3)	2	(0.3)		(0.2)
<b>All Respondents</b>	<b>10.9</b>	<b>(0.3)</b>	<b>8.9</b>	<b>(0.3)</b>	<b>9.9</b>	<b>(0.2)</b>
<b>Age</b>						
18–24	11.8	(1.0)	17.9	(1.2)	14.8	(0.8)
25–54	9.7	(0.4)	7.0	(0.4)	8.4	(0.3)
55–64	11.5	(0.7)	6.7	(0.5)	9.2	(0.4)
65–79	21.4	(1.2)	15.5	(1.0)	18.4	(0.8)
<b>Race</b>						
White non-Hispanic	9.7	(0.3)	8.2	(0.3)	9.0	(0.2)
Black non-Hispanic	12.3	(1.0)	9.1	(0.9)	10.6	(0.7)
Hispanic	13.8	(1.0)	11.6	(1.0)	12.7	(0.7)
Other	11.6	(1.5)	8.3	(1.3)	10.0	(1.0)
Missing	10.4	(1.2)	8.4	(1.3)	9.4	(0.9)
<b>Gender</b>						
Female	9.8	(0.4)	8.5	(0.5)	9.2	(0.3)
Male	11.9	(0.4)	9.3	(0.4)	10.6	(0.3)
<b>Education</b>						
High school or less	11.4	(0.7)	11.6	(0.7)	11.5	(0.5)
Some college	10.8	(0.5)	8.1	(0.5)	9.5	(0.3)
College+	10.5	(0.4)	7.2	(0.4)	8.9	(0.3)
<b>Number of employers</b>						
1 employer	7.6	(0.3)	6.5	(0.3)	7.0	(0.2)
2 employers	43.4	(2.0)	32.2	(1.9)	37.8	(1.4)
3+ employers	63.9	(4.0)	48.6	(3.9)	56.2	(2.8)
<b>Hours worked for an employer, last week</b>						
30+	8.8	(0.3)	6.4	(0.3)	7.6	(0.2)
15–29	16.4	(1.1)	18.2	(1.4)	17.3	(0.9)
Less than 15	34.7	(2.1)	31.9	(2.1)	33.3	(1.5)
<b>N</b>	<b>14,235</b>		<b>13,961</b>		<b>28,196</b>	

SOURCE: Authors’ analysis of Gallup Contract Work module data.

NOTE: Estimates are share of those “employed by an employer” on any job who indicate when asked a probing question that they are an independent contractor on at least one job. Question version 1 asks whether person is an employee or an independent contractor, independent consultant, or freelance worker. Question version 2 asks whether employer takes out taxes from pay (“no” answers coded as independent contractors). Total column reports estimates pooled across both question versions. Estimates not shown for cases with missing number of employers or missing hours worked for an employer last week. All estimates weighted. Standard errors in parentheses.

A significant minority of those reporting themselves as working for an employer—and thus typically categorized as employees—are miscoded. Among respondents who say that they work for one or more employers, 10.9 percent of those responding to version 1 and 8.9 percent of those responding to version 2 of the follow-up probe indicate that they are not an employee on at

least one of those jobs.<sup>12</sup> The difference in percentages between the two question versions is statistically significant ( $p\text{-value} < 0.01$ ) but substantively modest. Combining the responses to the two question versions, 9.9 percent of respondents saying that they are employed by one or more employers are miscoded in the survey as an employee on at least one job.

Although the estimate of miscoding is somewhat higher when asking version 1 of the question than when asking version 2, as shown in the rest of the table, the incidence patterns by demographic and job characteristics are similar. Compared to prime-age workers, younger (aged 18–24) and older (aged 65–79) workers are more likely to be miscoded as employees. The incidence of miscoding is also relatively high among minorities—especially Black non-Hispanic and Hispanic workers—among men, and among those with lower levels of education.

The incidence of this type of employee miscoding jumps dramatically when the worker reports having multiple employers. For versions 1 and 2 of the question, the estimated incidences are 7.6 and 6.5 percent, respectively, among workers with only one employer; 43.4 and 32.2 percent among those with two employers; and 63.9 and 48.6 percent among those with three or more employers.<sup>13</sup> Those with multiple jobs who report not being an employee for *at least* one employer indicate that their nonemployee status “varies across employers” in about two-thirds of the cases. These patterns suggest that the employment arrangement in a secondary job is especially likely to be on a contract basis, something we explore later in the paper.

Miscoding of workers as employees is also strongly associated with work hours, with miscoding much more common among low-hours workers. Among those who report that they

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<sup>12</sup> We should emphasize that the coding problem lies in the way individuals working on an independent contractor basis answer questions *in the survey* and does not necessarily imply that employers have misclassified these individuals as independent contractors.

<sup>13</sup> Slightly over 6 percent of those who report being employed by an employer have jobs with two employers; just under 2 percent report having jobs with three or more employers.

usually work 30 or more hours per week for an employer, 8.8 and 6.4 percent indicate that they are not an employee in versions 1 and 2 of the follow-up probe, respectively. In contrast, those figures are 34.7 and 31.9 percent among those usually working less than 15 hours per week.<sup>14</sup> In the remainder of the paper, we term those who report working for an employer but who indicate that they are not employees “independent contractors, miscoded employees.” Additionally, because our qualitative conclusions are not sensitive to question version, we combine answers to the two versions of the probing question to simplify presentation.

### **Prevalence of Independent Contractor Work in the Gallup Contract Work Module and the Contingent Worker Supplement**

We next compare measures of the prevalence of independent contracting and the characteristics of those doing such work in the Gallup Contract Work Module with estimates from the May 2017 CWS, which asked questions not included on the monthly CPS that were specifically designed to identify independent contractors. Because the CWS asks questions only about the respondent’s main job, we focus primarily on the main job in our comparisons. We identify the main job in the Gallup data using answers to the questions on hours worked.

The CWS includes two questions on independent contracting. Individuals who were coded as self-employed in the basic CPS are asked the first question, which inquires whether they (or the household members for whom they are reporting) are “self-employed as an independent contractor, independent consultant, freelance worker, or something else [such as a shop or restaurant owner]?” We code as “self-employed independent contractors” those who answer independent contractor, independent consultant, or freelance worker. Those who were coded as employees on their main job in the basic CPS and were not identified as temporary help

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<sup>14</sup> Approximately 5 percent of those who report being employed by an employer say they work less than 15 hours per week in all employer jobs.



agency workers, on-call workers, or day laborers, and did not work for a company that contracted out their services, were asked whether last week they were “working as an independent contractor, an independent consultant, or a freelance worker? [That is, someone who obtains customers on their own to provide a product or service.]” Corresponding to the categories in the Gallup data, we term those who respond affirmatively to this question “independent contractors, miscoded employees.” Note that people assigned to another alternative work arrangement are not asked this question. Further, as previously remarked, unlike the definition for self-employed independent contractors, the independent contractor question for these latter respondents specifies that independent contracting entails obtaining customers on their own (the clause in brackets). We discuss the potential implications of this question sequence and question wording for measures of independent contracting in the CWS further below.

Table 2 reports the employment rate (percent of the population aged 18–79 with any employment in the survey week) and, conditional on working, the distribution of employment by arrangement in the main job. For each data source, we report four distinct arrangements: 1) employees (not miscoded); 2) the self-employed who are not independent contractors; 3) the (self-reported) self-employed who are independent contractors; and 4) self-employed independent contractors who were miscoded as employees. For the Gallup module, we also include those who did not report any employer or self-employment work in the prior week but did report work in response to the probe at the end of the module about other work for pay; we term this group “informal work only.” All tabulations are weighted using the population weights provided for the relevant survey. By construction, the weighted distribution of the population by

**Table 2 Employment Rate and Distribution of Work Arrangements on Main Job, Gallup Contract Work Module and May 2017 Contingent Worker Supplement**

	Employment rate	Percent of employed by work arrangement					Total
		Employee	Self-employed, not IC	IC, self-employed	IC, miscoded employee	Informal work only	
<i>All workers</i>							
Gallup	67.0 (0.2)	76.1 (0.3)	8.1 (0.2)	8.1 (0.2)	6.7 (0.2)	1.1 (0.1)	100.0
CWS	64.6 (0.2)	89.0 (0.2)	4.0 (0.1)	5.9 (0.1)	1.0 (0.1)	—	100.0
<i>Working 15+ hours</i>							
Gallup	61.3 (0.3)	80.2 (0.3)	6.5 (0.2)	7.0 (0.2)	5.9 (0.2)	0.4 (0.0)	100.0
CWS	61.9 (0.2)	89.6 (0.2)	3.8 (0.1)	5.5 (0.1)	1.0 (0.1)	—	100.0
<i>Working &lt;15 hours</i>							
Gallup	5.7 (0.1)	32.0 (1.0)	25.4 (0.9)	20.3 (0.8)	14.3 (0.8)	8.0 (0.6)	100.0
CWS	2.7 (0.1)	75.8 (1.0)	7.5 (0.6)	14.7 (0.9)	2.0 (0.3)	—	100.0

SOURCE: Authors' analysis of Gallup Contract Work module data and May 2017 CWS data.

NOTE: CWS=Contingent Worker Supplement. IC=independent contractor. CWS does not ask questions to identify informal work. All estimates weighted. Standard errors in parentheses. For employment rates in first column, N=59,654 for Gallup estimates and N=92,806 for CWS estimates. For shares in remaining columns, N=35,475 (total), 31,795 (15+ hours) and 3,680 (<15 hours) for Gallup estimates; N=47,438 (total), 45,298 (15+ hours) and 2,140 (<15 hours) for CWS estimates.

demographic characteristics (age, gender, race/ethnicity, and education) in the Gallup module closely resembles that in the CWS.

The first column in Table 2 reports the employment rate in each survey. The top panel, which displays estimates for all workers, shows that the estimated employment rate in the Gallup module (67.0 percent) is 2.4 percentage points higher than the May 2017 CWS estimate (64.6 percent). The Gallup module was fielded one to two years after the May 2017 CWS, and differences in economic conditions might explain some of this employment rate difference. To address this concern, we constructed employment estimates based on CPS data for the months in 2018 and 2019 in which our Gallup module was administered. The CPS employment rate was 0.4 percentage points higher in those months than in May 2017, when the CWS was fielded, but

this difference accounts for less than a fifth of the 2.4 percentage point gap with the Gallup module. The distribution of employment between wage and salary work and self-employment was the same in the two periods.

A key purpose of the Gallup module is to capture all work, and we examine whether the higher employment rate in the Gallup module can be attributed to capturing more low-hours work. The middle panel in Table 2 restricts employment to those working at least 15 hours per week in their main job. With this restriction, the employment rate is now slightly lower in the Gallup module (61.3 percent) than in the CWS (61.9 percent).<sup>15</sup> The bottom panel, which shows the share of the population working less than 15 hours per week in their main job, confirms the higher incidence of low-hours work in the Gallup module, roughly double that in the CWS.<sup>16</sup>

The subsequent columns in Table 2 break out employment on main job by distinct employment arrangement. The second column shows the share who are employees on their main job, while the following three columns break self-employment out into three types—the self-employed who are not independent contractors, self-employed independent contractors, and independent contractors who have been miscoded as employees in the survey. The sixth column shows those who report only informal work during the survey week (collected only in the Gallup module).

Focusing on the top panel (all workers), the share of workers recorded as employees in the Gallup module is considerably smaller than the share in the CWS—76.1 percent versus 89.0 percent. Those who have only informal work account for just 1.1 percentage points, or 8 percent,

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<sup>15</sup> The employment rate in the CPS for the same months in which the Gallup module was fielded was 62.2 percent for those working at least 15 hours on their main job.

<sup>16</sup> Note that, here and elsewhere, if a Gallup respondent reports working more than one job *for employers*, hours of employer work pertain to the hours on jobs for *all employers*. We do not have a breakout for each employer job individually. The self-employment questions do not allow for multiple self-employment jobs.

of the difference in the share of workers who are employees between the Gallup and the CWS.<sup>17</sup> The largest contributor to the differential—44 percent of the difference between the Gallup and CWS shares—is the high rate of employee miscoding we identify in the Gallup module. Like the Gallup module, the CWS asks those coded as employees on the main CPS who were not assigned to a different alternative work arrangement whether they work on a contract basis for their employer, but the incidence of miscoding identified in the CWS is much lower than in the Gallup module—1.0 percent versus 6.7 percent. Even if we were to recode all on-call workers and day laborers in the CWS as independent contractors, the incidence of miscoding in the CWS would still be much lower than in the Gallup data (2.7 percent versus 6.7 percent). Recall that CWS respondents categorized as employees are told that independent contracting involves obtaining customers on their own. As previously discussed, there are many scenarios in which independent contractors may not think of themselves as finding their own clients, such as when they have only one or a small number of clients or obtain work through an online platform. This may explain why the number of independent contractors miscoded as employees is so much smaller in the CWS data than in the Gallup module.

The share of workers who are self-employed independent contractors is about 2 percentage points higher in the Gallup module compared to the CWS, but this difference accounts for a smaller fraction (17 percent) of the gap between the employee share of work in the Gallup module and the CWS. Finally, the share of the employed whose main job is in non-independent-contractor self-employment is about 4 percentage points higher, or roughly double, in the Gallup module.

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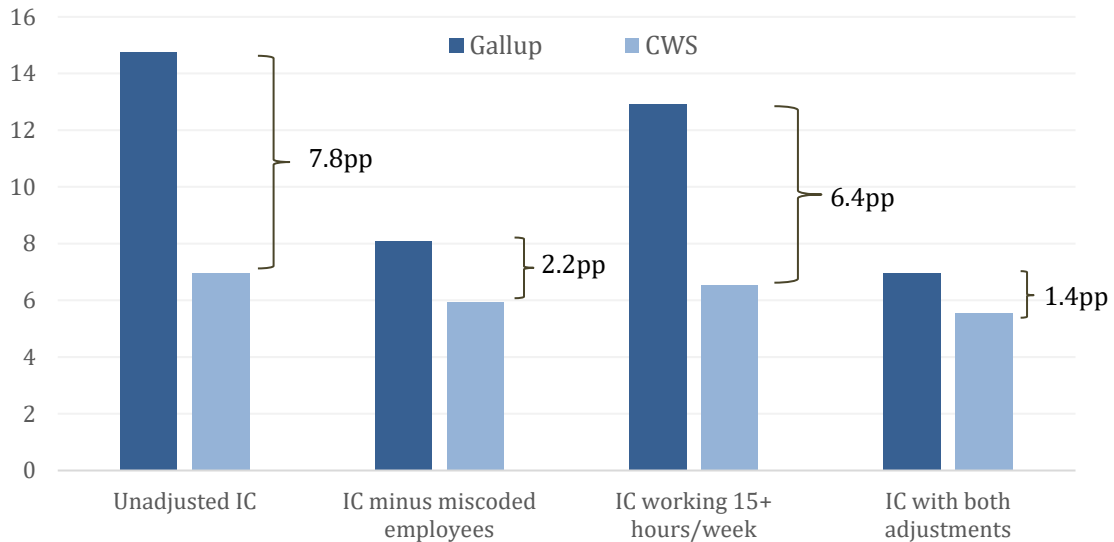
<sup>17</sup> We assume that workers in informal arrangements are not treated as employees, though it is possible some of them are.

The middle and bottom panels of Table 2 report the distributions of employment arrangements separately for those working at least 15 hours per week and those working less than 15 hours per week on the main job. The distribution of employment arrangements on the main job in the Gallup data is more similar to the distribution in the CWS data when the sample is limited to those working at least 15 hours per week, but sizable differences remain. The largest contributor to the differences in the employee share is still independent contractors miscoded as employees, as the CWS captures far fewer miscoded employees than the Gallup survey. Among those working at least 15 hours per week, miscoding accounts for 52 percent of the difference between the Gallup and CWS estimates. In contrast, the difference between the Gallup and the CWS measures of the share of workers who are self-employed independent contractors accounts for only 16 percent of the difference in the employee share.

The bottom panel of Table 2 shows that in both surveys, compared to those working at least 15 hours in their main job, low-hours workers are much more concentrated in self-employment arrangements. In the CWS, the overall self-employment rate among low-hours workers exceeds 20 percent, and in the Gallup survey, where the incidence of low-hours work is about double that in the CWS, the self-employment rate is nearly 70 percent.

Figure 1 provides a graphical depiction of the factors contributing to the differences in measures of independent contracting in the Gallup module and the CWS. As can be seen in the first pair of columns in Figure 1, the overall incidence of independent contracting on the main job in the Gallup data (14.8 percent) is more than double that in the CWS (6.9 percent), approximately 7.8 percentage points higher. This difference shrinks considerably, to just 2.2 percentage points, when miscoded independent contractors are excluded from the estimates.

**Figure 1 Independent Contract Work on Main Job as Share of All Work Arrangements under Different Definitions, Gallup Contract Work Module and May 2017 Contingent Worker Supplement**



SOURCE: Authors’ analysis of Gallup Contract Work module data and May 2017 CWS data.  
 NOTE: CWS=Contingent Worker Supplement. IC=independent contractor. Percentages on vertical axis. Estimates based on numbers reported in first panel of Table 2. All estimates weighted. N=35,475 for Gallup estimates. N=47,438 for CWS estimates.

Restricting the samples to individuals working at least 15 hours per week further shrinks the gap between the two estimates to just 1.4 percentage points.<sup>18</sup>

The incidence of independent contracting—and self-employment more generally—in the Gallup survey may seem high, perhaps raising questions about the representativeness of the survey sample. We find it reassuring that, consistent with our comparisons of independent contractor employment in the Gallup Module and the CWS, in a study of workers aged 53 and older, Abramowitz (2022) finds estimates of the incidence of having any self-employment over the course of the year to be more than double in the Health and Retirement Study than in the

<sup>18</sup> Although not a focus of this study, the difference in the incidence of *non*-independent contractor self-employment on the main job in the Gallup module and the CWS also is partly explained by the fact that the Gallup module captures more low-hours self-employment work.

Annual Social and Economic supplement to the CPS. Like the Gallup survey, the HRS asks separately about self-employment, making it less likely to be missed.<sup>19</sup>

### **Characteristics of the Independent Contractor Workforce in the Gallup Contract Work Module and the Contingent Worker Supplement**

We next explore which types of workers, according to our Gallup data, the CWS measures of independent contracting likely miss. Figures 2A–2D display, for both data sets, the share (or unconditional probability) of independent contracting among the employed by age, gender, race and ethnicity, and education. All figures are created using the population weights provided by the respective source. In each figure, the blue portion of the bar shows the share of workers who are self-employed independent contractors and the gray portion shows the share who are independent contractors miscoded as employees.

In each figure, the self-employed independent contractor share (blue) is only somewhat higher in the Gallup data than in the CWS, and the overall demographic patterns of self-employed independent contractor employment are similar in the two data sets. In both surveys, prevalence rises monotonically with age, is higher among men than women, is higher among White non-Hispanic workers than among Black non-Hispanic and Hispanic workers, and varies little by educational attainment.

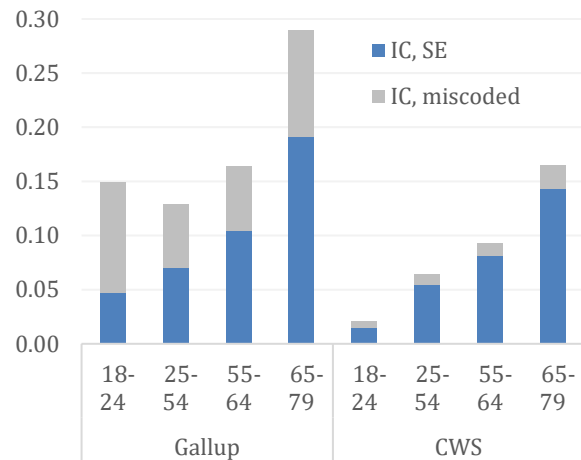
The incidence of independent contractors miscoded as employees (gray) is considerably higher for all demographic groups in the Gallup data than in the CWS. The relative probabilities also differ by demographic characteristic, and in some cases, capturing the miscoded independent contractors fundamentally alters the picture of who is most likely to work as an independent contractor. For example, young workers, aged 18–24, are more likely than older

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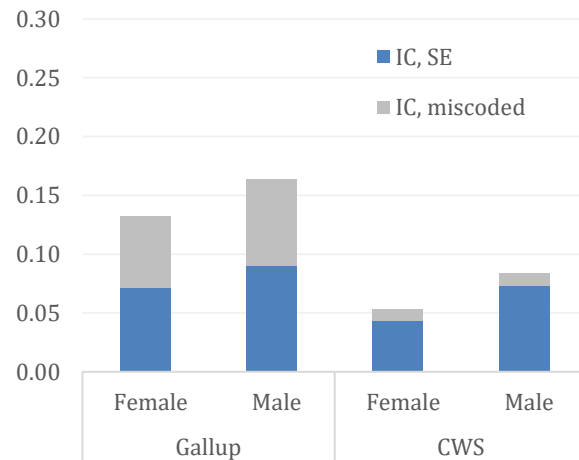
<sup>19</sup> Estimates of the incidence of independent contract work in a worker’s main job in the prior week for workers aged 55–79 are about 75 percent higher in the Gallup module compared to the CWS.

**Figure 2 Share of Workers Who Are Independent Contractors, by Age, Gender, Race and Ethnicity, and Education, Gallup Contract Work Module and May 2017 Contingent Worker Supplement**

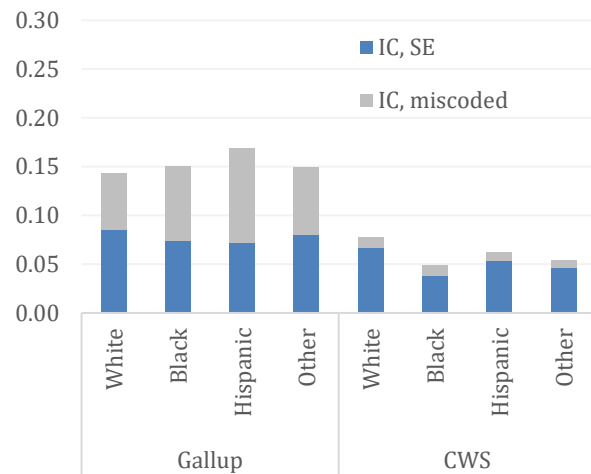
Panel A: Share by Age



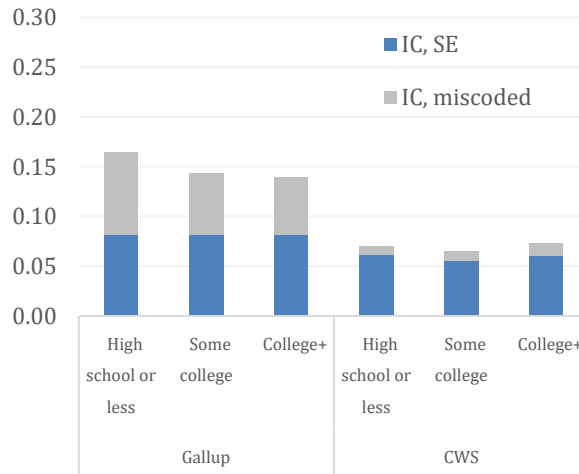
Panel B: Share by Gender



Panel C: Share by Race and Ethnicity



Panel D: Share by Education



SOURCE: Authors' analysis of Gallup Contract Work module data and May 2017 CWS data.

NOTE: CWS=Contingent Worker Supplement. IC, SE=self-employed independent contractor. IC miscoded=independent contractor, miscoded employee. White is White non-Hispanic and Black is Black non-Hispanic; observations with missing race/ethnicity not shown. Probabilities on a scale from zero to one on vertical axis. All estimates weighted. N=35,475 for Gallup estimates and N=47,438 for CWS estimates.

workers to be miscoded as independent contractors, and in the Gallup data the incidence of independent contracting no longer monotonically rises with age once the miscoded independent contractors are taken into account. Moreover, although the incidence of miscoding is high among all racial and ethnic groups, it is considerably higher among Black non-Hispanic and Hispanic



workers than among White non-Hispanic workers. While the CWS data suggest that independent contracting is most prevalent among White non-Hispanic workers, the Gallup data suggest that it is more prevalent among Black non-Hispanic and especially Hispanic workers, owing to the inclusion of miscoded independent contractors. Similarly, the inclusion of miscoded independent contractors in the Gallup data fundamentally alters the patterns observed by educational attainment. The incidence of miscoding is highest among those with a high school degree or less, and with the inclusion of these miscoded independent contractors, those with the lowest level of educational attainment have the highest overall probability of independent contracting. The comparison between the demographic distribution of independent contractor activity is little affected when, as a sensitivity analysis, we recompute the CWS estimates treating all on-call workers and day laborers as miscoded independent contractors.

Correlations between demographic and job characteristics may help account for the high incidence of miscoding among some demographic groups. For example, young workers may be especially likely to work low hours, a factor that is associated with high levels of miscoding, as shown in Table 1. We next examine the association of demographic characteristics with independent contractor status on the main job, controlling for other demographic and job characteristics. Table 3 reports the results of linear probability models of factors that predict whether a worker identifies as a self-employed independent contractor, is an independent contractor miscoded as an employee, or is in either independent contractor category, both for the Gallup module and for the CWS. For each dependent variable, we report the results from models

**Table 3 Predictors of Identifying as a Self-Employment Independent Contractors and Being Miscoded as an Employee on Main Job, Gallup Contract Work Module and May 2017 Contingent Worker Supplement**

	Gallup						CWS					
	IC, Self-emp		IC, miscoded		All IC		IC, Self-emp		IC, miscoded		All IC	
<b>Age (25–54 omitted)</b>												
18–24	–0.024**	–0.046**	0.038**	0.024**	0.013	–0.023*	–0.039**	–0.053**	–0.003~	–0.006**	–0.042**	–0.059**
	(0.005)	(0.005)	(0.007)	(0.007)	(0.008)	(0.008)	(0.003)	(0.003)	(0.002)	(0.002)	(0.003)	(0.003)
55–64	0.034**	0.026**	0.005	0.001	0.039**	0.027**	0.026**	0.024**	0.001	0.001	0.027**	0.025**
	(0.005)	(0.004)	(0.004)	(0.004)	(0.006)	(0.005)	(0.004)	(0.004)	(0.001)	(0.001)	(0.004)	(0.004)
65–79	0.115**	0.070**	0.043**	0.014~	0.158**	0.084**	0.087**	0.068**	0.011**	0.007~	0.098**	0.076**
	(0.006)	(0.007)	(0.005)	(0.006)	(0.007)	(0.008)	(0.007)	(0.007)	(0.003)	(0.003)	(0.008)	(0.008)
<b>Gender (female omitted)</b>												
Male	0.018**	0.030**	0.012**	0.019**	0.029**	0.050**	0.028**	0.035**	0.001	0.003*	0.029**	0.037**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.005)	(0.004)	(0.002)	(0.002)	(0.001)	(0.001)	(0.003)	(0.003)
<b>Race/ethnicity (White non-Hispanic omitted)</b>												
Black non-Hispanic	–0.001	–0.002	0.018*	0.018*	0.017~	0.016~	–0.023**	–0.021**	0.000	0.001	–0.023**	–0.020**
	(0.005)	(0.005)	(0.006)	(0.006)	(0.008)	(0.007)	(0.004)	(0.004)	(0.002)	(0.002)	(0.004)	(0.004)
Hispanic	–0.004	–0.004	0.033**	0.034**	0.029**	0.030**	–0.013**	–0.010*	–0.001	–0.001	–0.014**	–0.011*
	(0.005)	(0.005)	(0.006)	(0.006)	(0.008)	(0.008)	(0.004)	(0.004)	(0.001)	(0.001)	(0.004)	(0.004)
Other	0.005	0.001	0.010	0.008	0.016	0.009	–0.020**	–0.018**	–0.004~	–0.003	–0.023**	–0.022**
	(0.008)	(0.008)	(0.008)	(0.008)	(0.011)	(0.011)	(0.004)	(0.004)	(0.002)	(0.002)	(0.005)	(0.005)
Missing	0.012	0.011	0.008	0.008	0.020~	0.019						
	(0.008)	(0.008)	(0.007)	(0.007)	(0.010)	(0.010)						
<b>Education (high school and less omitted)</b>												
Some college	0.000	0.001	–0.015**	–0.015*	–0.016~	–0.014~	–0.002	–0.003	0.000	0.000	–0.002	–0.003
	(0.005)	(0.005)	(0.005)	(0.005)	(0.006)	(0.006)	(0.003)	(0.003)	(0.001)	(0.001)	(0.003)	(0.003)
College+	–0.006	0.000	–0.013*	–0.009~	–0.019*	–0.008	–0.004	–0.002	0.003~	0.004*	–0.001	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.006)	(0.006)	(0.003)	(0.003)	(0.001)	(0.001)	(0.003)	(0.003)
<b>Hours worked on main job (30+ omitted)</b>												
15–29		0.080**		0.050**		0.130**		0.047**		0.014**		0.061**
		(0.007)		(0.007)		(0.009)		(0.004)		(0.002)		(0.005)
Less than 15		0.138**		0.089**		0.227**		0.101**		0.013**		0.114**
		(0.009)		(0.008)		(0.011)		(0.009)		(0.004)		(0.009)
DK/Vary		0.077~		0.068~		0.144**		0.201**		0.069		0.270**
		(0.031)		(0.033)		(0.042)		(0.055)		(0.035)		(0.059)

SOURCE: Authors' tabulations of Gallup Contract Work module data and CWS data.

NOTE: CWS=Contingent Worker Supplement. IC=independent contractor. Models are weighted linear probability models. Controls for region included in all models. Standard errors in parentheses. Sample includes all employed. N=35,475 for Gallup models and N=47,438 for CWS models. Statistical significance: ~ p < 0.05, \* p < 0.01, \*\* p < 0.001.

that control only for other demographic factors and region of residence and from models that also control for hours worked.<sup>20</sup>

For the Gallup data, reported in the first set of columns, adding controls for demographic characteristics has little effect on the patterns shown in Figure 2. Being a young or an older worker, being male, being a member of a racial or ethnic minority group, or having low educational attainment remain positively associated with being an independent contractor miscoded as an employee. One result that does not hold up to controlling for other demographic characteristics is the positive association between being aged 18–24 and *any* independent contract work. With additional controls for hours worked on main job and occupation, the association between low educational attainment and being miscoded as an employee weakens, and the association between educational attainment and *any* independent contractor work is weakly significant or insignificant.

In contrast, the strong associations between being male or being Black non-Hispanic or Hispanic on the one hand, and being an independent contractor on the other, are robust to the inclusion of job characteristics in the model. Compared to women, men have higher rates of self-employed independent contract work, of being an independent contractor miscoded as an employee, and of independent contract work overall. Compared to White non-Hispanic workers, Black non-Hispanic and Hispanic workers have considerably higher rates of being miscoded as employees and higher overall rates of being in any independent contract arrangement.

In the CWS estimates, reported in the second set of columns in Table 3, controlling for other demographic and job characteristics does not alter the patterns shown in the unconditional

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<sup>20</sup> Information on occupation is missing for Gallup survey respondents who have only “other work” not captured in Gallup’s standard employment questions. We have estimated models using the CWS and Gallup data that also include occupation controls, excluding the small number of respondents in Gallup for whom occupation is missing. Estimates are little changed from those reported in Table 3.

means displayed in Figure 2. Because the overall incidence of miscoding is low in the CWS, accounting for demographic characteristics has little influence on the overall patterns of independent contracting in the CWS data. Older adults are slightly more likely than prime-age adults, and college graduates are slightly more likely than those with less educational attainment, to be miscoded as employees, but the predicted difference between these categories is small (less than 1 percentage point). Controlling for other demographic characteristics and for job characteristics, being older, male, and White non-Hispanic are positively associated with being an independent contractor who identifies as self-employed and with independent contracting overall. Again, these findings are robust to a sensitivity analysis in which we recode all on-call workers and day laborers in the CWS as independent contractors miscoded as employees.

### **Secondary Employment**

Another of the Gallup module's goals is to capture all sources of work for pay, including secondary, short-hours work. Several recent surveys point to high rates of secondary or informal work that supplements earnings from a main job (Robles and McGee 2016; Abraham and Houseman 2019; Bracha and Burke 2021). Much of this secondary work is in self-employment or informal nonemployee work that the CPS may not fully capture. To measure such work, the Gallup module asks all respondents about both work for an employer and self-employment work during the prior week, even work for as little as an hour. At the end, the module also asks respondents if they engaged in any work for pay in the prior week that they did not previously report.

The Gallup survey allows respondents to report multiple secondary jobs and thus multiple arrangements for those jobs. For example, a respondent in the Gallup module could report secondary employment in an employee job, in self-employment work (independent contractor

work or non-independent-contractor self-employment), and in informal work during the prior week. The standard Gallup employment questions do not allow for multiple self-employment jobs. For this reason, even the Gallup data may understate the prevalence of secondary self-employment, though the final module question about other work not previously reported, which we term informal work, may capture at least some of it.

The CWS asks respondents explicitly about the employment arrangement on their main job but does not ask about second jobs. Information on a second job is available only for the quarter of the CWS sample that belongs to the CPS outgoing rotation groups. These second jobs can be disaggregated into three categories: 1) employees (some of whom may actually be independent contractors miscoded as employees), 2) self-employed who report having an incorporated business, and 3) self-employed who do not have an incorporated business.<sup>21</sup> In contrast to the self-employed in the Gallup data, CWS respondents who are self-employed on their main job may report a second self-employment job. All else the same, this has the potential to raise the relative importance of secondary self-employment in the CWS, though the fact that the outgoing rotation group respondents are asked about only one secondary job means that some self-employment jobs held by people with three or more jobs could be missed.

Table 4 reports the incidence of secondary work both overall and by employment arrangement in the main job. Estimates from the Gallup module are reported in Panel A and estimates from the May 2017 CWS in Panel B. Because the Gallup survey allows for the possibility of multiple secondary jobs, the Panel A row percentages of secondary employment in various employment arrangements sum to slightly more than the total incidence of secondary

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<sup>21</sup> There is no direct correspondence between whether a self-employed person has an incorporated business and their being an independent contractor. With respect to main jobs, where data on incorporated status and independent contractor status are available from the main CPS and CWS, respectively, we find that about one-third of independent contractors report having an incorporated business.

**Table 4 Incidence of Secondary Work by Type of Work Arrangement and Main Job**

Panel A: Gallup						
	Any secondary work	Arrangement on secondary job				
		Employee	Self- employed, not IC	IC, self- employed	IC, miscoded employee	Informal work
Total	19.0 (0.3)	5.1 (0.2)	5.9 (0.1)	5.2 (0.1)	2.4 (0.1)	3.1 (0.1)
Employee	19.8 (0.3)	5.4 (0.2)	7.1 (0.2)	5.7 (0.2)	1.8 (0.1)	2.1 (0.1)
Self-employed, not IC	7.7 (0.6)	2.8 (0.4)	—	—	1.3 (0.3)	5.0 (0.5)
IC, self-employed	10.3 (0.7)	2.2 (0.3)	—	—	1.5 (0.3)	8.4 (0.6)
IC, miscoded employee	37.6 (1.3)	9.2 (0.7)	6.5 (0.7)	12.1 (0.9)	12.5 (0.8)	5.9 (0.6)

Panel B: CWS, May 2017				
	Any secondary work	Arrangement on secondary job		
		Work for employer	Self- employed, incorp.	Self- employed, not incorp.
Total	5.2 (0.2)	3.6 (0.2)	0.4 (0.1)	1.1 (0.1)
Employee	5.0 (0.2)	3.8 (0.2)	0.4 (0.1)	0.9 (0.1)
Self-employed, not IC	4.2 (0.9)	2.7 (0.7)	0.9 (0.4)	0.7 (0.4)
IC, self-employed	4.4 (0.8)	1.5 (0.5)	1.2 (0.4)	1.7 (0.5)
IC, miscoded employee	18.5 (3.6)	4.9 (1.9)	1.4 (1.0)	12.3 (3.1)

SOURCE: Authors' tabulations of Gallup Contract Work module data, May 2017 CPS and CWS data.

NOTE: CWS=Contingent Worker Supplement. IC=independent contractor. CWS categories for arrangement on main job from supplement; CWS categories for arrangement on secondary job determined based on Current Population Survey (CPS) outgoing-rotation-group questions. All estimates weighted. Standard errors in parentheses. Gallup sample all employed. CWS sample restricted to members of CPS outgoing rotation groups. N=35,475 for Gallup estimates. N=11,985 for CWS estimates.

employment given in the leftmost data column. This is not the case in Panel B, as the main CPS allows respondents to report only one secondary job.

The overall incidence of secondary job holding measured in the Gallup module is 19.0 percent compared to just 5.2 percent in the May 2017 CWS. Little of this difference is attributable to secondary wage and salary employment, with the share of workers holding a second employee job estimated at 5.1 percent in the Gallup data and 3.6 percent in the CWS

data. Rather, the considerably higher incidence of second jobs in the Gallup data is driven mostly by greater rates of secondary self-employment. This is true even though the Gallup module does not allow for multiple self-employment jobs, other than informal work.

As is the case in the overall numbers, the incidence of secondary employment for individuals who are employees in their main job is also much higher in the Gallup module (19.8 percent) than in the CWS (5.1 percent); this difference is due mostly to higher shares of independent contractor and other self-employment. For those who are self-employed in their main jobs (either in an independent contractor or other self-employment arrangement), the higher incidence of secondary employment in the Gallup survey arises primarily from informal work, which generally captures other types of self-employment or nonemployee work.

In both the Gallup and the CWS data, there is a strikingly high incidence of secondary employment among those who are miscoded as employees on their main job. In the Gallup module, over one-third of these workers hold at least one second job, most commonly with other employers where they have been miscoded or as self-employed independent contractors. In the CWS sample, 18.5 percent of these workers have second jobs, with the bulk of them being in self-employed unincorporated work.

### **Multilevel Contracting**

This paper's focus is independent contracting—situations in which self-employed workers provide services for clients, including situations in which the independent contractor primarily works for one client. Another type of contracting occurs when employers contract out their workers to other businesses. As discussed earlier, multitier contracting arrangements can blur the distinctions between these types of contracting, such as when a firm hires independent

contractors who then are assigned to work for a client firm. The Gallup module includes questions to capture contract company arrangements, allowing us to investigate this possibility.

Among those who reported working for an employer, respondents were randomly assigned to one of two versions of a question asking about contract company arrangements. The first version asked, “In the last 7 days, did your employer contract you or your services out?” The second asked, “In the last 7 days, were you doing work for a business or organization that was different from the business or organization that paid you?”<sup>22</sup> The first version is modeled on a question about contract company work in the CWS. The second version avoids referring to being “contracted out,” a term respondents might find confusing. Everyone who answered affirmatively to one of these versions of the question was then asked if they were usually assigned to more than one client or customer. If respondents replied that they usually worked for just one client or customer, they were asked if they usually worked at the client’s or customer’s worksite. Both of these follow-up questions were modeled on questions in the CWS.

We define contract company workers in two ways. Our broad definition requires that individuals contracted out by their employer (or paid by a different organization than the one they work for) usually work for one client but allows this work to occur either remotely or at the client’s worksite. Our narrow definition is further restricted to those who work primarily at the client’s worksite. The latter corresponds to the definition used by the Bureau of Labor Statistics when reporting estimates based on the CWS. The shares of contract company workers were slightly larger for the first question version, patterned on the CWS wording, than for the alternative version, both for the broad definition (3.0 versus 2.6 percent) and for the narrow definition (2.0 versus 1.6 percent). Although these differences are statistically significant at

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<sup>22</sup> Variants of these questions were asked of respondents reporting working for more than one employer. These questions are designed to capture whether respondents were contracted out on *any* of their jobs.



conventional levels, they are not substantively different, and we report only the results from the combined sample here.

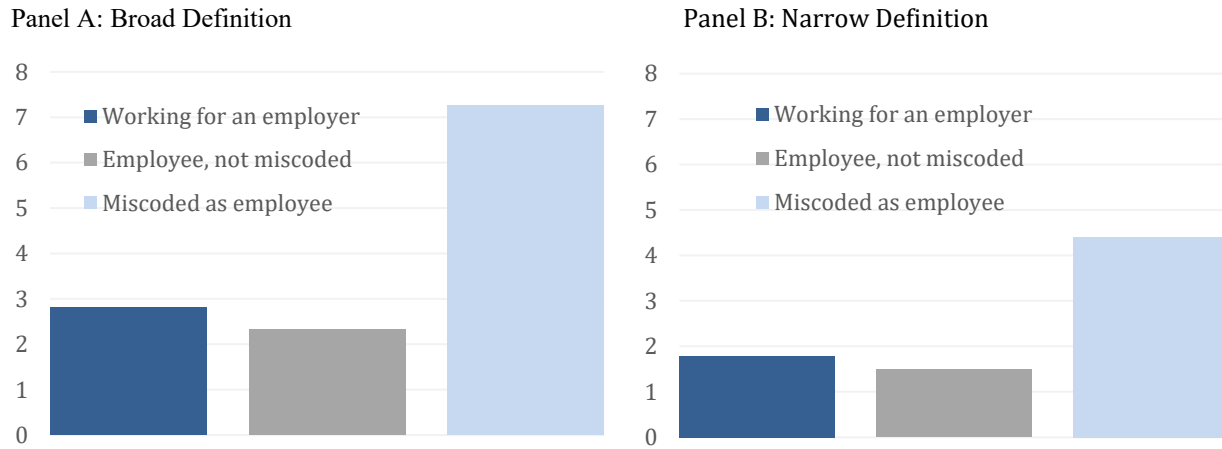
A key difference between the Gallup Contract Work module and the CWS is the sample that received the questions about contract work. The Gallup module queried all workers who said they worked for an employer (on a primary or secondary job) about contract company work, whereas the CWS asked about this only for main jobs. Further, in the CWS, respondents identified as contract workers were not asked whether they were employed as an independent contractor, meaning that contract workers who may have been miscoded employees cannot be separately identified. The focus groups we conducted in developing the Gallup survey instrument, however, uncovered a couple of cases of multilayer contracting. In one, an IT consultant initially reported being an employee, but when probed, indicated working as an independent contractor who was contracted out to other organizations. In the other, a painter took jobs from another business and in turn hired painters as independent contractors to work on these jobs. Our survey module permits us to examine the frequency of such instances of multilevel contracting.

Figure 3 displays statistics from the Gallup module on the percentage in a contract company arrangement, first for everyone who reported working for an employer and then separately for employees and miscoded employees. Panel A shows percentages for the broad definition of contract company work and Panel B shows percentages for the narrow definition. Among everyone working for an employer, the shares in contract arrangements are 2.8 and 1.8 percent under the broad and narrow definitions, respectively.<sup>23</sup> The incidence of contract

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<sup>23</sup> The incidence of contract company work in the CWS is 0.8 and 0.6 percent (among all employed) under the broad and narrow definitions, respectively. As noted, the Gallup statistics include contract work on second jobs while the CWS statistics do not. When a person with multiple jobs in the Gallup data reports being contracted out,

**Figure 3 Employees Contracted Out by Employer (percent)**



SOURCE: Authors’ analysis of Gallup Contract Work module data.

NOTE: Sample is people “employed by an employer” on any job. Broad definition includes all workers contracted out to a single business or organization. Narrow definition further restricted to workers working at the customer or client’s site. Probabilities on a scale from zero to one on vertical axis. All estimates weighted. N=28,196.

company work is approximately three times as large among miscoded employees as among employees who are not miscoded—7.3 percent versus 2.3 percent under the broad definition and 4.4 percent versus 1.5 percent under the narrow definition. The relatively high incidence of contracting out among miscoded employees illustrates the sort of multiple-layer contracting that is rarely captured in survey data. Collecting data that can shed light on the prevalence and structure of increasingly complex contract arrangements should be a priority for future research (Weil 2017).

## CONCLUSION

Independent contractors are self-employed and therefore lack many of the employment protections afforded to W-2 employees, including coverage by employment and labor

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we cannot be sure whether that was on their primary job or a secondary job. For that reason, we cannot construct statistics using the Gallup data that are fully comparable to the CWS estimates. We can show, however, that this measurement difference can explain only a small share of the difference in the incidence found in the two data sets.

regulations, eligibility for unemployment insurance and workers' compensation, and access to employer-provided benefits. Evidence has long suggested that many businesses classify workers as independent contractors to avoid certain costs and legal liabilities associated with having employees. The recent rise of online platforms has heightened awareness of these issues and prompted various policy proposals to address them.

Because there is considerable heterogeneity in the characteristics of individuals in independent contractor arrangements and the jobs they do, answering the question of whether new policies are needed to address perceived problems requires good data not only on the size of the independent contractor workforce but also on its composition. Prior research, however, points to gaps and biases in standard household survey measures of the self-employed and the subset who are in independent contractor arrangements (e.g., Robles and McGee 2016; Allard and Polivka 2018; Abraham and Amaya 2019; Abraham and Houseman 2019; Katz and Krueger 2019; Abraham et al. 2021; Bracha and Burke 2021).

Our research addresses the reasons standard household surveys may miss many in independent contractor arrangements and tests these ideas through a module added to the Gallup Education Pulse Survey administered in 2018 and 2019. Focus groups that we conducted while developing the survey module revealed that independent contractors often think of themselves as working for an organization, particularly if they have only one or a small number of clients, and may not think of themselves as being self-employed because they see themselves as working for another business rather than being in business themselves. We emphasize that the standard household survey employment questions used to distinguish whether a worker is an employee or self-employed ask only whether the worker is employed by an organization or is self-employed, implicitly assuming that those who work for an organization are its employees. Insights from our

focus groups suggest that many independent contractors may report being employed by an organization in response to such a question. Although the CWS queries all workers about whether they are independent contractors, including those who are coded as employees in the main CPS, our analysis suggests it misses many in such arrangements. This may be because the CWS defines an independent contractor as someone who finds their own clients—a definition that may not pertain, for example, to those who work primarily for one organization or through an online platform. Observations from our focus groups also suggest that those in independent contractor arrangements often have multiple income streams and sometimes are subcontracted out to other organizations.

Key findings from the Gallup survey module corroborate evidence from earlier research and observations from our focus groups. We find that a substantial minority (9–11 percent) of those who initially report being “employed by an employer” indicate, upon probing, that they are in a contract arrangement on at least one job held in the prior week. Our data also show that independent contracting is common in both primary and second jobs, and secondary work activities are especially common among those who are independent contractors but are miscoded as employees in their primary job. Additionally, we find that the incidence of subcontracting among independent contractors miscoded as employees is about three times as high as among employees. The former is an example of multilevel contracting, a phenomenon that is rarely captured in household surveys.

Comparing measures of independent contracting on workers’ main jobs in the Gallup module and the CWS, we find that the incidence is roughly double in the Gallup module, with most of the difference accounted for by the Gallup module capturing far more independent contractors miscoded as employees. Moreover, while the demographic patterns among

independent contractors who identify as self-employed are similar in the two surveys, including independent contractors who are miscoded as employees changes the demographic picture in the Gallup data in important ways. Most notably, with the inclusion of miscoded employees, independent contractors in the Gallup data are disproportionately Black non-Hispanic and Hispanic rather than White non-Hispanic and have low educational attainment.

Finally, evidence from our module suggests ways that household surveys might improve future data collections on the independent contractor workforce. We tested different wording for questions designed to capture whether workers are in an independent contractor arrangement or are contracted out by their employer. Interestingly, in both cases, we found that using language modeled on existing questions in the CWS yielded a somewhat higher incidence of independent contracting and contract company work than the alternatives we tested, which indirectly asked respondents about the relevant employment arrangement and avoided use of any contract terminology. Our research, however, clearly points to the difficulty of distinguishing employee from self-employment arrangements in household surveys and indicates that adding questions that probe for clarification on a worker's employment arrangement is critical for accurately measuring independent contractor work. Our research also indicates that probing for low-hours jobs and informal work is important for capturing all primary and secondary work activities.

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