



Improving Workforce Policy with Better Data on Supply Chains

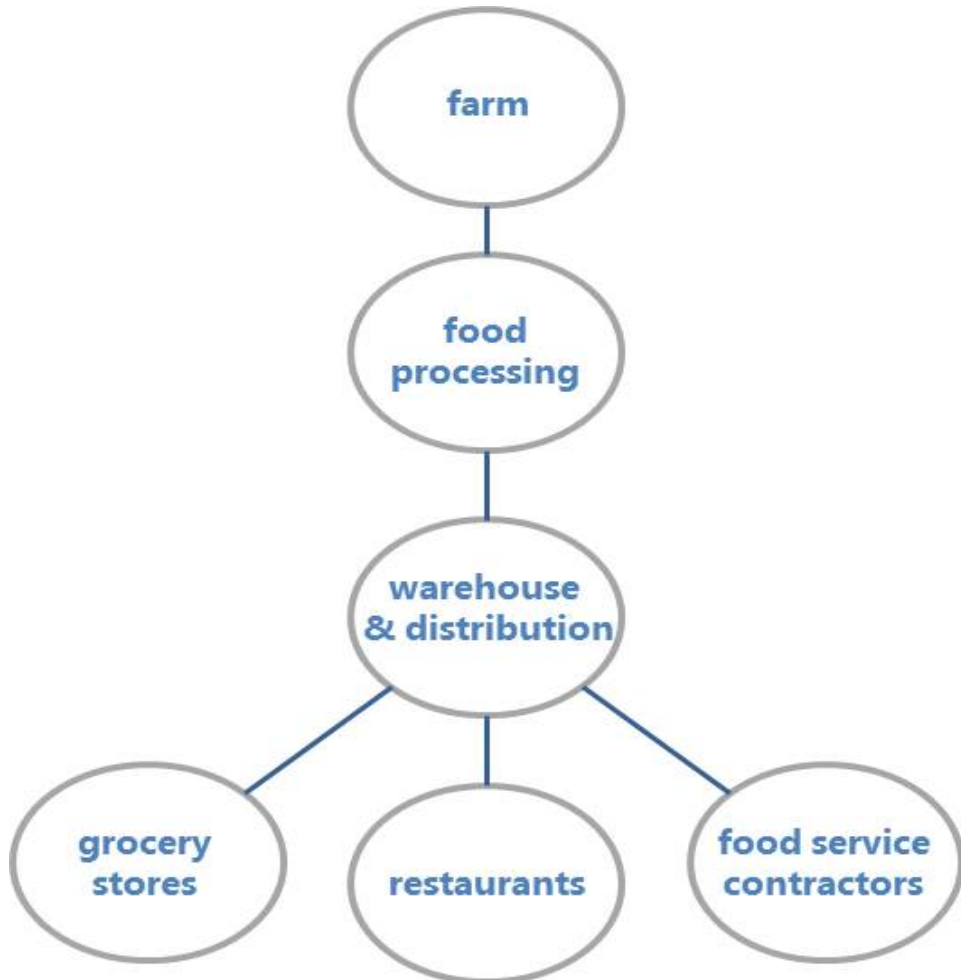
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Domestic supply chains and networks

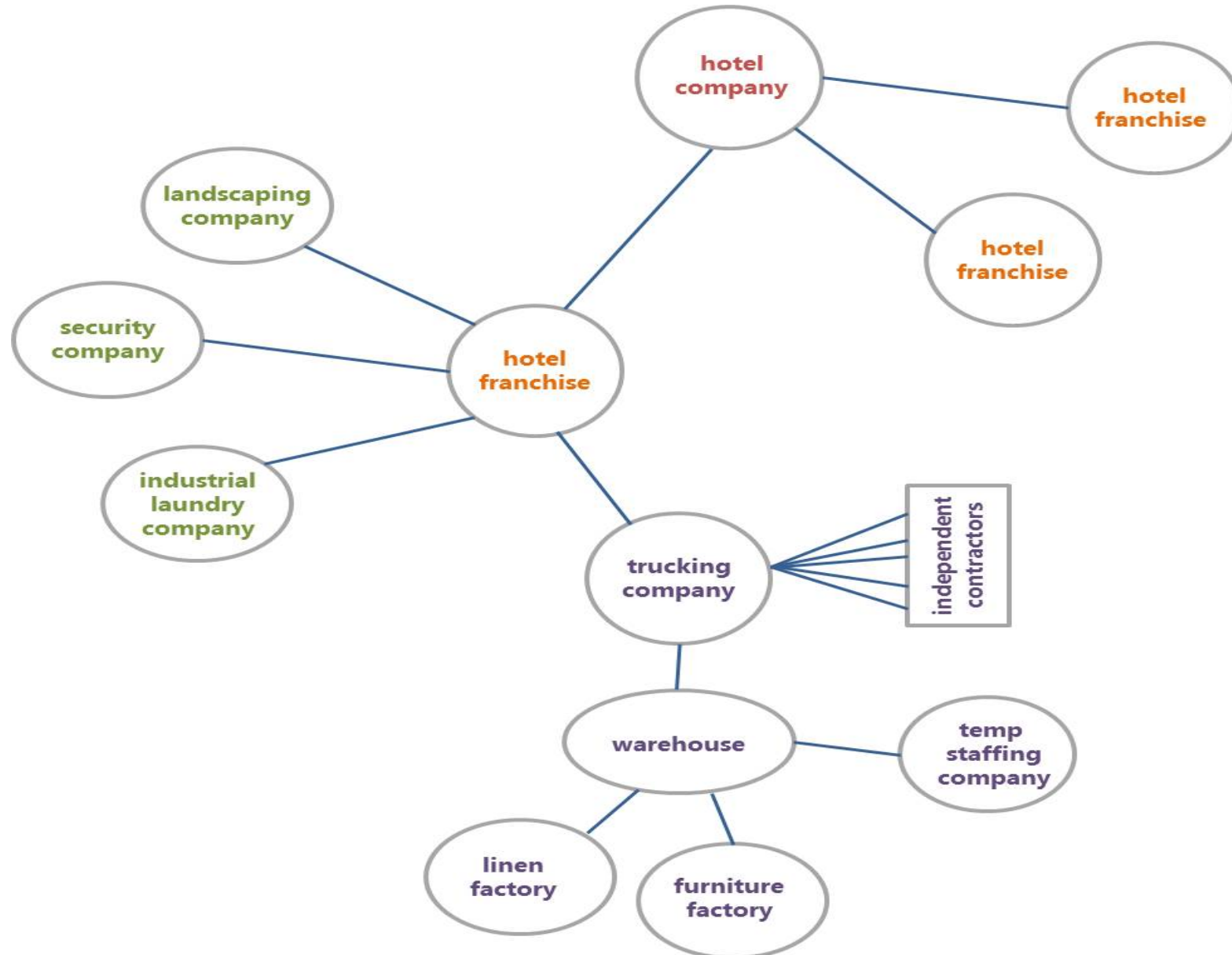
Traditional linear supply chain



Supply chains have become more complex

- Decline of vertically integrated firms
- Development of new business models with elaborate contracting arrangements/supply chains and networks
- Improvements in communications and other technologies facilitates these arms-length transactions

Supply Chain with Many Contractual Patterns



Implications for workers? Policy concerns

- Workers increasingly sorted into firms by skill level: some evidence connects this to outsourcing and growth in earnings inequality
- Outsourcing of low-wage workers linked to increased wage and hours violations, unsafe workplaces
- Workers often hired as independent contractors—not covered by employment and labor laws, not covered by UI or workers compensation, not eligible for employer-provided benefits
- Lowering liability for workers sometimes motivates outsourcing

Policy debates

- **Joint employer responsibility for workers**
 - What responsibility do client firms have for contract workers/workers in other parts of the supply chain?
 - What responsibility do franchisors have for workers in franchisees?
- **Extending the social safety net to independent contractors/gig workers**
 - Should new policies be developed to facilitate access to benefits?
 - Should UI and workers compensation be extended to independent contractors?
- **Answers partly depend on how large the phenomena are:**
 - What has been the growth in outsourcing and where is it occurring? What are the implications for workers?
 - How big is the independent contractor/gig workforce?

Better data needed to inform these debates

- Need better information on supply chains—who purchases what?
 - Census continues to make some improvements, but data collected outside of materials purchases by manufacturers limited
 - Need data on purchases of services from other businesses and use of independent contractors
 - Data should distinguish between domestic and foreign suppliers
 - Such data necessary to study implications of outsourcing for workers

Better data needed to inform these debates

- Need better data on self-employed, especially independent contractors and workers in informal (nonemployee) arrangements
 - Household surveys (CPS, ACS) primary source of information on self-employment
 - Growing body of evidence suggests household surveys substantially understate self-employment—partly because many independent contractors appear to be coded as employees
 - Need to revise survey questions to probe about nature of employment arrangement

Global supply chains and workforce policy issues

- Paralleling developments in domestic supply chains, rapid growth of international trade reflects development of complex global supply chains
 - Goods may cross international borders many times
 - Includes rapid growth in services trade—wider range of occupations subject to global competition in recent decades
- Workforce policy issues
 - What is competitiveness of American workforce in high and low-skilled occupations?
 - How is globalization affecting future demand for workers by occupation and skill level?

Addressing policy issues: Data gaps and potential improvements

- Measuring competitiveness of American workers
 - Need for comparisons of wage and benefits levels, worker productivity across countries
 - Reinstate international labor comparisons program in Bureau of Labor Statistics
- Assessing implications for future demand for occupations/skills
 - Need to track flows of goods and services across borders—Recent efforts to improve measures, but many data gaps remain, especially for services
 - Link trade to occupational data by industry to better understand labor skills embedded in import and export flows