Retirement Savings for the Gig Economy

Shelly Steward & Karen Andres
The Aspen Institute
Agenda

- Logistics
- Introductions
- Overview of Gig Economy and Retirement
- Questions
Logistics

• Attendees in listen only mode.

• Questions welcome. Type question using “Question” function on control panel, and we will answer.

• Audio, technical issues during webinar, call GoToWebinar at 1-800-263-6317.

• We are recording this session, and webinar replay and slides will be posted at https://www.nirsonline.org/events.
Speakers

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Director, Future of Work Initiative

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National Institute on Retirement Security  
Executive Director

Tyler Bond  
National Institute on Retirement Security  
Research Manager
Why the ‘gig’ economy may not be the workforce of the future

By CHRISTOPHER RUGABER  September 24, 2018

Worries about the rise of the gig economy are mostly overblown, but it poses a challenge for tax and benefit systems.

The gig economy isn’t going anywhere. 4 experts explain why

Everything we thought we knew about the gig economy is wrong

Why the ‘gig’ economy may not be the workforce of the future

Estimates Of The Shrinking Gig Economy Keep Growing

Online gig economy is growing, but no one knows by how much

The Gig Economy Rapidly Evolves
WHAT IS THE GIG ECONOMY?

Traditional work is permanent, full-time, and year-round.

Nonstandard or “gig” work is any other work.

It includes both independent contract work and employment that is part-time, short-term, subcontracted, on-call, or seasonal.
A NEW WORLD OF WORK

RETIREMENT
- Employer-provided defined benefit plans
- Social Security

WORKPLACES
- Employer-provided benefits for many (health care, retirement)
- Legal protections (minimum wage, collective bargaining, overtime, anti-discrimination)

EDUCATION
- Expanding educational opportunities
- Employer-provided training

RETIREMENT
- Shift to defined contribution plans
- Social Security Trust Fund exhausts by 2035

WORKPLACES
- Increased financial insecurity and personal risk
- Rise of nonstandard and "gig" work
- Job changes are the responsibility of the worker

EDUCATION
- Skyrocketing student debt
- College as a bare minimum instead of door to opportunity
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LANDSCAPE OF WORK

**Employment classification**
- Employee
- Independent contractor

**IRS designation**
- W-2
- 1099

**Does worksite entity pay worker?**
- Yes, worker paid directly
- No, worker employed and paid by intermediary

**US DOL - BLS designation**
- Full-time
- Part-time
- On-call
- Temporary help agency
- Contract firm
- Independent contractor

**Typical occupations**
- Office clerk
- Machine operator
- Physician assistant
- Flight attendant
- Retail cashier
- Bartender
- Adjunct professor
- Fitness instructor
- Substitute teacher
- Farm laborer
- Construction worker
- Receptionist
- Warehouse associate
- HR specialist
- Security guard
- Janitor
- Software developer
- Real estate agent
- Massage therapist
- Rideshare driver
- Musician
- Graphic designer
- Independent consultant
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THE GIG ECONOMY IS DIVERSE

 Hillary works as a freelance graphic designer. She makes over $75,000 per year, but worries about her lack of accident insurance and retirement savings.

 Jacob was recently laid off from his job at a welding plant. He drives for both Uber and Lyft while looking for other work. He would like to enroll in a training course, but doesn’t have the time or money.

 Esmeralda, who recently moved to the US, cleans houses for cash. She tries to save enough money to send to her family in Guatemala, but many months struggles to pay rent.
HOW MANY GIG WORKERS ARE THERE?

<table>
<thead>
<tr>
<th>GIG WORK IN ANY CAPACITY</th>
<th>About 1 in 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary and supplementary income</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GIG WORK AS MAIN JOB</th>
<th>About 1 in 10</th>
</tr>
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<tbody>
<tr>
<td>Primary income from gig work</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USES ONLINE PLATFORMS</th>
<th>About 1 in 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uber, Lyft, Instacart, and others</td>
<td></td>
</tr>
</tbody>
</table>

Total U.S. workforce
Challenges of the Gig Economy

- Low and unpredictable wages
- No access to key benefits
- Limited legal protections
## WORKPLACE BENEFITS

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Traditional Workers</th>
<th>Nonstandard Workers</th>
<th>Independent Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Insurance</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Social Security Contributions</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sponsored Retirement</td>
<td>Some</td>
<td>Rare</td>
<td>Rare</td>
</tr>
<tr>
<td>Workers’ Compensation</td>
<td>Yes</td>
<td>Rare</td>
<td>Rare</td>
</tr>
<tr>
<td>Temporary Disability</td>
<td>Often</td>
<td>Some</td>
<td>Some</td>
</tr>
<tr>
<td>Paid Sick Leave</td>
<td>Often</td>
<td>Rare</td>
<td>Rare</td>
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<td>Childcare Assistance</td>
<td>Rare</td>
<td>Rare</td>
<td>Rare</td>
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<tr>
<td>Student Loan Repayment</td>
<td>Rare</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent, Full-Time Employees</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Some</td>
<td>Yes</td>
<td>Often</td>
<td>Sometimes</td>
<td>Rare</td>
<td>Rare</td>
<td>Rare</td>
</tr>
<tr>
<td>Other Employees</td>
<td>Some</td>
<td>Yes</td>
<td>Yes</td>
<td>Rare</td>
<td>Yes</td>
<td>Rare</td>
<td>Sometimes</td>
<td>Rare</td>
<td>Rare</td>
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<tr>
<td>Independent Contractors</td>
<td>No</td>
<td>No</td>
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<td>Rare</td>
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45+ MILLION WORKERS LACK ACCESS TO WORKPLACE RETIREMENT SAVINGS

The following four groups of workers – disproportionately people of color -- are usually uncovered or under-served:

- Lower- and moderate-income employees
- Employees of small and medium-sized organizations
- Self-employed
- Gig & contingent workers
IN THE COVID ECONOMY, SAVING FOR RETIREMENT IS EVEN HARDER

<table>
<thead>
<tr>
<th>Post-COVID Consumer Reality</th>
<th>Policy &amp; Product Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency savings will be depleted, but data shows current and historical desire to build emergency funds following societal crisis</td>
<td>Build tools to help people automatically save for emergencies while they save for retirement</td>
</tr>
<tr>
<td>Various forms of debt (student debt, transportation debt, debt from municipal fines &amp; fees) will hamper Americans’ economic mobility during eventual recovery</td>
<td>Design tools to make it easy for plan sponsors to match/incentivize wider range of positive behavior, including emergency savings and debt repayment – or both (e.g. “Abbott Model”)</td>
</tr>
<tr>
<td>With job losses, reduced matches, decisions to pull back on saving, and account withdrawals, we may see more Americans without sufficient retirement savings than pre-COVID</td>
<td>Work to expand access to and usage of automatically enrolled workplace retirement savings plans</td>
</tr>
</tbody>
</table>
CLOSING THE GAP REQUIRES A DIVERSITY OF COMPLEMENTARY SOLUTIONS

**Public policy / government innovation**
- Government mandate
- State- / muni-sponsored plans
- New plan types (e.g., open MEPs)
- Improve existing plans (e.g., auto-features)

**Institutional innovation**
- Develop market for portable non-employer retirement benefits
- New models for delivery
- New partnerships
- Alternatives to the employer-centric model

**Product innovation**
- Fintech
- Behavioural insights
- Investment innovation (e.g., decumulation)
- Lower- and moderate-income-friendly products
- Improve value proposition for employers
MANY INSTITUTIONS COULD PROVIDE RETIREMENT SAVINGS PROGRAMS FOR UNCOVERED WORKERS

<table>
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<tr>
<th>Professional / trade associations</th>
<th>Sectors</th>
<th>Labor unions</th>
</tr>
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<tbody>
<tr>
<td>Payroll / platform companies</td>
<td>New worker organizations</td>
<td>Faith groups</td>
</tr>
</tbody>
</table>

STATE MOMENTUM CONTINUES…

….and private market innovation mirroring auto-IRAs is expanding access in complementary ways.
FEDERAL OPPORTUNITIES TO EXPAND ACCESS TO RETIREMENT SAVINGS

The Biden Administration has signaled interest in:

- Changing tax treatment of 401(k)s from deduction to a credit
- National “Auto(k)” – though no specifics on design yet
- Catch up contributions allowable for caregivers without formal income

Congress will likely drive the agenda in the short-run:

- Reintroduction of bipartisan SECURE 2.0, including:
  - Automatic enrollment for new employers
  - Abbott model (tax incentive for matching student loan payments with employer 401(k) contribution)
  - Expansion of saver’s credit
- Potential reintroduction of Auto(k) proposal, in alignment with Biden Administration
- Emergency savings tools adjacent to retirement savings