Non-Traditional Workers and Retirement Security
November 16, 2021

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Nontraditional Workers and Retirement Security

November 16, 2021

Retirement Savings Project, The Pew Charitable Trusts
pewtrusts.org/retirementsavings

The FINRA Foundation
FINRAFoundation.org
Pew’s survey of nontraditional workers

To help fill gaps in our knowledge about non-traditional workers, The Pew Charitable Trusts surveyed 1,026 nontraditional workers in 2020.

What’s different about this survey?

• Asked about multiple jobs
• Asked about retirement saving
• Asked new questions about barriers to saving, coordination of retirement saving with a spouse or partner, their experience during COVID-19, financial literacy and retirement confidence, and which retirement saving solutions they thought would work best for them.
Reports from this survey

➢ Experience with COVID-19 lockdown (April 2021)
➢ Retirement savings balances in defined contribution plans and individual retirement accounts (July 2021)
➢ Today: Access to workplace retirement plans (October 2021)
➢ Barriers to saving for retirement (October 2021)
➢ Coordination within households of retirement saving (November 2021)
➢ Financial literacy and retirement confidence
➢ The types of programs—existing or new—that would work best for different groups of nontraditional workers
Key takeaways

• A third of nontraditional workers have a traditional job and are using nontraditional work as a side gig
• Fewer than one quarter of nontraditional workers save in a workplace defined contribution plan, such as a 401(k)
• Retirement savings balances are low
• While lack of access is the biggest barrier to retirement saving, immediate needs and emergencies are also cited by 2/3 of nontraditional workers as challenges to saving
• Access through a spouse or partner may help some nontraditional workers, but isn’t a solution for all
• 44% experienced COVID-related job loss or were working fewer hours in the second quarter of 2020
What do we know about nontraditional workers and retirement?

• Nontraditional work comes in many forms—freelancing, sole proprietorship, online or platform work, on-call work, contract work, temp agency work, partnerships, and more

• The common denominator is a lack of job security, but consensus often ends there

• How many? 3.8% (Bureau of Labor Statistics) of America’s workforce to as much as 40.4% (General Accountability Office)

• Little is known about the retirement needs of nontraditional workers
Nontraditional workers are a varied group

- **Mixed traditional-nontraditional jobs**: 40%
- **Multiple non-traditional jobs**: 22.4%
- **Solo nontraditional job**: 37.6%
A third of all workers with nontraditional jobs are moonlighting

<table>
<thead>
<tr>
<th>Type of Nontraditional Job</th>
<th>Nontraditional workers with a single job</th>
<th>All nontraditional workers: primary source of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional job</td>
<td>0%</td>
<td>32%</td>
</tr>
<tr>
<td>Online or gig worker</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Temporary help agency worker</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Freelancer</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Contract company worker</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Sole proprietor</td>
<td>35%</td>
<td>22%</td>
</tr>
<tr>
<td>On-call worker</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Day laborer</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Seasonal worker</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
44% experienced pandemic-related job loss or worked fewer hours

- Lost my job: 4%
- Working more hours: 16%
- Working fewer hours: 40%
- Working same hours: 26%
- Working from home/teleworking: 43%

How pandemic affected work
Most nontraditional workers have little retirement savings

<table>
<thead>
<tr>
<th>Share with retirement savings balance</th>
<th>Workplace DC balance</th>
<th>IRA balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>78.1%</td>
<td>10%</td>
</tr>
<tr>
<td>$1 to $50,000</td>
<td>41.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>$50,001 to $100,000</td>
<td>31.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td>$100,001 to $150,000</td>
<td>2.6%</td>
<td>5.5%</td>
</tr>
<tr>
<td>$150,000 and above</td>
<td>2.3%</td>
<td>2.7%</td>
</tr>
<tr>
<td>$150,000 and above</td>
<td>12.3%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Workplace DC balance vs IRA balances
Lack of access to a workplace plan is the most significant barrier to retirement saving

- Roughly half (46.3%) of all nontraditional workers had a job or an employer during the previous year that offered a retirement plan
  - One-third (33.9%) had a workplace that offered a DC plan over the past year, whether or not they were eligible for the plan or participated in it

- Access to a plan was strongly tied to having at least one traditional job
  - 29.8% of those with no traditional job had access to a workplace retirement plan
  - 69.7% of those with one or more traditional jobs had a workplace plan
Participation in a workplace DC plan is tied to having a traditional job
Demand for retirement plans is high among nontraditional workers

• 78% of those who had access and were eligible for a workplace DC plan decided to participate in it

• A second survey question that asked nontraditional workers which workplace benefits they wanted, with multiple choices allowed:
  • Two-thirds (66.3%) of nontraditional workers said they wanted retirement benefits
  • Retirement benefits took second place on workers’ benefits wish lists after health benefits, which were desired by 76.6% of nontraditional workers
Barriers to retirement saving go beyond access to a workplace plan

Two questions about barriers and obstacles

- Among all nontraditional workers, regardless of access, 66.4% cited immediate needs and emergencies as the biggest ongoing challenge to saving for retirement.
- Among those who didn’t have a workplace plan, but who were also 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
- Also of note, 79.4% said pre-retirement access to their savings, to cope with an emergency, was very or somewhat important.
Spouse or partner access to a workplace plan increases nontraditional workers’ access by 12%
Conclusions

• The current retirement system is clearly not fostering adequate retirement saving opportunities for nontraditional workers

• Lack of access to a workplace plan is a key barrier to retirement saving among nontraditional workers, but immediate needs are also important

• Access through a spouse or partner may help some nontraditional workers, but isn’t a solution for all

• Nontraditional workers are interested in gaining access
Forthcoming analyses from the nontraditional workers’ survey

• Financial literacy and retirement confidence among nontraditional workers

• Potential solutions to expanding retirement saving opportunities
Future work: Solutions

- Automated bank transfers
- App or website
- Auto-IRAs
- Quarterly or annual tax filings
- Financial technology (“fintech”) solutions
- Multiple employer plans