

Welfare Policy & Alternative Work Arrangements

Deaton Review Workshop

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Alternative Work Arrangements

- ▶ The rise of “alternative work arrangements” is important for the delivery and design of welfare policy for a number of reasons:
 - ▶ These jobs might have **different earnings profiles & career progression trajectories** and thus give rise to different short & long-term income & employment outcomes
 - ▶ The availability of these jobs might **change the way that transitions between welfare and work** occur
 - ▶ **Reduced attachment to a single employer**, and perhaps greater income volatility, has implications for the collection of tax, delivery of benefits, and traditional program eligibility



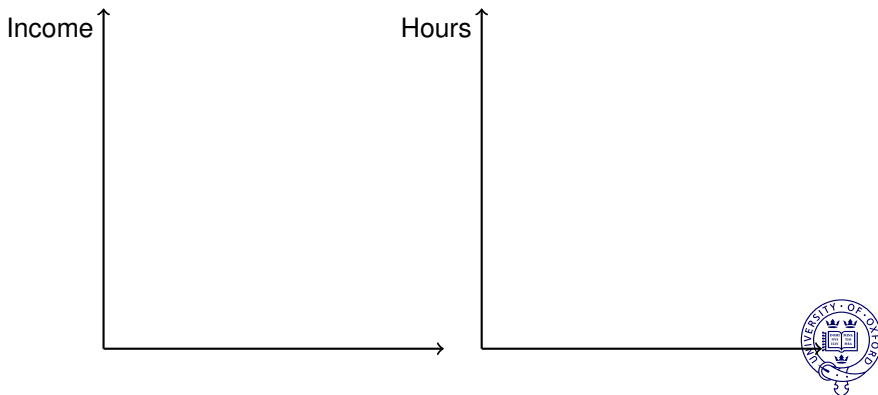
Defining Terms

- ▶ Traditional Job (Abraham et al, 2018):
 - ▶ Remuneration: predictable earnings
 - ▶ Duration: Implicit/explicit continuing employment relationship
 - ▶ Hours: usually full time
 - ▶ Schedule: Predictable work schedule
 - ▶ Other: Work supervised by the firm paying the salary
- ▶ Alternative work arrangements differ in at least one dimension
 - ▶ Zero hours contracts: schedule and hours unpredictable
 - ▶ Domestic outsourcing/agency: work not necessarily supervised by firm paying salary
 - ▶ Gig-economy/solo self-employment



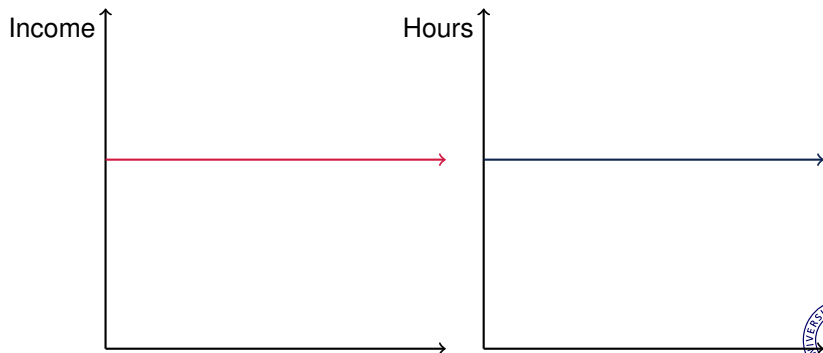
Flexible Jobs Schema

Figure: Traditional Job



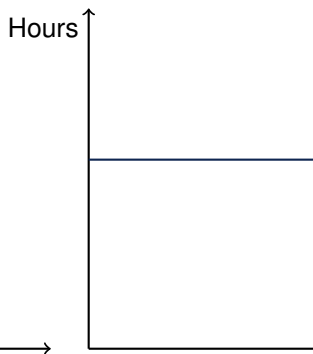
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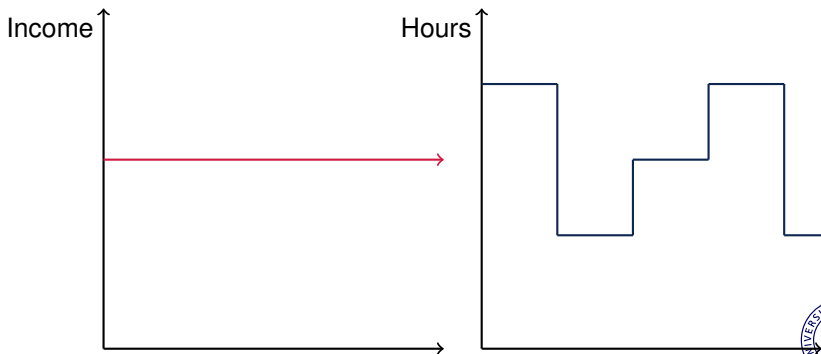
Flexible Jobs Schema

Figure: Fixed Term with Fixed Schedule Job



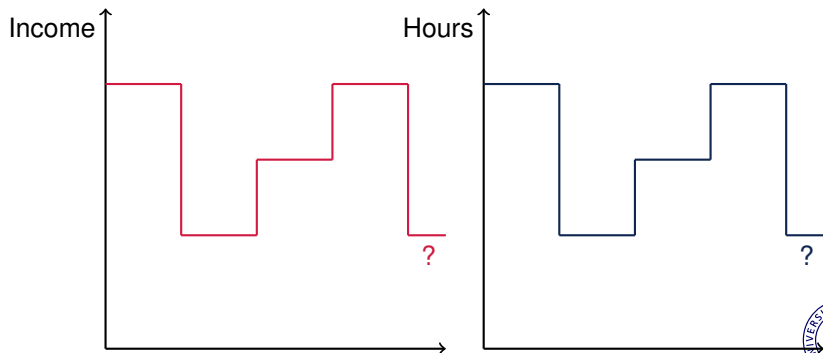
Flexible Jobs Schema

Figure: Permanent Job with Flexible Hours



Flexible Jobs Schema

Figure: Flexible Income Job



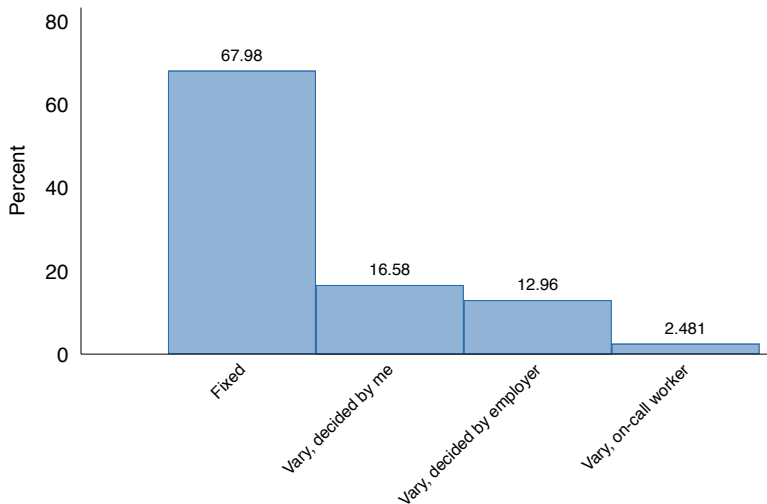
Control & “Two-Sided” Flexibility

“Being able to work when you want is a good thing; not knowing whether you have work from one day to the next when you have bills to pay is not.”

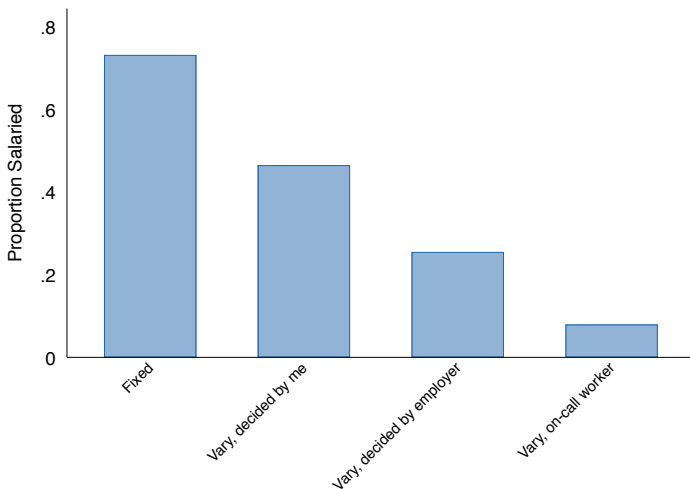
Matthew Taylor, Good Work Review



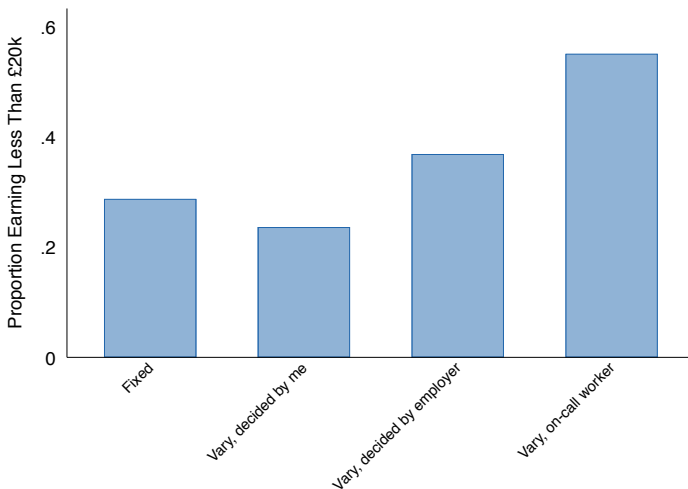
Flexibility for Whom?



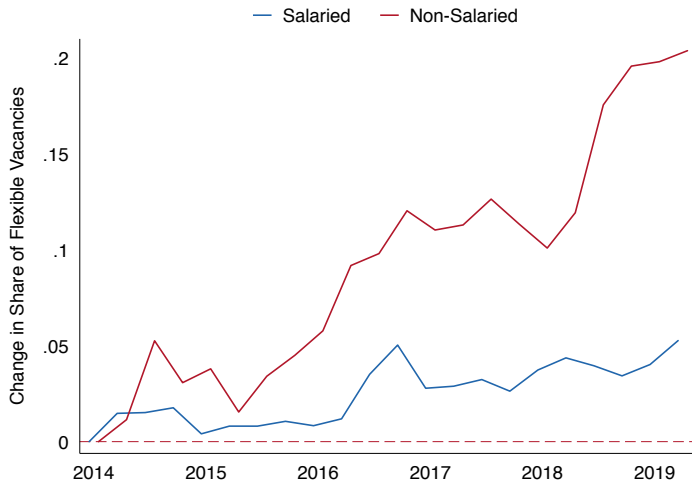
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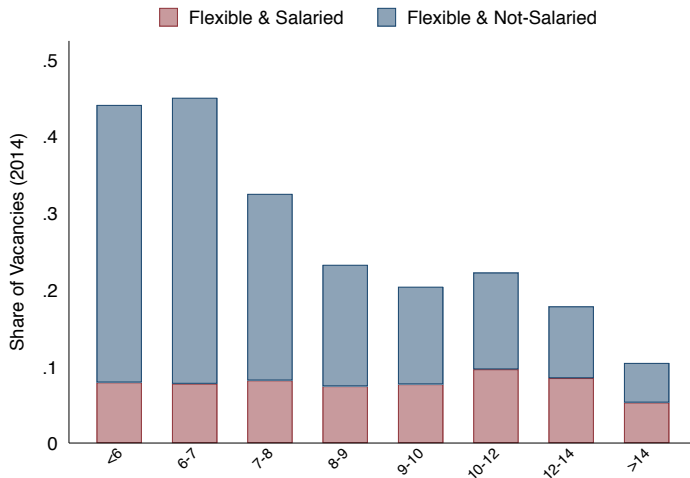
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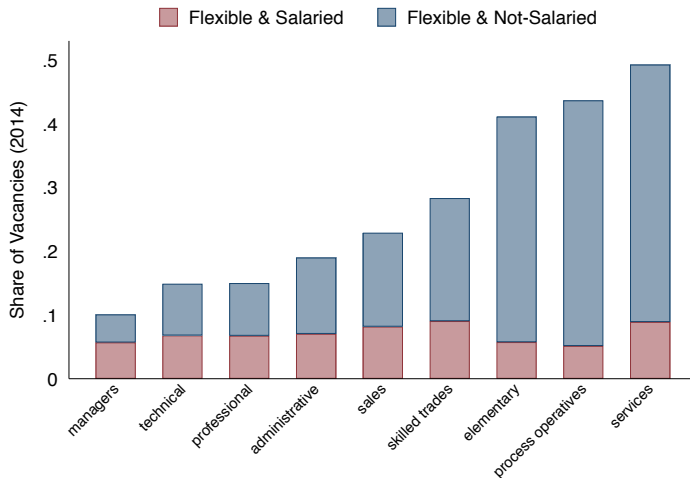
Prevalence of Flexible Vacancies



Share of Flexible Vacancies by Wage

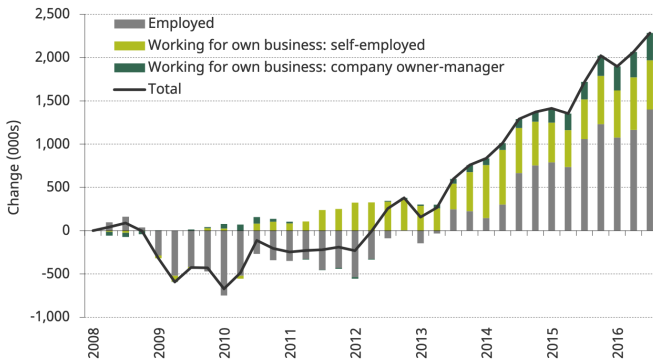


Share of Flexible Vacancies by Occupation



Prevalence of Self-Employment

Figure 7.2. Cumulative change in size of workforce since 2008 Q1



Note: Not seasonally adjusted. In each quarter, the cumulative change is calculated as the difference between the number of individuals in the current quarter and the number of individuals in 2008 Q1 in each category. The employed category includes individuals classified as 'unpaid family workers' or 'in training'.

Source: Labour Force Survey.



Pros & Cons of Alternative Work Arrangements

- ✓ Value “Flexibility” ✗ Income Uncertainty
- ✓ Provide Experience ✗ Limited Skill/Career Development
- ✓ Smooth Over Shocks ✗ Crowd Out Stable Employment

► Current research suggests....

- Few people value the flexibility in their main job (Mas & Pallais, 2017; Datta, 2019)
- They can help to smooth consumption in response to unemployment or financial shocks in the short run (Kousta, 2018)
...
- ... but this can be at the expense of longer term outcomes (Jackson, 2020).
- They introduce greater administrative complexity to the design of welfare programmes (TSC, WESC).



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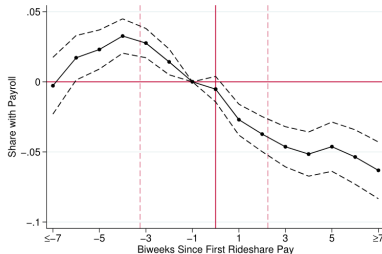
Income Smoothing

- ▶ It takes time to find another job when unemployed or there might be challenges to increasing hours in current job — individuals face constraints to adjusting their labour supply
- ▶ Gig-economy/temporary/zero-hours contract jobs can let people adjust hours and earn money quickly if they are associated with **low barriers to entry**
- ▶ This might be particularly beneficial to the unemployed or individuals facing unexpected spending shocks or low hours
 - ▶ Bank account data: 55% experienced a month to month swing in income of more than 30%
- ▶ However, these activities may **displace alternative job-search or skill building activities** that might have larger long-run payoffs

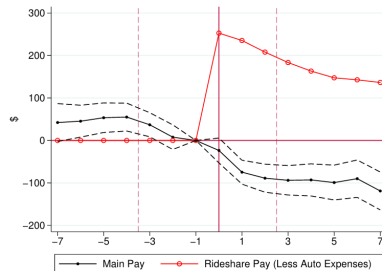


Koustas (2018)

(b) Any Payroll Income (Excl. Rideshare)



(c) Payroll Income (\$) (Excl. Rideshare)



Garin et al (2020)

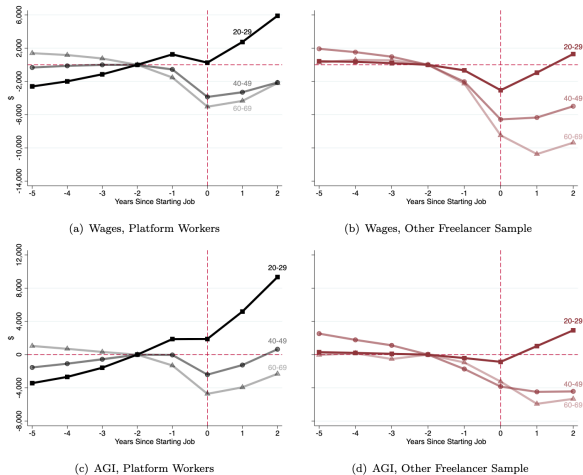


FIGURE 1. EVENT STUDIES BY TYPE OF WORK AND AGE GROUP

Note: Figure plots the event-study coefficients from Equation 1, for different outcomes of interest, see text. Effects are relative to two years before starting either platform work or freelance work depending on the sample. The x-axis



Garin et al (2020)

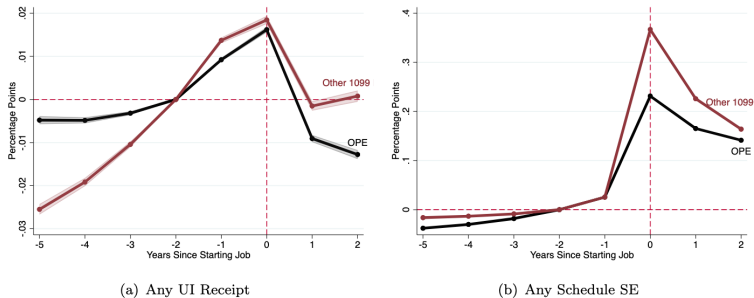


FIGURE 2. ADDITIONAL OUTCOMES

Note: Sample include all first-time participants over age 18. See Notes for Figure 1 for additional details.



Do Gig Jobs Help Workers Smooth Income Shocks?

- ▶ Jackson (2020): also considers long-run earnings and employment associated with gig-work being available
- ▶ Universe of individual income tax returns in the US
- ▶ Again exploits the staggered entry of gig-economy platforms in geographic markets but also uses within county variation based on predicted propensity for gig-work
- ▶ Key findings:
 - ▶ Income falls by \$3,000 less in the year of UI receipt in areas where gig-economy platforms are available
 - ▶ Despite smaller income drop in the short run, two-four years later the income of prime-age workers who had gig platforms available is \$4,000 lower
 - ▶ Those with gig-platform availability are less likely to return to wage jobs



Stepping-Stones?

- ▶ Does experience in alternative work arrangements help workers transition into traditional jobs?
- ▶ Adermon & Hensvik (2019): using an audit study in Sweden, they find that gig-economy experience is more valuable than unemployment for receiving a callback for Swedish workers but there is no effect for minority workers
- ▶ Relates to the mixed evidence on whether temporary jobs act as a stepping stone to higher quality jobs
- ▶ While temporary jobs have been found to offer rapid entry back into paid employment, evidence on longer term outcomes is weaker (Autor and Houseman, 2010)



Coverage & Administration

- ▶ Contributory social protection systems designed around traditional employment relationship
- ▶ Independent and contingent work do not easily fit into such a system
 - ▶ Subject liable for contributions —> high contributory burden
 - ▶ Earnings volatility and potential for weak pay progression
 - ▶ Moral hazard —> how to define unemployment?
 - ▶ Fall through gaps in the system (TSC, 2020; Garin & Koustas, 2020)



Jackson et al (2017)

Table 9: Retirement Coverage of Employees, the Self-Employed, and Sole-Proprietors

	Made Any Contribution	Offered Employer Plan	Contributed to Employer Plan	Contributed to IRA	Contributed to Traditional IRA	Contributed to Roth IRA	Had a Positive IRA Balance
Total employees, self-employed, or sole-proprietors	38.3%	47.9%	34.8%	6.2%	2.5%	3.8%	27.4%
Wage Only (does not File C or SE)	41.9%	53.4%	38.9%	5.8%	2.2%	3.8%	25.8%
Primarily Wage Earner	44.9%	56.0%	39.9%	8.7%	3.7%	5.3%	36.5%
Earnings from both wages and sole proprietorship	21.3%	24.6%	15.3%	7.6%	3.8%	4.1%	28.8%
<i>Business Activity: Less than \$5,000 of Business Exp.</i>	17.3%	21.0%	12.6%	6.1%	2.8%	3.4%	23.2%
<i>Business Activity: More than \$5,000 of Business Exp.</i>	27.9%	30.6%	20.0%	10.2%	5.4%	5.1%	38.2%
Primarily Self-Employed Sole Proprietor	7.8%	0.8%	0.3%	7.6%	4.2%	3.5%	31.1%
<i>Business Activity: Less than \$5,000 of Business Exp.</i>	5.0%	0.7%	0.2%	4.8%	2.5%	2.4%	23.8%
<i>Business Activity: More than \$5,000 of Business Exp.</i>	9.8%	0.8%	0.3%	9.5%	5.5%	4.3%	36.3%
Partner, Farmer, or other SE filer	17.0%	11.0%	7.2%	10.7%	6.4%	4.5%	47.6%
Schedule C no earnings	4.4%	0.0%	0.0%	4.4%	2.2%	2.2%	38.8%
<i>Business Activity: Less than \$5,000 of Business Exp.</i>	0.0%	0.0%	0.0%	4.3%	2.2%	2.2%	43.8%
<i>Business Activity: More than \$5,000 of Business Exp.</i>	4.4%	0.0%	0.0%	4.4%	2.3%	2.2%	35.2%
Small Business Filer	18.8%	15.6%	10.9%	8.8%	4.8%	4.2%	35.8%
"Gig" or Platform Worker	18.8%	22.3%	15.9%	4.1%	1.3%	2.9%	14.8%

Note: "Made Any Contribution" indicates individual contributed to an Employer Plan or made a contribution to a traditional or roth IRA. "Offered Employer Plan" indicates that the retirement plan indicator is checked on Form W-2, Box 13. "Contributed to Employer Plan" indicates that the individual had a positive amount of elective deferrals on Form W-2, Box 12. "Contributed to IRA" indicates an individual either contributed to a Traditional IRA and/or a Roth IRA. "Contributed to Traditional IRA" indicates a positive amount of contribution to a traditional IRA on Form 5498, Box 1. "Contributed to Roth IRA" indicates a positive amount of contribution to a Roth IRA on Form 5498, box 10. "Had a Positive IRA Balance" indicates a positive amount of Fair Market Value of all accounts at the end of year on Form 5498, Box 5.



Future Reform

"I must be honest and point out that in devising this scheme—in response to many calls for support— it is now much harder to justify the inconsistent contributions between people of different employment statuses. If we all want to benefit equally from state support, we must all pay in equally in future."

The Chancellor, March 2020

