

Understanding Self-Reported Self-Employment Status



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There is ongoing policy debate about employee classification; that is, who the law says should be classified as an *employee* and who should be classified as *self-employed*. But do workers themselves understand their current status?

To explore whether workers understand their current status, a recent Abt Associates survey asked 8,503 workers for their (1) work status (employee or self-employed) and (2) what earnings documentation for tax purposes they received from their main job (W-2 or 1099-MISC). Earnings documentation alone is not definitive as to classification. Nevertheless, it is noteworthy that many workers reported a status different than what would be expected from the documentation reported. This Policy Brief provides details of that mismatch suggesting that some workers themselves lack clarity regarding their current status.

Under the Internal Revenue Code, employees should receive a W-2 from their employer reporting earnings, and independent contractors (self-employed) should receive 1099-MISC forms reporting payments from entities with which they did trade or do business.

For workers who self-report as employees (see Exhibit 1), two-thirds (66 percent) give the expected answer; that is, they received only a W-2. Another 21 percent, however, report receiving only a 1099-MISC, or both a W-2 and a 1099-MISC. The balance of workers refuse to answer or report that they do not know. (The survey wording accounted for the possibility that the worker recently began their main job and did not know what type of tax form they would receive at the end of the year.)

Furthermore, that workers report receiving both a W-2 and a 1099-MISC is not caused by their holding multiple jobs. Whether workers reported holding one job or multiple, rates of receiving both tax forms are similar.

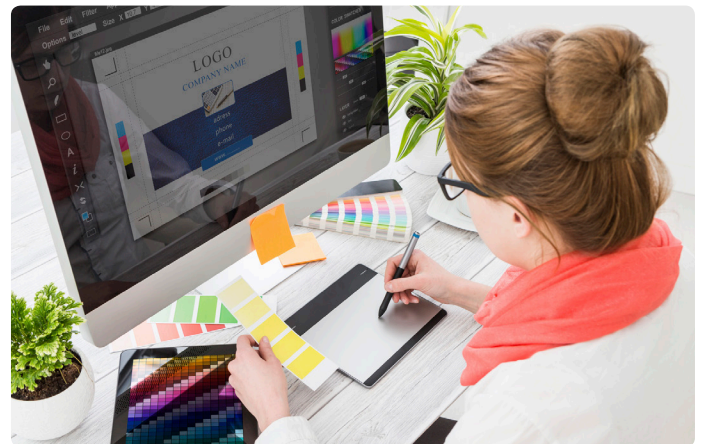
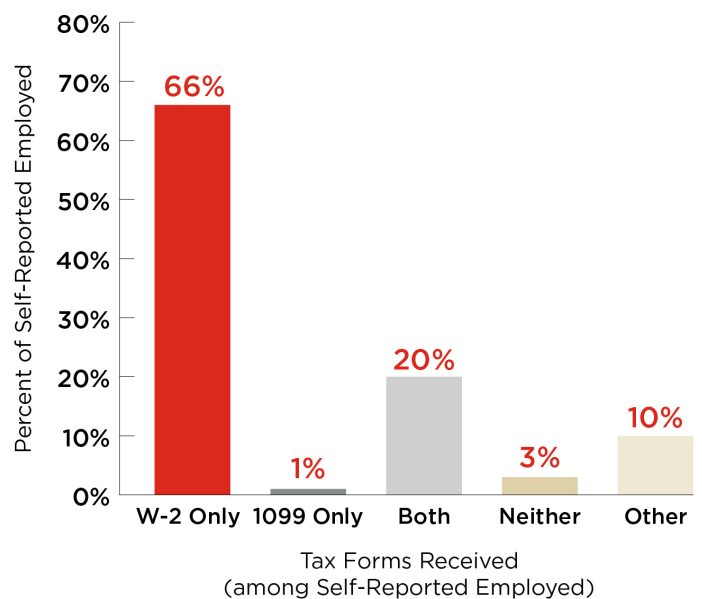


Exhibit 1: Receipt of Tax Forms among Self-Reported Employees



For workers who self-report as self-employed, there is similar inconsistency (see Exhibit 2). Again, the largest group give the expected answer: 32 percent of these workers received only a 1099-MISC. Somewhat smaller is the 24 percent of workers who report receiving neither a W-2 nor a 1099-MISC—which is consistent with some forms of self-employment (e.g., a barber or a residential plumber), where payments are personal rather than from a business.

However, a sizable percentage of workers report other patterns. A third report receiving a W-2 from their main job, even though they self-reported as self-employed. Of them, about half (18 percent) report receiving only a W-2, as if they were an employee, and the other half (17 percent) report receiving both a W-2 and a 1099-MISC. (This does not appear to be due to multiple job holding; those with a single job report similarly.)

Together, these data suggest confusion among a considerable portion of workers about their self-reported status and the associated tax documents.

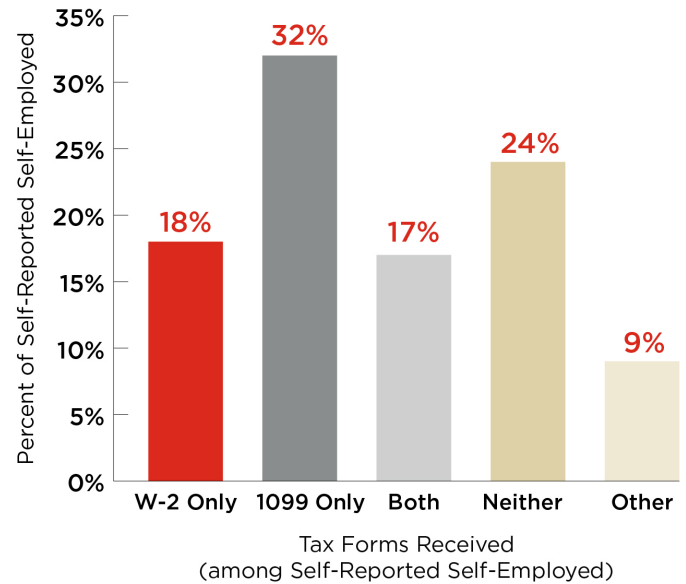
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Exhibit 2: Receipt of Tax Forms among Self-Reported Self-Employed



Under contract to the U.S. Department of Labor, Abt Associates conducted a survey 8,503 workers to collect information on workers' knowledge about their current job classification and the rights and benefits associated with that classification.

For more information, see: Daley, Kelly, Jacob Klerman, Mehera Baugher, Lauren Dunton, Utsav Kattel, and Andrew Burkey. (2016). "Worker Classification Knowledge Survey: Volume I – Technical Report." Cambridge, MA: Abt Associates.