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Paths to Boost Retirement Security for Nontraditional Workers

Survey examines this unprepared workforce's attitudes about potential solutions to a retirement challenge

Overview

Nontraditional workers—often referred to as contingent, gig, alternative, or independent workers—generally do not have access to employer-provided benefits such as a retirement plan or health insurance. Workers without retirement savings plans risk entering retirement without adequate savings. Many may be unable to retire or may face impoverished retirements; they also may be more likely than other retirees to rely on government programs such as Medicaid and Supplemental Security Income, adding to the demands on state and federal budgets. Are there solutions—public or private—that can increase retirement savings among this segment of the workforce?

To help inform policymakers who may be considering retirement savings options for nontraditional workers, The Pew Charitable Trusts surveyed more than 1,000 workers at nontraditional jobs in 2020. The survey examined these workers' access to workplace retirement plans, the barriers they face in saving, and the types of programs—existing or potential—that would work best for them.

Lack of access to a workplace plan is the most significant retirement savings challenge facing nontraditional workers, according to the survey. Just more than half (53.7%) said they worked during the previous year for an employer that did not offer any type of retirement plan. But demand for retirement plans appears strong among nontraditional workers: If they had access to a defined contribution savings plan and were eligible for it, 77.5% said they would participate in it. And two-thirds (66.3%) of all surveyed nontraditional workers said they want workplace retirement benefits, ranking them second after health benefits.[1]

Demand for retirement benefits presents an opportunity for the private sector and governments to offer nontraditional workers opportunities to save. Some existing retirement programs could be reconfigured to accommodate nontraditional workers; alternately, policymakers or financial institutions could design new plans tailored to these workers' work and earnings patterns. Pew's survey tested several approaches that are among the most frequently discussed by analysts and policymakers. Among the key findings:

- Given the diversity of the nontraditional workforce, bringing retirement savings plans to these workers will require innovation and creativity, as well as education and outreach.
- Every option presented in the survey, which includes a variety of government and private savings options, received more positive than negative responses. About half of nontraditional workers said they were interested in having their bank make automatic transfers to a retirement account, saving through quarterly or annual tax filings, or using an app or website that facilitates automatic retirement saving.
- Each proposal in the survey, however, also generated substantial uncertainty, with 20% to 40% of respondents saying they weren't sure whether they would participate. This may be due in part to respondents' lack of familiarity with some of the concepts that the survey presented.
- Ease of participant access and use will be important for any potential solution. Features that simplify and automate participation—such as automatic enrollment, automated contributions, and auto-escalation of contribution rates—may boost participation rates.
- When survey questions presented automation in a solution, such as automatic enrollment and automated bank transfers, respondents' interest in participating did not decrease significantly.
- Workers paid using electronic methods were more receptive to various solutions explored in the survey than those paid by check or cash. This suggests that solutions should focus less on the type of worker (freelancer, sole proprietor, or other type) and more on the method of payment.

This brief is part of a series based on Pew's survey of nontraditional workers examining their retirement security and their attitudes about paths to help them save. The first brief looked at nontraditional work during the pandemic,[2] while the second explored nontraditional workers' savings balances in workplace retirement plans and IRAs.[3] Earlier publications in this series looked at these workers' access to workplace retirement plans,[4] the barriers they face to saving for retirement,[5] couples' coordination of retirement savings,[6] and nontraditional workers' understanding of financial concepts and their financial skills.[7]

Background: Nontraditional workers' participation in workplace retirement plans when they have access indicates strong demand

Nontraditional work takes many forms, including online or platform work, freelancing, on-call work, sole proprietorship, contract work, temporary help agency work, and partnerships. Definitions of nontraditional work vary, leading to estimates that range from 3.8% of America's workforce to as much as 40.4%.[8] For the survey highlighted in this brief, the definition is based on arrangements between workers and the individual or company that pays them.

Pew included 1,000 nontraditional workers in the 2020 survey to learn more about their demographic and job characteristics, how COVID-19 had affected them, and their interest in different retirement savings proposals.[9] About a fifth (21.6%) said their primary source of income came from a sole proprietorship, while contract company or freelance work was the primary source of income for 10.5% and 7.8%, respectively. Online or gig work (e.g., Uber, Lyft, Etsy, eBay, Observa, TaskRabbit, or Upwork) was the primary source of income for just 4.9% of those with one or more jobs. Meanwhile, nearly a third of respondents (32.0%) reported that their primary source of income was from a traditional job, in which employers provide workers with a W-2 and sometimes with access to a retirement plan, in addition to a nontraditional job. Earlier Pew research has reported on demographic and job characteristics of these workers in more detail.[10]

Nontraditional workers indicate strong demand for retirement plans and show it in their actions. When asked about the types of benefits that were important to them, two-thirds cited retirement benefits, ranking them second after health benefits.[11] Among those who said they were interested in saving for retirement but didn't already have a plan, more than 4 in 10 respondents (43.6%) said the main reason for their interest was because they weren't saving enough. An additional 28% said the main reason was that they wanted an employer match, 18.2% said they wanted an automatic saving mechanism to help them save, and 9.9% said they wanted the tax benefits of a retirement plan.

High participation rates testify to this strong demand. Three-quarters (77.5%) of those who were eligible for a workplace defined contribution (DC) plan participated in it.[12] In particular, 71.0% of those with a nontraditional primary job participated in a workplace plan when one was offered and they were eligible, as did 81.6% of those with a traditional primary job.

Certain factors, however, may reduce nontraditional workers' ability to save for retirement. Pew's survey found that many in these lines of work lack job security or have volatile incomes. Among all nontraditional workers, 15.6% have annual household incomes below $20,000.[13] In the survey, two-thirds (66.4%) of nontraditional workers cited immediate needs and emergencies as the biggest ongoing challenge to saving for retirement.[14] Similarly, a survey of workers eligible to participate in OregonSaves, an auto-IRA program that started in 2017, found that the most common reason given for not participating was that they "can't afford to save at this time."[15] Many of these workers feel they must accumulate savings and keep them accessible in case of a medical, auto, or other financial emergency. To address that issue, 79.4% want pre-retirement access to their savings.

High management fees can also play a role in small savers' willingness to tie up money in a retirement account;[16] plans such as auto-IRAs, multiple employer plans (MEPs), and pooled employer plans (PEPs), which can bring large numbers of nontraditional workers together, could help reduce costs for individual savers. Finally, some workers may decide to save less for retirement, or not at all, based on their expected Social Security benefits, which can offer low-income workers a high monthly benefit (a high "replacement rate") relative to pre-retirement income.[17]

The attitudes revealed in the survey indicate room for creative approaches to help nontraditional workers reach their retirement savings goals. Workers' strong interest in an employer match and automatic contributions could inform efforts to develop new plans.

Assessing interest in a range of savings proposals

Pew asked nontraditional workers who did not have a workplace plan about the features of six savings options, innovations, and policy proposals that have been discussed by experts in recent years. These proposals, often championed by analysts and policymakers, are:

- Automatic diversion of a percentage of a worker's pay, by the worker's bank or a payment app such as PayPal, to a retirement savings account such as an IRA.
- Saving through quarterly or annual tax filings.
    - A retirement savings or financial planning app or website, working as a third party, that would allow the worker to transfer funds from a bank account to a retirement account and, in some cases, help workers establish new retirement accounts.
    - A plan managed by a worker's trade or representative body.
    - A group plan for nontraditional workers that is managed by a third party (e.g., PEPs or MEPS).[18]
    - Payroll deduction individual retirement accounts (IRAs) with automatic enrollment ("auto-IRAs").

In some cases, the options are already available through, for example, state-facilitated IRAs in several states, retirement saving apps or savings directed to an IRA through federal tax filings. Nontraditional workers can set up a traditional or Roth IRA on their own, but Pew's survey found that only 21.9% had done so.[19] Although the survey did not ask why IRA participation was low, likely reasons include income instability, as noted above, lack of financial know-how, or the costs and labor involved in researching and setting up an IRA. Some options, such as auto-IRAs, eliminate these literacy barriers and research costs by establishing Roth IRAs for participating workers.

For some of the options, additional questions probed how frequently the worker would like to save and whether automatic enrollment changed workers' responses. Automatic enrollment tends to help because the user does not need to take active steps to sign up and doesn't have to remember to save.[20] Thus, for two proposals—the financial institution transfer and the auto-IRA—the survey question was randomized to ask half of respondents whether they would join the plan and the other half whether, after having been automatically enrolled, they would stay or opt out. For the proposal to establish group plans or PEPs, the survey question was randomized to show participants different versions of how administrative functions, such as record-keeping and plan communication, would be handled: Half saw a version where administrative functions were handled by the state treasurer's office, while the other half saw a version where these functions were handled by a financial services company. (In both cases, a private sector investment manager handled PEP investments.)

The survey was fielded in June 2020 during the COVID-19 pandemic, which could have affected workers' income and job security, influencing their interest in saving for retirement.[21] Therefore, for questions about interest in proposed retirement savings plans, respondents were asked to think about their interest and their situation in general over the past few years, not about their situation during the pandemic. In addition, nontraditional workers with employees were asked to consider only their own preferences as a worker, not what they would or would not offer their employees.

Option 1: Transfers from a financial institution to a retirement account

Nontraditional workers were asked whether they would be interested in a retirement savings plan where their bank, an investment firm, or a payment app (such as PayPal or Venmo) would automatically transfer 5% of their paycheck after taxes (that is, $50 for each $1,000 of after-tax income) or another amount of their choice into a retirement savings account invested in a fund that assumes retirement in a certain year (known as a target date fund).[22] Most nontraditional workers (70.1%) said they were paid, at least some of the time, by direct deposit to a bank account or through electronic transfer platforms such as PayPal, Venmo, Square, Google Wallet, Apple Cash, and Cash App. Some moved earnings after receiving them: 88.3%% held at least some of their earnings in a bank or investment account, 11.7% kept their earnings on a payments platform, while 14.9% held their payments in cash or another, unspecified place. Although users of electronic payment platforms can forward their balances electronically to a bank or investment account, this proposal would automate the transfers to a retirement account.

With the question being asked in two ways, depending on the survey version, similar shares of workers said they would join the plan if offered (50.5%) as said they would stay in the plan after auto-enrollment (53.6%). These results are not statistically different from each other. In both cases, however, about a third didn't know whether they would participate. Because the number of respondents was small, it was not possible to analyze the data by demographic factors or work characteristics. This leaves relatively small shares who said they would not join the plan (17.1%) or would opt out (10.7%), depending on which version of the survey they received.

Table 1

About Half of Nontraditional Workers Express Interest in Building Savings Through Transfers From Bank or Investment Accounts

A significant number are uncertain

	Join language	Stay/Opt-Out language
Join the plan	50.5%	
Not join the plan	17.1%	
I don't know	32.4%	
Stay in the plan		53.6%
Opt out		10.7%
I don't know		35.7%

Note: Half of the survey respondents were asked whether they would join the plan, while the others were asked whether they would stay in such a plan, or opt out, if they were automatically enrolled. The sample size for "join" language was 301; the sample size for "stay/opt-out" language was 296.

Source: Pew survey of nontraditional workers and retirement savings, 2020

Option 2: Saving through quarterly or annual tax filings

Annual tax filings and quarterly estimated tax payments also could be an opportunity to make retirement contributions. Nontraditional workers were asked whether they would be interested in saving for retirement through their regular self-employment tax filings.[23] The Internal Revenue Service allows taxpayers who have a refund to instruct the agency to direct deposit the refund into a variety of accounts, including an IRA, a Health Savings Account, a 529 education savings plan, an ABLE account for those with disabilities, or a TreasuryDirect account.[24]

To spur retirement savings, the federal Saver's Credit for moderate- and lower-income individuals provides a current incentive. That could be made more effective by making it refundable and depositing it in the saver's account. Saving through the tax system could encourage greater use of the Saver's Credit.

Roughly half (53.4%) of nontraditional workers were very or somewhat interested in this proposal, while 23.6% were probably or definitely not interested, and 23.0% said they did not know.[25] Interest was higher among those who said they had tried to figure out their retirement needs (65.4%) compared with those who had not (53.2%). Those with college or graduate degrees were more interested (63.8% and 78.6%, respectively) than those with a high school degree or less (39.9%) or some college (55.7%).

And workers ages 50 or over were more interested (59.0%) than workers under age 50 (50.0%). Among those who were unsure, many tended not to have tried to figure out their retirement needs, to have lower educational attainment, or to be under age 50.

Option 3: Saving through a financial planning app or website

Financial planning companies, including so-called "fintech" firms, have developed websites and applications to ease retirement savings transactions. Some apps and services allow users to automate contributions. Other services offer "robo advisers" that electronically monitor accounts and rebalance them periodically to maintain a diverse mix of investments. (These stand-alone apps differ from the payment platform apps discussed above.) And some companies offer smartphone apps that scan a worker's bank account for income and expenses and automatically sweep some share of the unneeded balance into a savings account or IRA.

Pew asked nontraditional workers whether they would use an app or a website that would allow them to transfer money from their bank or payments platform to a retirement savings plan.[26] The survey question did not specify whether transfers would be made manually or automatically on a regular schedule.

Nearly 6 in 10 respondents (57.0%) said they would use such an app or website. The remainder were equally divided between those who said they probably or definitely wouldn't (21.1%) and those who said they didn't know (21.9%).[27] Interest was higher among those with college (70.6%) or graduate degrees (66.0%) than among those with some college (54.6%) or a high school degree or less (49.2%). Fewer older (51.7%) than younger (60.1%) workers said they would use such an arrangement, perhaps because they were less familiar with, or trusting of, third-party apps or websites. Those who already had savings and investments (66.7%) were more interested than those who had neither (55.2%). And those who had tried to figure out their retirement needs (63.3%) were somewhat more interested than those who had not (57.1%).

Those who were interested in the app or website were asked how frequently they would prefer to save this way. A majority gave answers compatible with automating contributions: 57.8% said every time they were paid, while 31.2% said at regular intervals. The remaining 11.0% said they would prefer to save this way when they were able or when they chose.

Option 4: Plans offered by unions, trade or professional groups, or chambers of commerce

Many nontraditional workers—18.1% based on the survey—belong to a trade or professional body such as a labor union, the Freelancers Union or a chamber of commerce.[28] These representative bodies could offer retirement savings plans to their members—in fact, the Freelancers Union used to do so.[29] The union is the largest organization representing the nation's independent workers. Pew asked respondents who said they belonged to one or more representative bodies if they were interested in a retirement plan sponsored by that group.[30]

Workers were lukewarm about this proposal: 29.2% said they would join, 27.50% said they would not, and 43.3% said they were not sure.[31] The large number of uncertain responses could indicate that there is room for educational and marketing campaigns to make a difference in participation. Because fewer than 2 in 10 respondents in the sample belonged to a representative body, there were not enough observations to analyze responses by demographic or job characteristics.

Option 5: Multiple employers joining together to provide a plan

Respondents were also asked about their interest in a pooled or group retirement savings plan: They would contribute to an account held in their name and could choose from among plan investment options, and their clients or customers could choose to make contributions. As described in the survey, such a plan would resemble either a multiple employer plan (MEP) or a pooled employer plan (PEP), although neither was specifically named. MEPs and PEPs allow employers to pool with other companies to share the administrative and financial burdens of sponsoring a retirement plan. The plans can be either defined benefit (DB) pension or defined contribution (DC) plans such as 401(k)s. The survey question described only the DC options.

MEPs and PEPs are typically offered by private financial services providers, but state governments concerned about low savings among their residents can also administer group programs. Currently, Massachusetts and Vermont offer such programs.[32] Pew asked respondents about their interest in a group retirement plan; the survey split the sample to test group plans administered by a private financial firm or by a state treasurer's office. Either way, survey participants were told that a private-sector investment manager would manage the investments.

Depending on how the question was asked, about half of nontraditional workers said they were definitely or probably interested in saving with other workers in a group plan.[33] The difference in interest among those who were told the state treasurer would handle administrative functions (47.8%) as opposed to a financial services firm (51.3%) was not statistically significant, indicating equal receptivity to a state-run program. Because of small numbers, it was not possible to analyze the data by demographic factors or work characteristics. Once again, about a quarter of respondents didn't know whether they would participate.

Table 2

About Half of Nontraditional Workers Express Interest in a Multiple Employer Retirement Savings Plan

Responses show little difference between administrative duties being handled by the state or a private firm

	Administered by state treasurer's office	Administered by financial services company
Definitely or could be interested	47.8%	
Probably or definitely not interested	27.1%	
I don't know	25.1%	
Definitely or could be interested		51.3%
Probably or definitely not interested		21.9%
I don't know		26.8%

Note: Half of the survey pool was asked about a plan administered by a state treasurer's office; the other half was asked about a plan administered by a financial services company. The sample size for "state treasurer" language was 319; for "financial services company" language, it was 294.

Source: Pew survey of nontraditional workers and retirement savings, 2020

Option 6: Auto-IRA accounts for nontraditional workers

To help more people save for retirement, 10 states[34] have passed legislation to establish auto-IRAs (sometimes known as “Secure Choice” or “Work and Save” programs). Lawmakers in more than 30 statehouses are studying such an option or have introduced legislation. Under a state-facilitated auto-IRA program, private-sector workers who don’t have access to workplace retirement savings plans would automatically be enrolled in an IRA and would contribute a preset percentage of their wages or salaries. Workers can change their contribution percentage or opt out entirely. The accounts are portable from one workplace to the next. IRAs help grow savings on a tax-preferred basis, and the money can be withdrawn without penalty beginning at age 59½. With these attributes, auto-IRAs can be an important savings tool.

Some auto-IRA programs, including those in California, Illinois, and Oregon, allow self-employed workers who are eligible for an IRA to contribute. Colorado and Virginia are developing plans to allow this. Self-employed workers in California can now set up automatic contributions from their bank accounts.

The survey found that workers’ interest was slightly higher when the question referred to automatic enrollment with the ability to opt out (41.1%), compared with wording that said they had 30 days to join (35.5%). Still, the difference was not statistically significant. About a quarter of nontraditional workers (26.4%) said they would not join the plan, while a similar share (25.8%) said they would opt out if given 30 days to do so. As with other options, relatively large numbers said they didn’t know if they would participate, whether the question was phrased in terms of automatic enrollment (33.2%) or the ability to opt out (38.2%). This finding suggests a role for further education about savings opportunities. Earlier Pew research on worker attitudes about state-facilitated auto-IRAs found smaller shares were unsure about participating (24%) or would plan to opt out (13%). That earlier survey provided additional information about auto-IRAs and probed for opinions on particular features such as portability, automatic enrollment, and automatic escalation of contributions.[35]

Table 3

Nontraditional Workers Express Interest in an Auto-IRA

Similar numbers offer no opinion, suggesting need for more education about options

	30 days to join	30 days to opt out
Join the plan	35.5%	
Not join the plan	26.4%	
I don’t know	38.2%	
Stay in the plan		41.1%
Opt out		25.8%
I don’t know		33.2%

Note: The sample size for “join” language was 308; for “stay/opt-out” language, it was 304.

Source: Pew survey of nontraditional workers and retirement savings, 2020

Work and pay characteristics of nontraditional workers

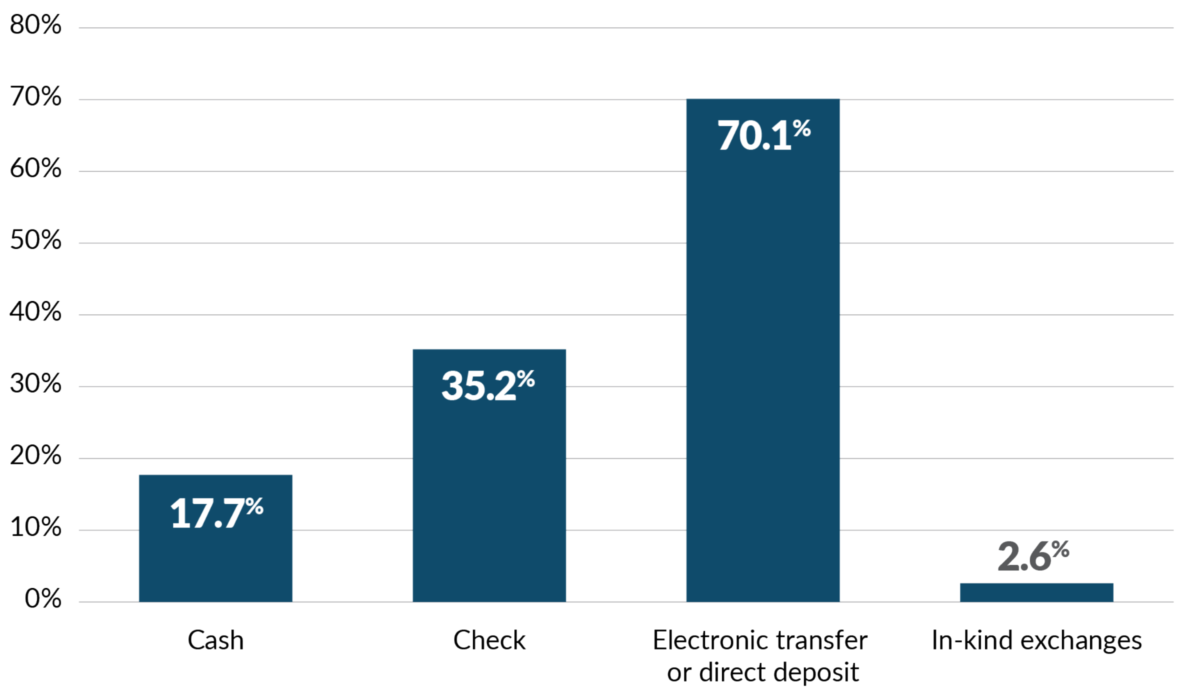
How nontraditional workers are paid can affect the feasibility and attractiveness of various retirement savings proposals. The survey asked respondents to describe how they get paid and whether their earnings go to a financial institution or an electronic payment platform or are held as cash.

About 7 in 10 respondents (70.1%) said they were paid, at least some of the time, by direct deposit to a bank account or through an electronic transfer platform such as PayPal, Venmo, Square, Google Wallet, Apple Cash, or Cash App. (See Figure 1.) Electronic payment platforms generally allow account owners to forward their balances electronically to a bank or investment account, sometimes for a fee. Survey respondents were able to choose multiple payment channels. Many said they were paid in more than one way, for example by cash and by check. Payment by check was the second most frequent method (35.2%). Cash payments were reported by 17.7% of nontraditional workers; these workers would need to move cash payments to a bank or other account in order to save through any of the retirement plan options examined in the survey.

Figure 1

Most Nontraditional Workers Are Paid by Electronic Transfer or Direct Deposit

Checks are the second most frequent payment method



Note: Respondents were able to choose multiple payment channels. Sample size was 1,026.

Source: Pew survey of nontraditional workers and retirement savings, 2020

Those who were paid electronically in their primary job (the job that provided their main source of income) were generally more receptive to the proposals in the survey than those who were paid by cash or check, although only the results for transfers from a bank or app were statistically significant. Workers who are paid by cash or check may not fully understand how automated or fintech plans would work for them. More importantly, they also might not file tax returns or be eligible for tax breaks on their retirement savings.

Table 4

How Workers Are Paid Relates to Interest in Retirement Savings Proposals

Those paid electronically were somewhat more interested than those paid by check, cash, or in-kind

		Paid electronically	Paid by check, cash, or in-kind payments
Bank or app diverts pay to IRA, join and stay/opt- out language combined	Join or stay	56.9%	44.7%
	Not join or opt out	15.4%	11.8%
	Don't know	27.6%	43.6%
Quarterly or annual tax filings	Very or somewhat interested	57.7%	47.1%
	Probably or definitely not interested	21.7%	25.7%
	Don't know	20.6%	27.2%
App or website	Definitely or probably would use it	62.3%	49.2%
	Probably or definitely would not use it	18.4%	24.5%
	Don't know	19.4%	26.3%
Representative body sponsors a plan	Join the plan	29.4%	27.3%
	Not join the plan	31.8%	15.5%
	Not sure	38.8%	57.2%
MEP, administration by state or financial services company, combined	Definitely or probably interested	51.1%	47.7%
	Probably or definitely not interested	25.2%	24.2%
	Don't know	23.7%	28.1%
Auto-IRA, join and stay/opt-out language combined	Join or stay (if auto-enrolled)	40.6%	34.9%
	Not join or opt out	28.4%	22.8%
	Don't know	31.0%	42.3%

Notes: Totals may not add to 100 percent because of rounding. The structure of the survey meant different samples sizes for various options. Here are the sample sizes: for combined bank or app options, 594; for tax filings, 611; for app or website, 607; for representative body, 100; for combined MEP options, 610; and for combined auto-IRA options, 610. Responses are combined for arrangements and proposals where respondents were asked about their interest in two different ways (join or stay language, administration through the state or a financial services company).

Source: Pew survey of nontraditional workers and retirement savings, 2020

Other lessons from survey responses

Other survey questions shed light on how best to reach nontraditional workers. For example, the survey found that only 21.9% of these workers established IRAs on their own, and it is probable that fewer contribute regularly.[36] Savings programs that set up IRAs for participants, such as auto-IRAs or certain fintech options, can reduce or eliminate the need to research IRA providers and may have a better chance of enrollment success. Ease and simplicity of use will be important.

Pew previously reported that 79.4% of nontraditional workers wanted pre-retirement access to their savings in case of emergencies such as house repairs or medical crises.[37] Earlier Pew research found that 13% of people with retirement accounts had both drawn on these accounts and experienced a financial shock in the previous year; 2% made a withdrawal but reported no shock.[38] Many nontraditional workers with variable incomes may want to be able to draw on their savings to smooth their spending, as 24.3% have irregular or seasonal income.

Although dipping into retirement savings reduces a worker's balance upon retirement, having a short-term savings buffer has been associated with significant improvements in a household's financial well-being over time.[39] Workers who can draw on a pool of emergency savings may be able to avoid falling deeply into debt, or they may be able to preserve assets such as a house or a car needed for work, or they may have greater access to medical care when a health crisis threatens their well-being or ability to work. Roth IRAs, the most common form of auto-IRAs, allow emergency withdrawals. Still, establishing separate emergency or "rainy day" savings programs as part of a retirement savings system would help preserve savings for old age.

Financial education also could play a role in helping nontraditional workers understand the necessity of saving for retirement and the various means to accomplish this. Not knowing how to save for retirement was cited by 18.5% of nontraditional workers as a barrier to saving, and for 8.7% this was the primary obstacle.[40] Financial education in school, or when a worker joins a company, could emphasize the importance of starting to save early in a diversified portfolio.

Conclusion

Bringing retirement plans to nontraditional workers will require imagination and innovation. One key takeaway from Pew's research is that this workforce varies a great deal in its savings preferences and needs. People work in jobs ranging from freelancing to sole proprietorships to gig work.[41] Pew's survey sought to address this broad range of work situations by posing a wide selection of options for nontraditional workers to save for retirement.

Earlier work based on the survey showed that lack of access to a workplace plan is the biggest barrier that most nontraditional workers face to saving for retirement. Advocates are looking for ways to increase uptake through various approaches, including possible tweaks to existing programs. For example, Oregon opened OregonSaves to self-employed individuals. Auto-IRAs also could be configured to draw directly from a bank account or electronic platform; payroll companies are already looking into this adaptation. In addition, workers with income below a certain level could offset tax liability with retirement savings through the Saver's Credit. Legislation before Congress would make the credit refundable, meaning the government would send a payment directly to an eligible taxpayer's retirement account regardless of a tax liability, which would effectively create a government match.

The results regarding electronic payments suggest that potential solutions should not be geared toward a particular type of worker, but rather to the methods of getting paid and holding assets. Some financial technology firms are already leading the way by automating transfers from banks or investment accounts to retirement savings. These fintech applications can operate with direct deposit payments or with earnings stored in a bank account or electronic platform.

For these to be widely used, ease of access is important. Some apps offer to set up IRAs for savers, reducing or eliminating the work involved in finding an IRA provider. Users would need to investigate and compare fees, however, because fees that seem small can compound over time, slowing investment growth and affecting retirement readiness.[42] Payments by cash would require the worker to take the additional step of depositing money in a bank or other account in order to save through any of the proposed retirement plans examined in the survey.

Beyond feasibility of different options to increase savings, the survey results indicate that nontraditional workers have not shown a strong preference for any one option, and a sizable number of nontraditional workers were not sure about the different solutions. This uncertainty stands in contrast to the results noted above—that 77.5% of nontraditional workers take advantage of retirement savings opportunities when offered. Workers may need more information about possible options before expressing a firm commitment to any one option. Some workers may not be sure they are able to save for retirement.[43]

Government policymakers and private sector employers need to leverage proven techniques from behavioral science, such as automatic enrollment, to nudge workers toward savings plans. Multiple approaches will likely be needed to encompass as many nontraditional workers as possible and offer them the ability to choose which savings program works best for them.

Methodology

The Pew Charitable Trusts hired NORC at the University of Chicago to survey nontraditional workers to better understand their access to retirement savings plans through work or outside of work. The sample was drawn from NORC's nationally representative AmeriSpeak Panel. The survey was fielded online and by telephone, in English and Spanish, from June 4 to July 1, 2020. The survey obtained 1,026 qualified interviews from individuals ages 18 and over who worked in nontraditional jobs (also referred to as contingent, gig, nonstandard or independent jobs). Quotas were used to ensure enough survey completes for three sub-targets: workers with a single job that was nontraditional, workers with a mix of traditional and nontraditional jobs, and workers with multiple nontraditional jobs (but no traditional job). Survey results were weighted to reflect the selection probabilities of the panel members and further adjusted to ensure that the weighted panel represents the U.S. household population. The study sample supports proportion estimates with a margin of error no greater than 4.26 percentage points.

For more information on methods, see the survey Methodology statement[44] and Topline Results.[45] Pew has reported separately on the survey's findings about nontraditional workers' demographic and job characteristics.[46]

Endnotes

1 The Pew Charitable Trusts, "Nontraditional Workers Lack Access to Workplace Retirement Options" (2021), https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/10/nontraditional-workers-lack-access-to-workplace-retirement-options.

2 As described in the Methodology section, the survey was implemented in June 2020. Pew took advantage of the timing to ask nontraditional workers a few questions about COVID-19's impact on their work. See The Pew Charitable Trusts, "More Than 40% of Nontraditional Workers Had Hours Cut or Lost Jobs Because of COVID-19" (2021), https://www.pewtrusts.org/en/research-and-analysis/articles/2021/04/21/more-than-40-of-nontraditional-workers-had-hours-cut-or-lost-jobs-because-of-covid-19.

3 A. Shelton, "Freelancers, Sole Proprietors, and Other Nontraditional Workers Have Little Retirement Savings," The Pew Charitable Trusts, July 13, 2021, https://www.pewtrusts.org/en/research-and-analysis/articles/2021/07/13/freelancers-sole-proprietors-and-other-nontraditional-workers-have-little-retirement-savings.

4 The Pew Charitable Trusts, "Nontraditional Workers Lack Access to Workplace Retirement Options."

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10 The Pew Charitable Trusts, "Nontraditional Workers Lack Access to Workplace Retirement Options."

11 Ibid.

12 Ibid.

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14 The Pew Charitable Trusts, "Nontraditional Workers Face Multiple Barriers to Saving for Retirement."

15 J. Chalmers and O.S. Mitchell, "Auto-Enrollment Retirement Plans for the People: Choices and Outcomes in OregonSaves" (working paper, Wharton Pension Research Council, The Wharton School, University of Pennsylvania, Philadelphia, 2020), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3659731.

16 BrightScope and Investment Company Institute, "The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2017," Chapter 4, accessed Feb. 14, 2022, https://www.ici.org/system/files/attachments/pdf/20_ppr_dcplan_profile_401k.pdf.

17 M. Clingman, K. Burkhalter, and C. Chaplain, "Replacement Rates for Hypothetical Retired Workers," Social Security Administration, accessed Feb. 14, 2021, https://www.ssa.gov/oact/NOTES/ran9/an2021-9.pdf.

18 Under auto-IRA or "Secure Choice" programs being considered by half of U.S. states (and being implemented in seven of them), employees without access to a retirement plan on the job are automatically enrolled and contribute a preset percentage of their wages or salaries. They can choose to opt out of the program, change the contribution percentage, or withdraw prior contributions at any time.

19 The Pew Charitable Trusts, "Freelancers, Sole Proprietors, and Other Nontraditional Workers Have Little Retirement Savings."

20 W.G. Gale, J.M. Iwry, and D.C. John, Wealth After Work: Innovative Reforms to Expand Retirement Security (Washington, DC: Brookings Institution Press, 2021). See also Chalmers and Mitchell, "Auto-Enrollment Retirement Plans for the People."

21 The Pew Charitable Trusts, "More Than 40% of Nontraditional Workers Had Hours Cut or Lost Jobs Because of COVID-19."

22 The survey question reads as follows: "Imagine a new retirement savings program where the institution that holds your money (e.g., bank, investment company, payment app) would automatically divert 5% or $50 for each $1,000 of your pay—or another amount of your choice—into a retirement savings plan that you would manage, such as an IRA. Your savings would be invested in a mix of stocks and bonds appropriate for someone of your age. These 'target date' retirement funds account for the amount of time until you retire and become more conservative as you approach retirement to lower investment risk and protect against loss. Considering all these features,

would you ..." Response options were randomized. Half of participants were offered the following options: "join the plan," "join the plan but increase my contribution," "join the plan but decrease my contribution," "not join the plan," "I don't have a bank or investment account," or "I don't know." The other half were offered these options: "stay in the plan," "stay in the plan but increase my contribution," "stay in the plan but decrease my contribution," "opt out of the plan," "I don't have a bank or investment account," or "I don't know." For presentation in this report, the three "join" options were combined, as were the three "stay" options. (Also, some respondents skipped the question.)

23 Survey question: "Here is a different retirement savings program. If, as part of your annual or quarterly self-employment tax filing, you were able to contribute 5% or $50 for each $1,000 of your income—or another amount of your choice—automatically to a retirement savings account that you would manage, such as an IRA, would you be ..." Response options included "very interested," "somewhat interested," "probably not interested," "not interested at all," and "I don't know." For presentation in this report, responses of "very" or "somewhat" interested were combined. Responses of "probably" or "definitely" not interested were also combined.

24 The Internal Revenue Service allows taxpayers who have a refund to deposit the refund into an Individual Retirement Account, a Health Savings Account, a 529 education savings plan, a Coverdell Education Savings Account, an ABLE account for those with disabilities, or a TreasuryDirect account. More information can be found via the Consumer Financial Protection Bureau at https://www.consumerfinance.gov/start-small-save-up/start-saving/how-to-use-your-tax-refund-to-build-your-emergency-funds/.

25 Sample size = 666.

26 Survey question: "If you had access to an app or a website that would allow you to transfer money from your bank or payments platform to a retirement savings plan, would you be likely to use this app or website?"

27 Sample size = 662.

28 This includes 8.0% who are members of labor unions, 3.8% who belong to a trade-specific organization, 5.0% who belong to the chamber of commerce, and 2.20% who belong to another work-affiliated group. Some workers belong to more than one trade or professional group.

29 Freelancers Union, "Everything Freelancers Need to Know About Retirement," accessed Nov. 17, 2021, https://blog.freelancersunion.org/2014/11/14/everything-freelancers-need-know-about-retirement/.

30 Survey question: "If your trade or representative body could set up a retirement plan managed by a private financial firm and you could select your contribution rate and investments, would you ..." Response options included "join the plan," "not join the plan," and "not sure."

31 Sample size = 119

32 Massachusetts' plan is available to small nonprofits. Commonwealth of Massachusetts, "Core Plan for Nonprofits: Connecting Organizations to Retirement," accessed Feb. 16, 2022, https://www.mass.gov/core-plan-for-nonprofits.

33 Survey question: "Several different businesses, including self-employed individuals, could pool together and adopt a group retirement savings plan administered by their [Random: state treasurer's office/a financial services company]. Workers saving for retirement in the group plan would benefit from lower fees and could save up to about $20,000 a year. As a self-employed worker, you could contribute to a retirement savings account that is held in your name, within this group plan. Workers' clients or customers, at their option, could also make contributions. You would have some choice in how to invest your contributions from the investment options offered by the plan. The [Random: state treasurer's office/financial services company] would handle recordkeeping, financial reporting, and communication for the plan but would have no claim on your savings, and a private sector investment manager would handle investments. You could withdraw your money at any time, although you might pay a 10% penalty if you are under age 59½ when you make the withdrawal."

34 States that have enacted auto-IRA legislation include California, Colorado, Connecticut, Illinois, Maine, Maryland, New Jersey, New York, Oregon, and Virginia. Auto-IRA programs in California, Connecticut, Illinois, and Oregon have started taking worker contributions.

35 The Pew Charitable Trusts, "Worker Reactions to State-Sponsored Auto-IRA Programs" (2017), https://www.pewtrusts.org/-/media/assets/2017/10/retirement_savings_worker_reactions_v5.pdf.

36 The Pew Charitable Trusts, "Freelancers, Sole Proprietors, and Other Nontraditional Workers Have Little Retirement Savings."

37 The Pew Charitable Trusts, "Nontraditional Workers Face Multiple Barriers to Saving for Retirement."

38 The Pew Charitable Trusts, "Financial Shocks Put Retirement Security at Risk" (2017), https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/10/financial-shocks-put-retirement-security-at-risk.

39 J. Sabat and E.A. Gallagher, "Does Short-Term Emergency Savings Translate Into Longer-Term Financial Wellness?" AARP, accessed Feb. 16, 2020, https://www.aarp.org/ppi/info-2020/short-term-emergency-savings.html?CMP=RDRCT-PPI-WORKJOBS-100219.

40 The Pew Charitable Trusts, "Nontraditional Workers Face Multiple Barriers to Saving for Retirement."

41 The Pew Charitable Trusts, "Nontraditional Workers Lack Access to Workplace Retirement Options."

42 The Pew Charitable Trusts, "Even Small Differences in Fees Matter for Retirement Accounts," accessed Aug. 5, 2021, https://www.pewtrusts.org/en/research-and-analysis/articles/2018/10/23/even-small-differences-in-fees-matter-for-retirement-accounts.

43 C.L. Bruckner and J.B. Forman, “Shoring Up Shortfalls: Women, Retirement and the Growing GigSupp Economy” (working paper, Wharton Pension Research Council, The Wharton School, University of Pennsylvania, Philadelphia, 2021), https://repository.upenn.edu/prc_papers/705/.

44 The Pew Charitable Trusts, “Nontraditional Worker Survey Methodology.”

45 The Pew Charitable Trusts, “Pew Survey of Nontraditional Workers and Retirement Savings: Topline Results,” accessed Aug. 10, 2021, https://www.pewtrusts.org/-/media/assets/2021/04/pew-survey-of-nontraditional-workers-and-retirement-savings-topline-results.pdf.

46 The Pew Charitable Trusts, “Nontraditional Workers Lack Access to Workplace Retirement Options.”

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