



Nontraditional Workers Face Multiple Barriers to Saving for Retirement

Income demands, lack of workplace plans are obstacles for temporary, freelance, and other workers

Overview

Many American workers are in nontraditional jobs, also known as contingent, alternative, or independent jobs. Although nontraditional workers don't readily fall into simple categories, they may work as freelancers, as sole proprietors, as seasonal workers, or for a temporary help agency or contract firm, or they may sell goods or services online. Researchers have provided a wide range of estimates of the nontraditional workforce, from 3.8% to as much as 40.4% of America's total workforce, using varying definitions of nontraditional work and different datasets.

Previous research by The Pew Charitable Trusts showed that many nontraditional workers are less prepared for retirement than are traditional workers. Workers without adequate retirement savings may face impoverished retirements or may be unable to retire. They may also be more likely to turn to government programs such as Medicaid and Supplemental Security Income, straining state budgets. What is more, such workers may lack a buffer, in the form of retirement savings, during a financial crisis either before or in retirement.

To understand the nature and scope of barriers that nontraditional workers face to saving for retirement, Pew in 2020 surveyed 1,000 workers who said they worked at nontraditional jobs as their primary job or as one of multiple jobs. The survey examined nontraditional workers' access to workplace retirement plans, the barriers they face to saving for retirement, their understanding of simple financial concepts and skills, and the types of programs—existing or new—that nontraditional workers said would serve them best. This brief explores whether nontraditional workers were interested in a hypothetical retirement plan and whether they identified any barriers or obstacles that prevented them from saving.

Nontraditional workers may face any number of barriers or obstacles to saving for retirement: They generally lack job security, their incomes may be volatile, and they typically do not enjoy employer-provided benefits such as health insurance or a retirement plan. Lack of access to a workplace plan is the most significant barrier to retirement savings facing nontraditional workers, as shown by Pew's survey. But they may face other barriers. They may have too little income, or they may not understand how to start saving for retirement.

A first report examined the COVID-19 pandemic's effect on these workers, a second examined their retirement savings balances in workplace retirement savings plans and individual retirement accounts, a third looked at their access to and participation in workplace retirement plans, and a fourth analyzed whether nontraditional workers coordinate with a spouse or partner to save for retirement.¹ Subsequent reports will explore nontraditional workers' understanding of financial concepts and skills, and which types of retirement savings programs appeal to different groups of nontraditional workers.

Key findings

- 46.3% of all nontraditional workers had an employer during the previous year that offered a defined contribution (DC) plan, a defined benefit (DB) plan, or another type of retirement plan such as an annuity.
- 51.9% of all nontraditional workers without a workplace plan said they were somewhat or very interested in a hypothetical retirement savings plan presented in the survey, but:
 - 30.9% said they were probably not interested or not interested at all.
 - 17.2% were not sure.
- Nontraditional workers with higher levels of education were more likely to be interested in the hypothetical retirement savings plan.
- Barriers to saving for retirement go beyond access to a workplace plan. Among those not interested in a hypothetical retirement plan:
 - 52.6% said their lack of income was the main reason.
 - 8.7% said not understanding how to save for retirement was the primary reason.
- Among all nontraditional workers, regardless of access, 66.4% cited immediate needs and emergencies as the biggest ongoing challenge to saving for retirement.
- A total of 79.4% of nontraditional workers said pre-retirement access to their savings, to cope with an emergency such as a house repair or a medical crisis, was very or somewhat important.

The current retirement system is clearly not fostering adequate retirement savings for nontraditional workers. To address the range of barriers to retirement that they face, innovative and probably multiple approaches are needed. These could include state-facilitated auto-IRA programs, which automatically enroll private sector workers in a savings plan when they do not have a workplace plan; tax credits or deductions; or financial technology (“fintech”) apps that help automate retirement savings transactions.

Pew's survey of nontraditional workers

To explore access and barriers to retirement saving, Pew recruited survey participants from a range of nontraditional work arrangements, which produced our definition of “nontraditional work.” (See the text box, “Who Are Nontraditional Workers?”) Workers in traditional employee-employer relationships were included in Pew’s survey if they also performed nontraditional work. Many nontraditional workers had multiple jobs, and the survey asked for detailed information on the three jobs that provided the most income to the worker. Pew did not attempt to measure America’s nontraditional workforce; instead, our goal was to understand nontraditional workers’ experience with retirement saving. More information about Pew’s survey and the characteristics of the nontraditional workforce is available in the Methodology section below and in a separate report.

Who Are Nontraditional Workers?

This report adopts a definition of nontraditional work that is based on arrangements between workers and the individual or company that pays them. The survey recruited respondents who reported the following types of work relationships: online or platform work; temporary help agency work; freelancers and consultants; contract company work; sole proprietors; on-call work; day labor; seasonal work; and other nontraditional work. Pew conducted focus groups before fielding the survey in order to refine the types of nontraditional work into categories that were meaningful to focus group participants. “Traditional workers” in this report earn a wage or salary.

Nontraditional arrangements are sometimes called contingent, gig, alternative, independent, or nonstandard work arrangements.

Lack of access to workplace plan is the biggest barrier to saving for retirement

For nontraditional workers, the biggest barrier to retirement savings is lack of a workplace plan. In addition to providing access to a DC plan, an employer takes automatic payroll deductions, ensuring that workers don’t have to remember to save and that contributions are made before they can reconsider. Employer-provided DC plans also frequently use behavioral nudges—such as auto-enrollment, default contribution rates, and sometimes even auto-escalation of contribution rates—to help workers build savings. As reported separately by Pew, 46.3% of all nontraditional workers had an employer during the previous year that offered a DC plan, a DB plan, or another type of retirement plan such as an annuity.²

Workers without retirement plans risk entering retirement without adequate savings, or they may be unable to retire. They may be more likely to depend on government assistance programs such as Medicaid and Supplemental Security Income, adding to the burdens on state and federal budgets. Nontraditional workers without retirement savings may also lack the buffer that retirement savings provide, before or in retirement, to cope with a financial crisis.

Other obstacles to retirement savings

Barriers to saving for retirement go beyond access to a workplace plan and may include lack of income, other pressing financial priorities such as medical expenses or education, lack of interest or effort, and lack of knowledge. The survey asked two questions to better understand these other barriers. First, nontraditional

workers who did not have access to a workplace retirement savings plan were presented with a hypothetical plan and asked why or why not they would want to participate in it. A second question asked all survey participants about obstacles to saving for retirement.

Workers without plan access: Would they join one if it were offered?

To address the first question, survey participants who did not have an IRA or a workplace plan, or who were not eligible for a plan, were presented with a hypothetical retirement savings plan that would be separate from other savings, would provide tax benefits, would generally not be available until retirement, and might have automated contribution features like an IRA or 401(k).³ About half (51.9%) of all nontraditional workers said they were somewhat or very interested in the hypothetical plan, but 30.9% said they were probably not interested or not interested at all, and 17.2% were not sure. There were no statistically significant differences in interest levels by gender, race and ethnicity, income, or steadiness of income. Nontraditional workers with higher levels of education, however, were more likely to be interested in the hypothetical retirement savings plan: Excluding those who were not sure, three-quarters (74.7%) of those with a college degree or higher were interested, compared with two-thirds (67.7%) of those with some college and 50.7% of those with a high school education or less. Multiple studies have established a link between education and higher lifetime income,⁴ which may allow more disposable income for saving, but education may also indicate greater awareness of the need for retirement savings.

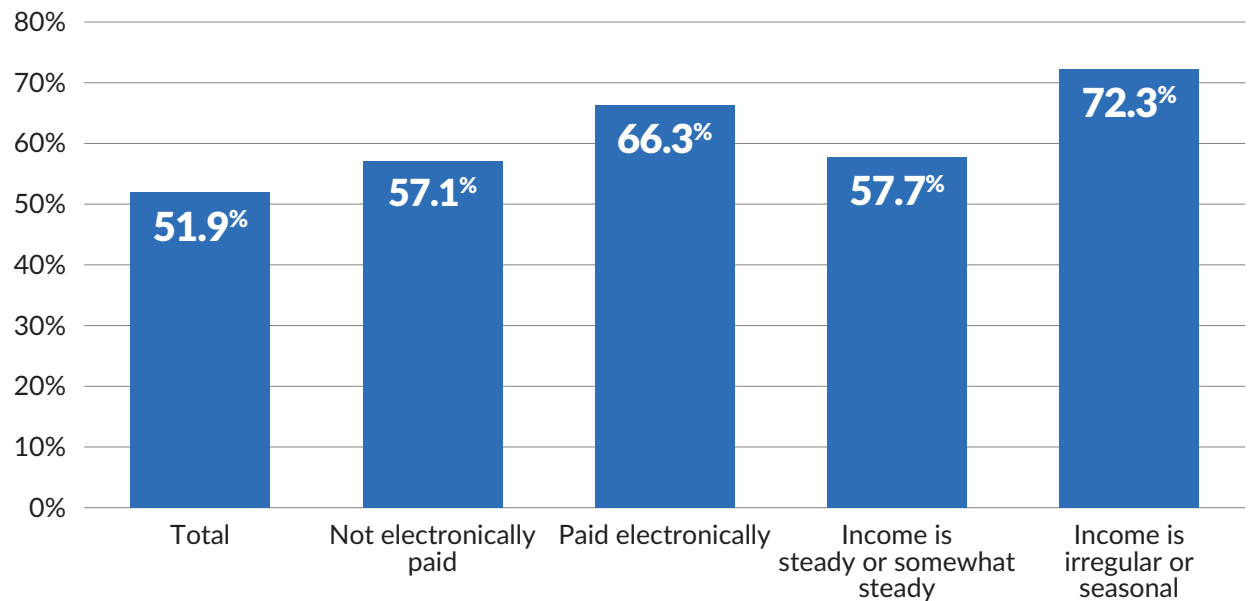
How some nontraditional workers get paid may affect their interest in the hypothetical retirement plan. For example, workers who are paid electronically or by direct deposit in their primary jobs are more interested (66.3%) in the hypothetical retirement plan than workers who are paid in cash or in kind, by check, or in other ways (57.1%), although the difference is not statistically significant. (See Figure 1.) Nontraditional workers who are paid by cash or check or in kind may not have been able to envisage how the automated features of the hypothetical plan would work for them, given the logistical challenges of automatically setting aside a proportion of cash income. Or they may have been concerned that the hypothetical plan would involve extra time and administrative hurdles. Research has shown, however, that automatic features of savings plans are important to success in accumulating savings.⁵

Workers with irregular or seasonal income from a primary job were significantly more interested in the hypothetical plan than workers with regular pay from their primary job. This probably reflects the fact that just 19.7% of workers with seasonal or irregular income in their primary or only job had access to a workplace plan through that job, compared with 59.0% of workers with steady or somewhat steady income in their primary or only job. Still, these results are surprising because workers with unpredictable incomes might be more concerned about managing near- and medium-term income flow than about long-term savings, compared with those with steadier incomes.⁶ Future research should explore whether irregular income from one job might be supplementing other, steadier household income sources from another job or a partner's job, or whether irregular income represents a large surplus, such as a contract completion or sales bonus, that can be easily diverted to a retirement account.

Figure 1

Nontraditional Workers' Level of Interest in a Hypothetical Retirement Savings Plan Varies With Job Characteristics

Those who are paid electronically, or who have irregular or seasonal income, show greater interest



Note: For payment method, sample size=444. For income pattern, n=443.

© 2021 The Pew Charitable Trusts

Nontraditional workers who said they were either probably or definitely not interested in the hypothetical retirement savings plan were then asked to identify all the reasons why not. A majority (58.3%) of those uninterested in saving for retirement said their lack of income was a barrier to saving for retirement. (See Figure 2.) And among those who said lack of income was one of the reasons they weren't interested, half (52.6%) cited it as the main reason—a higher share than cited any other reason. These findings suggest that, in terms of deciding to save for retirement, financial instability or income that is insufficient to cover household bills may be the biggest barrier among those presented in the survey. Additional barriers included needing to prioritize savings for a planned expense, such as education or an emergency, which 6.9% cited as the main barrier. Daily financial insecurity can create mental stress, anxiety, and a sense of loss of control,⁷ which may prevent people from developing and achieving long-term financial goals.

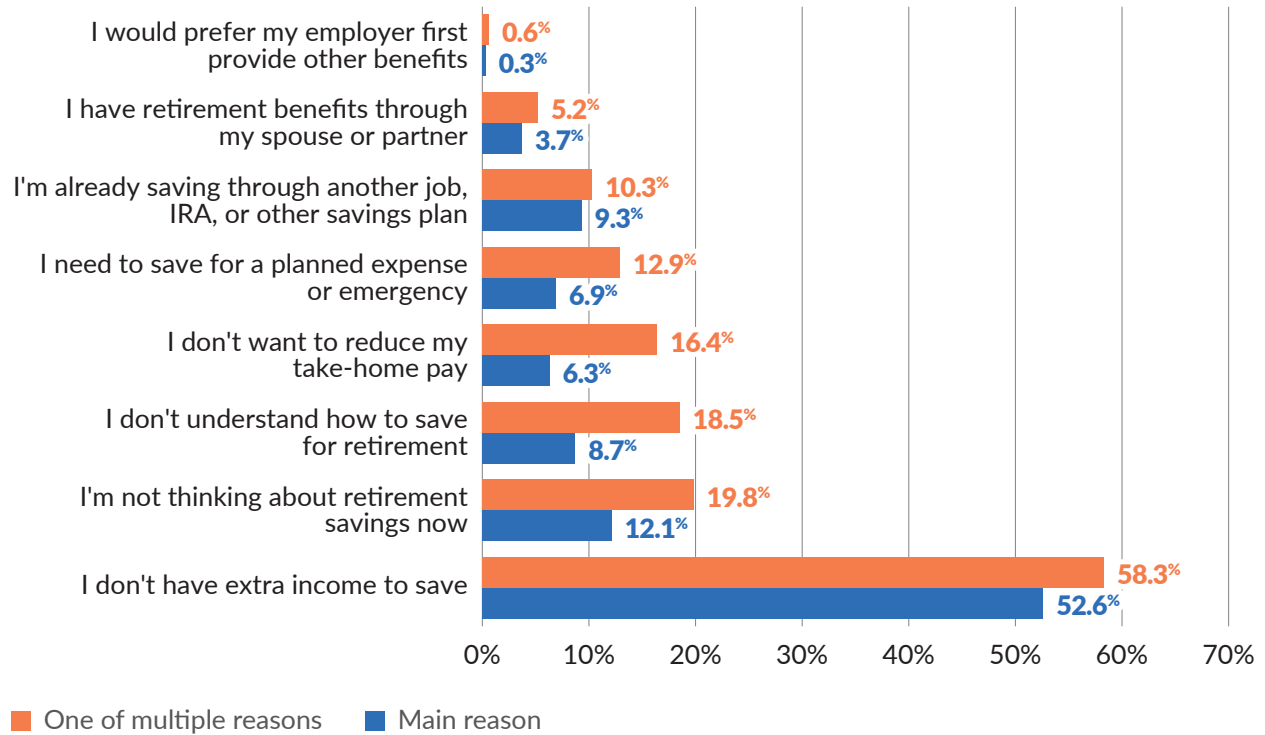
Another 19.8% gave "I'm not thinking about retirement savings now" as one of several reasons, and 12.1% said this was the primary reason they weren't interested in the plan. This response could reflect a lack of knowledge about the benefits of starting to save as soon as possible, or that other financial priorities were top of mind for some respondents. Studies have shown that retirement planning is more prevalent among older workers, suggesting that people think more about retirement as they get close to it.⁸

Not understanding how to save for retirement was the answer given by a substantial 18.5% of those who weren't interested in the hypothetical auto-IRA, and 8.7% gave this as the primary reason. Lack of knowledge about how to save for retirement may be one reason just 21.9%⁹ of all nontraditional workers had IRAs.

Figure 2

Nontraditional Workers Uninterested in Hypothetical Savings Plan Cite Multiple Reasons

Barriers include lack of income, other financial priorities, and lack of knowledge



Notes: Sample size=281. The first question allowed for multiple selections, so responses to that question do not sum to 100%.

© 2021 The Pew Charitable Trusts

Ongoing obstacles to saving

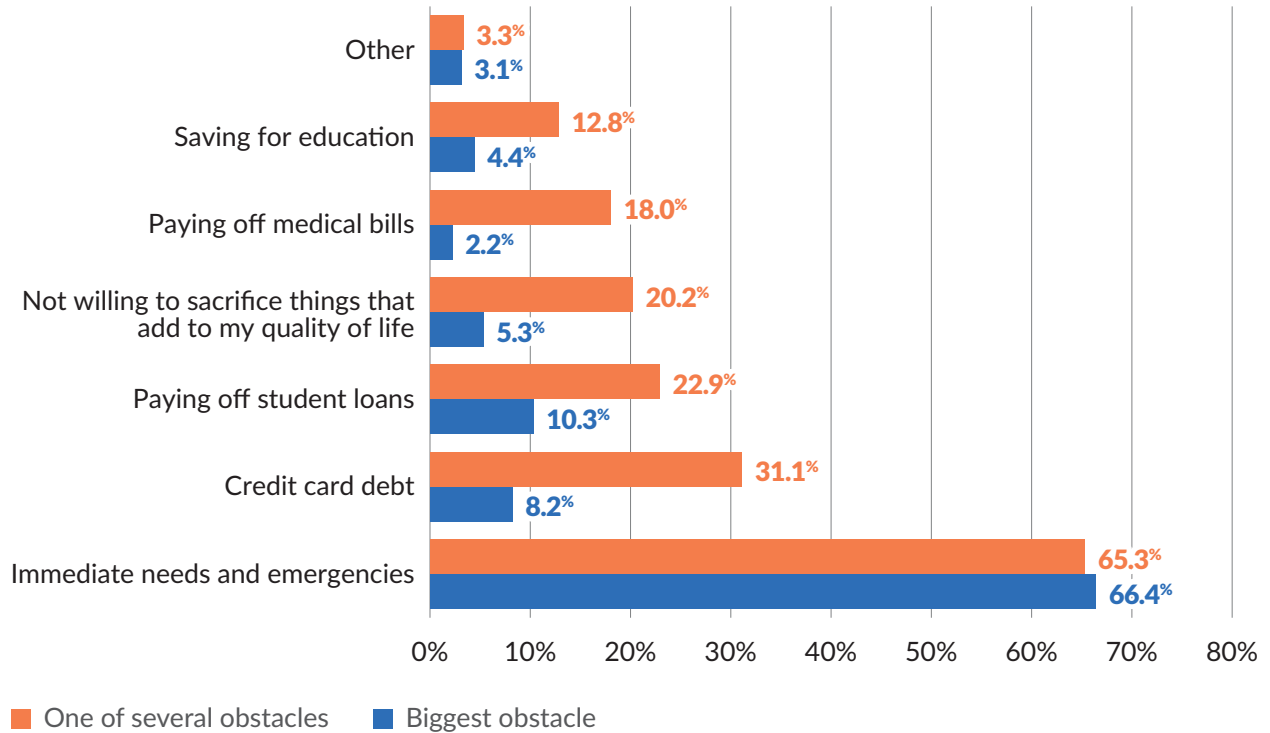
Even for workers who have access to a plan through an IRA or through a workplace, consistently saving for retirement can be a challenge because nontraditional work can be unpredictable in terms of work schedule, number of customers, or level of pay, and because in some cases the pay is low. So a separate question was asked of all respondents about obstacles to saving for retirement. As with the first question, other claims on income were frequent obstacles. Two-thirds (65.3%) reported that immediate needs such as food, mortgage or rent, and unexpected expenses left them with no extra income to save. (See Figure 3.) In a follow-up question, nontraditional workers were asked to rank the top three reasons they found it difficult to save for retirement; 66.4% cited immediate needs as the primary obstacle.

The need to pay off student loans, credit card debt, and medical bills were other important factors preventing nontraditional workers from saving for retirement. In fact, paying off student loan debt was cited as the biggest debt-type obstacle by 10.3% of respondents, compared with 8.2% who cited credit card debt and 2.2% who cited medical bills. One-fifth (20.2%) said they were not willing to sacrifice things that added quality to their lives, although fewer—just 5.3%—said this was their primary obstacle to saving for retirement.

Figure 3

Two-Thirds of Nontraditional Workers Say Immediate Needs Are a Challenge to Saving for Retirement

More cite this reason, plus emergency expenses, than other barriers



Notes: Sample size=1,026. The first question allowed for multiple selections, so responses to that question do not sum to 100%.

© 2021 The Pew Charitable Trusts

The importance of immediate needs and emergencies as obstacles to retirement savings varied somewhat by the worker's income, with those at the highest income level (\$100,000 or more) being the least likely to cite immediate needs as an obstacle to retirement saving. (See Table 1.) The results were not statistically significant for other characteristics such as income pattern (regular versus irregular), race and ethnicity, or educational attainment. This lack of significant results for many worker characteristics suggests that immediate needs are an obstacle to retirement saving without regard to income patterns, race, or education.

Table 1

Immediate Needs Were a Savings Obstacle for Low- and Medium-Income Workers

Those with incomes of \$100,000 or more were less likely to cite this reason as a barrier

Household income	Immediate needs are an obstacle to saving for retirement
Less than \$20,000	64.8%
\$20,000 to \$49,999	66.9%
\$50,000 to \$99,999	71.8%
\$100,000 or more	53.9%

© 2021 The Pew Charitable Trusts

In a separate question asked of all survey participants, four-fifths (79.4%) said pre-retirement access to savings for an emergency was very or somewhat important; those who said it was “very important” were also likely to cite immediate needs as a barrier to retirement savings. Although pre-retirement access may be of value to many workers, those who have nontraditional employment (who often experience volatile or irregular income) may find it particularly important. Thus, lack of pre-retirement access to savings could be an obstacle for some nontraditional workers.

Conclusion

Nontraditional workers face a range of obstacles to saving for retirement. Key among these is lack of access to workplace retirement plans and the automatic features they offer. Other obstacles include lack of income; other priorities such as immediate needs, credit card debt, or student loans; lack of interest or knowledge; or concern about being able to withdraw the savings in an emergency before retirement.

The question for policymakers, then, is what might encourage savings by nontraditional workers who have a variety of pressing concerns and work situations. The perceived lack of sufficient income for saving is a problem not only for nontraditional workers but also for all low- to moderate-income workers. However, innovative programs such as state-facilitated auto-IRA programs, in which all workers without a workplace retirement plan are automatically enrolled in a statewide savings program, are showing that all workers, including those with modest incomes, can save: Participation rates are approximately 65%-70%, and workers are saving an average of over \$100 per month.¹⁰

Future work from this Pew survey will assess the potential of new approaches to help increase retirement savings for nontraditional workers. Such approaches may include policy initiatives such as state-facilitated auto-IRA programs that enroll private sector workers in a savings plan when they do not have a workplace plan, or encouragement of savings through the tax system or a financial institution or fintech app. Expanding awareness and financial counseling about how to save for retirement might be another way to help nontraditional workers save for retirement, given that 18.5% of those who said they weren’t interested in a hypothetical retirement plan

said they didn't understand how to save for retirement. Programs that provide financial counseling about savings barriers—such as the accumulation of student, credit card, and other debt—may help nontraditional workers feel comfortable about participating in a savings plan. To address the varied needs of this diverse segment of the labor force, more than one solution may be needed.

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 work, and their decisions about retirement saving. 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 subtargets: workers with a single nontraditional job, 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 as well as weighting adjustments 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 statement¹¹ and topline results.¹²

Acknowledgments

The survey referenced in this brief was funded in part by The Pew Charitable Trusts with additional support from the FINRA Investor Education Foundation.

Endnotes

- 1 For findings on COVID's impact on nontraditional workers, 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>. For nontraditional workers' retirement savings balances, see The Pew Charitable Trusts, "Freelancers, Sole Proprietors, and Other Nontraditional Workers Have Little Retirement Savings," 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>. For information on nontraditional workers' access to, and participation in, retirement plans, see The Pew Charitable Trusts, "Nontraditional Workers Lack Access to Workplace Retirement Plans" (2021), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/10/nontraditional-workers-lack-access-to-workplace-retirement-options>. For findings on nontraditional workers' coordination with a spouse or partner, see The Pew Charitable Trusts, "Can Nontraditional Workers Improve Retirement Outlook by Coordinating With Partners?" (2021), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/10/can-nontraditional-workers-improve-retirement-outlook-by-coordinating-with-partners>.
- 2 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>.
- 3 Survey question: "Now think of a retirement savings plan that is separate from your other savings, gives you tax benefits, your savings would generally not be available to you until you retire, and may have automated contribution features, like an IRA or a 401(k). Again, think about your interest and your situation in general over the past few years, not about your situation during the pandemic. Would you be interested in contributing?"
- 4 See U.S. Bureau of Labor Statistics, "Median Usual Weekly Earnings of Full-Time Wage and Salary Workers by Educational Attainment," accessed June 7, 2021, <https://www.bls.gov/charts/usual-weekly-earnings/usual-weekly-earnings-over-time-by-education.htm>. See also A.P. Carnevale, S.J. Rose, and B. Cheah, "The College Payoff: Education, Occupations, Lifetime Earnings" (Georgetown University Center on Education and the Workforce, 2011), <https://cew.georgetown.edu/cew-reports/the-college-payoff>. Note that the differences in lifetime earnings may in part reflect the underlying capabilities and characteristics of those individuals obtaining additional formal education and cannot be wholly attributed to the degree itself.
- 5 J.J. Choi et al., "Saving for Retirement on the Path of Least Resistance" (Harvard University, 2005), <https://scholar.harvard.edu/laihsong/publications/saving-retirement-path-least-resistance>.
- 6 A. Hannagan and J. Morduch, "Income Gains and Month-to-Month Income Volatility: Household Evidence From the U.S. Financial Diaries" (New York University Financial Diaries Project, 2015), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2659883.
- 7 L. Choi, "Financial Stress and Its Physical Effects on Individuals and Communities," *Federal Reserve Bank of San Francisco, Community Development Innovation Review*, no. 3 (2009): 120-22, <https://www.frbsf.org/community-development/files/choi.pdf>.
- 8 Participation in a workplace retirement plan is higher among Generation X (79%) and Baby Boomers (80%) than Millennials (73%). See Transamerica Center for Retirement Studies, "20th Annual Transamerica Retirement Survey of Workers" (2020), https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2020_sr_20th_annual_compendium_of_workers_report.pdf.
- 9 The Pew Charitable Trusts, "Freelancers, Sole Proprietors, and Other Nontraditional Workers Have Little Retirement Savings" (2021), <https://www.pewtrusts.org/en/research-and-analysis/articles/2021/07/13/freelancers-sole-proprietors-and-other-nontraditionalworkers-have-little-retirement-savings>.
- 10 Recent statistics for California's CalSavers program can be viewed at CalSavers, "Participation and Funding Snapshot Data as of 6/30/21," accessed July 19, 2021, <https://www.treasurer.ca.gov/calsavers/reports/participation/June2021.pdf>. Results for Illinois' Secure Choice (auto-IRA) program can be found at Illinois Office of the Treasurer, "Secure Choice Monthly Dashboard—June 2021," accessed July 19, 2021, https://illinoistreasurer.govprod.blob.core.usgovcloudapi.net/twocms/media/doc/secure%20choice%20monthly%20dashboard_june%202021.pdf.
- 11 The Pew Charitable Trusts, "Methodology: Survey of Nontraditional Workers (Also Known as Contingent, Independent, or Gig Workers)" (2020), https://www.pewtrusts.org/-/media/assets/2021/04/methodology_survey_of_nontraditional_workers.pdf.
- 12 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>.

For further information, please visit:
pewtrusts.org

Contact: Mark Wolff, communications director
Email: mwolff@pewtrusts.org
Project website: pewtrusts.org/retirementsavings

The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and invigorate civic life.