

Nontraditional Workers and Retirement Saving: An Overview and Discussion of Policy Issues

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Many factors influence workers' retirement preparedness, including their access to employer-sponsored pension plans. A key policy issue of interest to Congress is the extent to which access to such plans correlates with the type of work arrangement (e.g., traditional employment relationships versus contract-based and other nontraditional arrangements). Many workers in traditional employer-employee relationships are covered by employer-sponsored pension plans, such as defined benefit (DB) plans and defined contribution (DC) plans. Individuals who engage in nontraditional work, ranging from independent contracting work to gig economy work and temporary work, typically do not have traditional employer-employee relationships and thus are less likely than traditional workers to be covered by employer-sponsored pension and retirement plans. Some stakeholders have expressed concern that nontraditional workers might be unable to accumulate sufficient funds for retirement.

However, because nontraditional workers are a varied group of workers, they face a range of retirement outcomes. Some nontraditional workers, such as high-income independent contractors, have the knowledge and financial resources to save for retirement through a variety of retirement savings accounts and may be better prepared for retirement than many traditional workers. Nearly all workers—both traditional and nontraditional—are covered by Social Security, a federal program that provides monthly cash benefits to most retired or disabled workers and their family members. In addition, both traditional and nontraditional workers may save for retirement through various retirement savings vehicles outside of the traditional employer-employee relationship—for example, individual retirement accounts (IRAs)—but usage of these vehicles is limited.

In recent Congresses, the Setting Every Community up for Retirement Enhancement Act of 2019 ("SECURE Act," enacted as Division O of the Further Consolidated Appropriations Act of 2020 [P.L. 116-94; December 20, 2019]) and the SECURE 2.0 Act of 2022 ("SECURE 2.0," enacted as Division T of the Consolidated Appropriations Act, 2023 [P.L. 117-328; December 29, 2022]) included provisions intended to expand retirement coverage and savings among workers. Some of these efforts could directly benefit nontraditional workers who are considered employees of plan-sponsoring employers and meet eligibility requirements to participate in plans or those who combine traditional and nontraditional work. These efforts could also indirectly benefit nontraditional workers who have spouses who are traditional workers. However, a number of nontraditional workers, including those who are not considered employees of employers that sponsor plans, are likely unaffected by efforts to increase plan sponsorship but could be affected by provisions that, for example, incentivize greater savings in IRAs.

As provisions from these bills are implemented and Congress continues to study ways to improve retirement security, this report seeks to inform these legislative discussions by identifying and explaining challenges faced by nontraditional workers. To do so, this report provides an overview of retirement savings options and the different types of workers in the United States and their access to retirement savings plans and discusses policy challenges specifically relating to increasing coverage among nontraditional workers.

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Introduction

Many factors influence workers' retirement preparedness, including their access to employer-sponsored pension plans. A key policy issue of interest to Congress is the extent to which access to such plans correlates with the type of work arrangement (e.g., traditional, employment relationships vs. contract-based and other nontraditional arrangements). Many workers in traditional employer-employee relationships are covered by employer-sponsored pension plans, such as defined benefit (DB) plans and defined contribution (DC) plans. Individuals who engage in *nontraditional work*—such as self-employment, gig economy work, or temporary jobs—are either not in employer-employee relationships or are in one on only a short-term basis and thus are less likely than traditional workers to be covered by employer-sponsored pensions. Some stakeholders have therefore expressed concern that workers in nontraditional work arrangements might be unable to accumulate sufficient funds for retirement.

However, nontraditional workers are a varied group of workers, and they face a range of retirement outcomes. Some nontraditional workers, such as high-income independent contractors, have the resources to save for retirement through a variety of retirement savings accounts and may be better prepared for retirement than many traditional workers. Nearly all workers—both traditional and nontraditional—are covered by Social Security, a federal social insurance program that provides monthly cash benefits to most retired or disabled workers and to the family members of deceased workers.¹ In addition, both traditional and nontraditional workers may save for retirement outside of the workplace through savings accounts such as individual retirement accounts (IRAs), but usage of these vehicles is limited.

Congress has recently passed legislation—such as the Setting Every Community up for Retirement Enhancement Act of 2019 (“SECURE Act,” enacted as Division O of the Further Consolidated Appropriations Act of 2020 [P.L. 116-94, December 20, 2019]) and the SECURE 2.0 Act of 2022 (“SECURE 2.0,” enacted as Division T of the Consolidated Appropriations Act, 2023 [P.L. 117-328, December 29, 2022])—that aims to expand retirement coverage and savings among broad groups of workers.

This report seeks to inform legislative discussions by identifying and examining challenges faced by nontraditional workers, who are less likely to have access to employer-sponsored plans and may face certain barriers to saving as compared to workers in traditional arrangements. The report opens with a discussion of the different types of work arrangements in the United States and a brief overview of the main sources of nontraditional workers' retirement income, followed by estimates of nontraditional workers' access to and participation in retirement plans. The report closes with a discussion of recent legislative efforts that could improve retirement security for nontraditional workers.

Types of Work Arrangements

Most workers in the United States are in traditional employee-employer relationships, meaning a worker is in an employment relationship (i.e., employed by an employer) with clear terms of employment that is expected to continue as long as the arrangement is mutually beneficial. Some workers, however, are in nontraditional work arrangements (**Table 1**), such as *contingent work*, which generally refers to jobs expected to have a limited duration, or a variety of *alternative work arrangements*—such as those that lack an employment relationship (e.g., independent contractors

¹ For more information, see CRS Report R42035, *Social Security Primer*.

and self-employed workers), those that have work hours that are scheduled but not guaranteed (e.g., on-call workers), or those in which workers are placed in jobs by temporary help agencies or contract firms (e.g., information technology [IT] workers providing in-house services to client organizations).² *Gig workers*—whose work is mediated through online or mobile-app-based platforms—are a prominent group of nontraditional workers.³ Some workers combine traditional and nontraditional forms of work.

Table 1. Contingent and Alternative Employment Arrangement Concepts

Work Arrangement Category	Bureau of Labor Statistics Definitions
Contingent Work	Contingent jobs are those that people do not expect to last or are temporary. Workers in these jobs do not have implicit or explicit contracts for ongoing employment.
Alternative Employment Arrangements	<p>The Bureau of Labor Statistics (BLS) provides data on four different alternative employment arrangements:</p> <ol style="list-style-type: none"> 1. Independent contractors—independent contractors, consultants, and freelance workers, regardless of whether they are self-employed or wage and salary workers 2. On-call workers—people who are called into work only when they are needed, although they can be scheduled to work for several days or weeks in a row 3. Temporary help agency workers—workers who are paid by temporary help agencies, whether or not their jobs are temporary 4. Workers provided by contract firms—workers who are employed by companies that provide them or their services to others under contract, are usually assigned to only one customer, and usually work at that customer’s worksite

Source: BLS, “Frequently Asked Questions About Contingent and Alternative Employment Arrangements July 2023,” <https://www.bls.gov/cps/labor-force/contingent-and-alternative-arrangements-faqs-2023.htm>.

Notes: Contingent work and alternative work arrangements, as defined by BLS, are not mutually exclusive categories. For example, a freelance worker engaged on a time-limited project is both a contingent worker and a worker in an alternative employment arrangement.

Current research on workers in nontraditional work arrangements suggests that a number of groups have less access to employer-sponsored pension and retirement plans than traditional workers do and, as a result, may be less prepared for retirement.

Workforce Size and Selected Worker Characteristics

The Bureau of Labor Statistics (BLS) measures employment on a monthly basis.⁴ These monthly estimates identify part-time and full-time workers separately and allow self-employment to be distinguished from other types of work, but they do not reveal whether workers are engaged in contingent work or other terms of work arrangement.⁵ BLS estimated that in October 2024 there were 151.7 million employed wage and salary workers and 9.7 million self-employed workers. Of

² These categories of workers are not mutually exclusive.

³ With some exceptions, platform companies view their providers (i.e., gig workers) as independent contractors—not employees—who use their platforms to obtain referrals and transact with clients.

⁴ These estimates are available for download from the Bureau of Labor Statistics (BLS) Current Population Survey program at <https://www.bls.gov/cps/data.htm> and are published in summary format in the monthly “Employment Situation” news release at <https://www.bls.gov/news.release/empst.nr0.htm>.

⁵ Official BLS statistics on self-employment describe only *unincorporated* self-employed persons. BLS includes incorporated self-employed workers in its wage and salary employment estimates (i.e., because such workers are for legal purposes employees of their own businesses).

these workers, 26.9 million worked part-time hours (i.e., fewer than 35 hours per week) in that month. Part-time workers may work in contingent, noncontingent, traditional, or alternative work arrangements.

On a less regular basis, BLS has measured the number of contingent workers and workers in alternative employment arrangements.⁶ The most recent set of such estimates is based on data collected in July 2023. BLS estimates that out of 161.9 million workers employed at that time, 6.9 million workers (4.3%) were in contingent work in their sole or main job, and about 16.3 million workers (10.1%) had an alternative work arrangement as their main job (i.e., they were independent contractors, on-call workers, temporary help agency workers, or workers provided by contract firms).⁷ Contingent work and alternative work arrangements, as defined by BLS, are not mutually exclusive categories.⁸

In terms of worker characteristics, BLS estimated that among the 6.9 million workers in contingent employment in July 2023:

- 40% were ages 16-24 years, compared to 12% of noncontingent workers;
- 14% were age 55 and above, compared to 24% of noncontingent workers;
- of those ages 25-64 years, 46% had at least a bachelor's degree (the same percentage of noncontingent workers had at least a bachelor's degree); and
- 40% were part-time workers, compared to 16% of noncontingent workers.⁹

BLS estimated that among the 16.3 million workers in alternative arrangements in July 2023:

- 33% were age 55 and above, compared to 22% of workers with traditional arrangements;
- 62% were men, compared to 52% of workers with traditional arrangements;
- of those ages 25 years and over, 42% had at least a bachelor's degree, compared to 46% of workers with traditional arrangements; and
- 31% worked part-time hours on their sole or main job, compared to 16% of workers in traditional arrangements.¹⁰

⁶ These data are collected through the Contingent Worker Supplement (CWS) to the Current Population Survey, a household-based survey, and estimates are published by BLS. BLS, "Contingent and Alternative Employment Arrangements," November 7, 2024, <http://www.bls.gov/news.release/conemp.nr0.htm>.

⁷ Workers provided by contract firms, as defined by BLS, are "workers who are employed by a company that provides them or their services to others under contract, are usually assigned to only one customer, and usually work at the customer's worksite." See BLS, "Contingent and Alternative Employment Arrangements." Among workers with alternative work arrangements in July 2023, 11.9 million were independent contractors, 2.8 million were on-call workers, 0.9 million were temporary help agency workers, and 0.9 million worked for contracting firms. BLS, "Contingent and Alternative Employment Arrangements," Table 12, <https://www.bls.gov/news.release/conemp.t12.htm>. BLS estimated a range of contingent work using three measures of contingent employment. Results for the most inclusive measure ("Estimate 3") are included in this report. This definition includes "all wage and salary workers who do not expect their employment to last, except for those who, for personal reasons, expect to leave jobs that they would otherwise be able to keep." BLS, "Contingent and Alternative Employment Arrangements," Technical Note.

⁸ For example, a freelance worker engaged for a time-limited project is both a contingent worker and a worker in an alternative work arrangement. Workers with traditional arrangements are those who do not fall into any of the "alternative arrangement" categories.

⁹ BLS, "Contingent and Alternative Employment Arrangements," Table 1 and Table 2.

¹⁰ BLS, "Contingent and Alternative Employment Arrangements," Table 5 and Table 6.

BLS also attempted to estimate the number of gig workers in May 2017 (i.e., those who match with customers using app-based platforms), and found that the complex and varied nature of such work made measurement particularly challenging. After data revisions, BLS estimated that workers who performed gig work as a main or secondary job accounted for about 1.0% of total employment in May 2017 (approximately 1.6 million workers).¹¹ BLS collected similar data on gig workers in a July 2023 survey, but estimates have not yet been published.¹²

Retirement Income Sources for Nontraditional Workers

Nontraditional workers may have several income sources in retirement, such as employer-sponsored pension plans, private savings, and Social Security (see **Figure 1**).¹³ Some participate in employer-sponsored DC or DB plans. Others might receive income from private savings, which includes savings in traditional or Roth IRAs, state-facilitated retirement savings programs, and other non-IRA savings, such as annuities.¹⁴

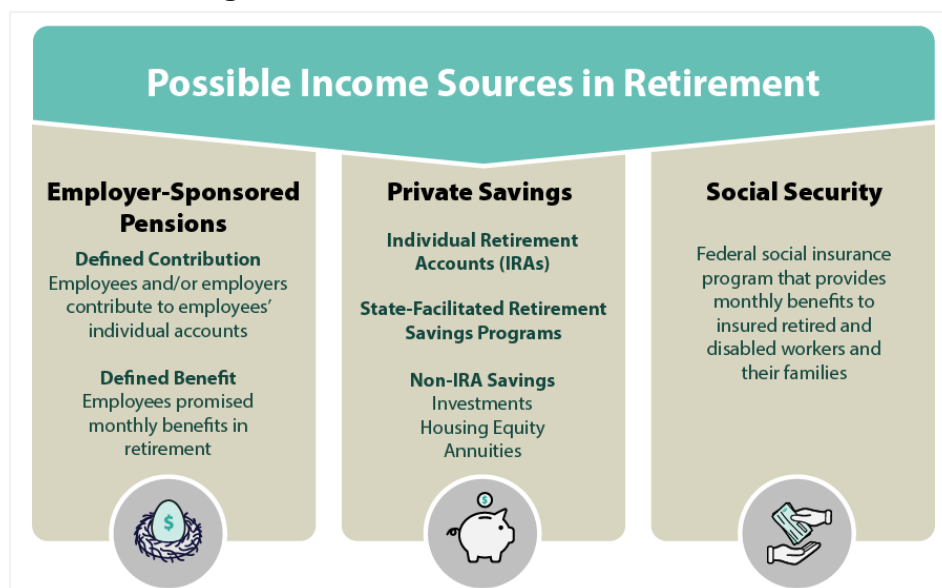
¹¹ BLS, “Electronically Mediated Employment,” September 28, 2018 (last updated), <https://www.bls.gov/cps/electronically-mediated-employment.htm>.

¹² BLS has announced that it plans to publish such estimates but has not scheduled a release date. When published, the estimates will be available at <http://www.bls.gov/cps/lfcharacteristics.htm#contingent>.

¹³ CRS Report R47341, *Income for the Population Aged 65 and Older: Evidence from the Health Retirement Study (HRS)* provides data on the prevalence of various income sources in retirement for individuals based on different characteristics.

¹⁴ Other savings, such as those in annuities or taxable accounts, are not discussed further in this report. Annuities are insurance products that provide regular—typically monthly—payments for a specified number of years or for an individual’s and spouse’s life, if married. Annuities in retirement can be purchased either as a lump sum or as an ongoing purchase and either as a standalone product, in a retirement plan, or in an IRA. For example, individuals can convert part or all of their retirement savings for monthly payments for life or use part or all of their regular retirement contributions to purchase annuities that will provide monthly payments in retirement. For more information, see Investor.gov, “Annuities,” <https://www.investor.gov/introduction-investing/investing-basics/glossary/annuities>.

Figure 1. U.S. Retirement Income Sources



Source: Congressional Research Service.

Employer-Sponsored Pension Plans

A pension is a benefit that employers can offer to assist employees in providing for their financial security in retirement. Pension plans can be classified along several dimensions, such as whether employees receive monthly payments in retirement (*DB plans*) or accrue funds in individual accounts (*DC plans*). In DB plans (sometimes referred to as *traditional* pension plans), participants typically receive monthly payments in retirement based on a formula that uses either (1) a combination of length of service, accrual rate, and average of final years' salary; or (2) a flat dollar amount times the number of months or years in the plan.¹⁵ Some plans offer participants the option to receive their benefits as a lump-sum amount.

In DC plans, workers are provided individual accounts funded by their own contributions, contributions from their employers, or both. The funds in the account may accrue investment earnings, which can then be used as a source of income in retirement. The most common type of DC plan is the 401(k) plan, which may be sponsored by private sector employers.¹⁶

The Employee Retirement Income Security Act of 1974 (ERISA, P.L. 93-406) was enacted to protect the interests of *private sector* pension plan participants and beneficiaries.¹⁷ ERISA sets

¹⁵ For example, a plan might specify that retirees receive an annual amount equal to (1) 1.5% of their pay for each year of service, where the pay is the average of a worker's salary during a specified number of years (for example, a participant who worked for 30 years, with an average salary of \$100,000 during his or her highest-paid five years, would receive \$45,000 per year in retirement), or (2) \$40 multiplied by the number of months worked in the plan (for example, a worker who worked for 30 years [i.e., 360 months] would receive \$14,400 per year in retirement).

¹⁶ Other types include 403(b) plans—which are offered by public schools, 501(c)(3) tax-exempt organizations, and churches—and 457(b) plans, which are offered by state and local governments. For more information on 403(b) plans, see CRS In Focus IF12518, *403(b) Pension Plans: Overview and Legislative Developments*. Other examples of DC plans include profit-sharing plans and money purchase plans. For more information on these, see CRS Report R47119, *Pensions and Individual Retirement Accounts (IRAs): An Overview*.

¹⁷ ERISA's requirements generally do not apply to pension plans sponsored by the federal government or state and local governments.

standards that private sector pension plans must follow with regard to plan participation (e.g., who must be covered) and minimum vesting requirements (i.e., how long an employee must work to be covered), among other requirements.¹⁸ ERISA's requirements apply only to employees¹⁹ of an employer (and do not apply to nonemployees, such as independent contractors, or temp agency workers and contract workers whose principal employer is another entity, though such workers may be covered by pension plans sponsored by their employing agencies or contracting firms).²⁰ So long as pension plans meet the minimum standards in ERISA with regard to participant eligibility and vesting standards, plan rules can vary (and may be more generous than ERISA's standards). This means that pension plans could extend eligibility to additional *employees*—such as short-term or part-time employees—but that they generally may not extend eligibility to nonemployees, such as contractors.

IRA-Based Retirement Plans

Employers may also sponsor IRA-based retirement plans. IRAs are retirement savings accounts to which workers may contribute directly or use to hold *rollovers* of savings from other employer-sponsored plans (discussed in more detail in the next section of this report). IRA-based retirement plans include payroll deduction IRAs,²¹ Simplified Employee Pensions (SEPs),²² Savings Incentive Match Plan for Employees (SIMPLE) IRAs,²³ and Salary Reduction Simplified

¹⁸ ERISA also sets standards with regard to fiduciary duties (how individuals who oversee the plan must behave, such as operating the plan in the sole interest of plan participants) and DB plan funding (how much employers must set aside to pay for future benefits).

¹⁹ ERISA defines *employee* as “any individual employed by an employer.” See ERISA Section 3(6) or 29 U.S.C. § 1002(6). The U.S. Supreme Court adopted a common-law test for determining employee status for ERISA's purposes.

²⁰ The Internal Revenue Service (IRS) notes that a leased employee is treated as an employee of the employer for whom the leased employee is providing services for certain 401(k) plan qualification rules relating to minimum age and service requirements and vesting requirements, among others. In addition, ERISA requirements do not apply to public sector pension plans and churches.

²¹ In a payroll deduction IRA, an employer establishes a program through a financial institution. Employees open traditional or Roth IRAs and authorize the employer to deduct pay from their paychecks to fund the IRAs. Employer involvement is minimal and is limited to transmitting employees' authorized contributions to the financial institutions that hold the employees' IRAs. Employers do not make any contributions to employees' IRAs.

²² Employers of any size, including self-employed individuals, may establish SEP-IRAs. Employers contribute to employees' SEP-IRAs up to a limit. Employee contributions are not permitted in SEP-IRAs. Under SEP-IRAs established by self-employed individuals, the individuals set up traditional IRA for themselves and contribute to them in an employer capacity. Individuals may both own SEP-IRAs and contribute to traditional or Roth IRAs outside of the workplace. Historically, SEP-IRAs and SIMPLE IRAs were required to be traditional IRAs. However, starting in 2023, employees who participate in SEP-IRAs and SIMPLE IRAs are permitted to designate Roth IRAs as the IRAs to which contributions are made under the plan.

²³ Small employers (i.e., those with 100 or fewer employees who received at least \$5,000 in compensation from the employers for the preceding year)—which include self-employed individuals who meet the compensation threshold—may establish SIMPLE IRA plans. Employers are required to match employees' contributions up to 3% of compensation or provide a 2% nonelective contribution for each eligible employee. Annual SIMPLE IRA contribution limits fall between IRA and 401(k) plan contribution limits. See IRS, “Retirement Topics—SIMPLE IRA Contribution Limits,” <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-simple-ira-contribution-limits>. Individuals may contribute to SIMPLE IRAs and contribute to traditional or Roth IRAs outside of the workplace. See IRS, “SIMPLE IRA Tips for the Sole Proprietor,” <https://www.irs.gov/retirement-plans/simple-ira-tips-for-the-sole-proprietor>.

Employee Pension Plans (SARSEPs).²⁴ Among other factors, these plans vary in the degree of employer involvement.²⁵ Some of ERISA's requirements apply to IRA-based retirement plans.²⁶

IRA-based plans are geared toward smaller employers and have simpler rules compared to qualified plans, such as 401(k) plans. Some—like SIMPLE and SEP-IRAs—permit individuals to contribute more than they otherwise would be able to in a traditional or Roth IRA unconnected to employment.

Workplace-Connected Retirement Savings Options

Employer-sponsored pension plans are, by definition, sponsored by employers and generally subject to federal pensions law.²⁷ However, in some cases, employers do not sponsor pension plans but rather provide information about retirement savings options. These types of arrangements are not sponsored by employers but could result in greater retirement account participation among workers. For example, in August 2016, Uber partnered with Betterment, an online financial advice service, to allow Uber drivers to open Betterment traditional or Roth IRAs through the Uber app.²⁸ Drivers—whom Uber does not consider to be employees in most instances—paid no fees for the first year of account ownership. The service was first available to drivers in select cities before being rolled out nationwide. One year later, in August 2017, a Bloomberg article noted that an estimated 2,500 drivers had used Betterment through the Uber app.²⁹

In April 2024, DoorDash—with the support of Pennsylvania Governor Josh Shapiro—announced a six-month portable benefits savings pilot program for eligible DoorDash workers in Pennsylvania.³⁰ Workers who earned at least \$1,000 in the second quarter of 2024 (excluding tips) could open Stride Save accounts and receive deposits from DoorDash equal to 4% of their pre-tip earnings for the duration of the pilot program. They were also able to contribute personal funds to the accounts. Funds can be used for retirement savings; health, dental, and vision insurance; and paid time off. An August 2024 news release indicated that 4,400 DoorDash workers, representing 23% of eligible workers, had signed up to participate in the pilot program.³¹

In January 2025, DoorDash—with the support of Georgia Governor Brian Kemp—announced that it was expanding its portable benefit program pilot to eligible DoorDash workers in Georgia.³²

CRS is not aware of data on the general availability or use of workplace-connected retirement savings arrangements.

²⁴ New Salary Reduction Simplified Employee Pension Plans (SARSEPs) were not permitted starting in 1998. Any existing SARSEPs were established before 1998. For more information on SARSEPs, see IRS, "Retirement Plans FAQs Regarding SARSEPs," <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-sarseps>.

²⁵ See IRS, "IRA-Based Plans," <https://www.irs.gov/retirement-plans/ira-based-plans>.

²⁶ For example, Savings Incentive Match Plan for Employees (SIMPLE IRAs) are not subject to nondiscrimination testing and generally have no filing requirements, unlike 401(k)-type plans.

²⁷ Some exceptions apply. For example, pension plans sponsored by churches may opt out of ERISA coverage. In addition, a payroll deduction IRA is not subject to ERISA if it meets certain conditions that limit the role of the employer.

²⁸ See "Uber X Betterment: Flexible Options to Save for the Future," *Uber Blog*, August 24, 2016, <https://www.uber.com/blog/betterment/>.

²⁹ See Madison Alder, "Uber-Betterment Collaboration Draws in 2,500 Retirement Savers," *Bloomberg Law*, August 28, 2017, <https://news.bloomberglaw.com/employee-benefits/uber-betterment-collaboration-draws-in-2-500-retirement-savers>.

³⁰ See DoorDash, "DoorDash Announces Portable Benefits Savings Program for Dashers in Pennsylvania," April 3, 2024, <https://about.doordash.com/en-us/news/pa-portable-benefits-pilot>.

³¹ See DoorDash, "Hear from Dashers on Our Portable Benefits Pilot Program in Pennsylvania," August 19, 2024, <https://about.doordash.com/en-us/news/pa-portable-benefits-midpilot>.

³² See DoorDash, "DoorDash Announces Portable Benefits Savings Pilot Program Expanding to Dashers in Georgia," January 10, 2025, <https://about.doordash.com/en-us/news/ga-portable-benefits-pilot>.

Private Savings

Another source of income in retirement comes from private savings, which typically occurs outside of an employment relationship. In general, individuals are responsible for saving for retirement through private savings (though some workers in states with automatic IRA programs are automatically enrolled).

IRAs

IRAs are savings accounts typically established by individuals to save for retirement outside of the workplace. Congress has authorized two types of IRAs: *traditional* and *Roth*, which differ in tax treatment, eligibility, and some withdrawal rules.³³ Any worker with compensation is eligible to contribute to a traditional IRA.³⁴ Workers with compensation under specified thresholds may contribute to Roth IRAs.³⁵ Workers can set up and contribute to IRAs through many financial institutions. Individuals are permitted to contribute to IRAs even if they participate in employer-sponsored retirement plans (including SEP or SIMPLE IRA plans).

Contributions to traditional IRAs may be deductible from taxable income (depending on household adjusted gross income and workplace pension coverage), and withdrawals are included in taxable income. Contributions to Roth IRAs are not tax-deductible, but qualified distributions (those made after age 59½, death, or disability from an account that is at least five years old) are tax free. An individual can transfer traditional IRA savings to a Roth IRA in what is referred to as a *conversion*.³⁶

Because IRA contribution limits are lower than contribution limits for employer-sponsored plans and because IRAs do not include employer contributions, individuals who exclusively use IRAs to save for retirement may not be able to accumulate savings to the same extent as those who participate in employer-sponsored plans.³⁷

In some cases, private sector entities have experimented with ways to increase retirement savings among customers. For example, in December 2022, Robinhood, a brokerage platform, announced that it was launching a program that provided a 1% match (by Robinhood) on IRA

³³ For more information about IRAs, including withdrawal rules, see CRS Report RL34397, *Traditional and Roth Individual Retirement Accounts (IRAs): A Primer*.

³⁴ Examples of compensation include wages, salaries, tips, commissions, self-employment income, nontaxable combat pay, nontuition fellowship and stipend payments (i.e., payments to individuals that are used in the pursuit of graduate or postdoctoral study), and alimony (which is treated as compensation for IRA purposes). See Internal Revenue Service (IRS), “Tax Topic Number 451—Individual Retirement Arrangements (IRAs),” <https://www.irs.gov/taxtopics/tc451>. Alimony is included as compensation for IRA contribution purposes but only with respect to divorces that were executed on or before December 31, 2018.

³⁵ For the latest income thresholds for Roth IRA contribution purposes, see IRS, “Retirement Topics—IRA Contribution Limits,” <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits>.

³⁶ At the time of conversion, the individual must include the amount of the conversion in his or her taxable income.

³⁷ In 2025, workers may contribute up to \$7,000 to their IRAs. Workers ages 50 and older may contribute an additional \$1,000 to their IRAs. The \$1,000 IRA catch-up contribution limit is adjusted for cost-of-living changes beginning in 2024. In comparison, a worker may contribute \$23,500 to a 401(k) plan in 2025 and an additional *catch-up contribution* of \$7,500 if age 50 or older. Those ages 61-63 have a catch-up contribution limit of \$11,250 in 2025.

contributions.³⁸ In 2023, SoFi, a personal finance company, announced that it would offer a 1% match on eligible IRA contributions.³⁹

State-Facilitated Retirement Savings Programs

While Congress addresses retirement security at the national level and establishes federal pension law and other savings incentives, several states have enacted or implemented state-administered retirement savings programs to increase retirement plan access and savings among private sector workers. States are taking a variety of approaches to these programs, including retirement marketplaces, in which employers and individuals can purchase savings plans through different state-approved providers; multiple-employer plans, in which unrelated businesses may jointly sponsor retirement plans; and payroll deduction IRAs, in which employers deduct portions of pay from employees' paychecks and deposit them into the employees' own Roth IRAs.⁴⁰

The most common state-facilitated retirement savings program is the automatic, or *auto*, payroll deduction IRA (referred to as a *state auto IRA*). Nearly all states with auto IRA programs require that employers that do not offer employer-sponsored retirement plans participate in the state-facilitated auto IRA program.⁴¹ Some nontraditional workers in states that facilitate auto IRA programs may be eligible to participate in these programs.⁴²

Social Security

Social Security is a work-based, federal insurance program that provides monthly cash benefits to workers and their eligible family members in the event of the workers' retirement, disability, or death. A worker's employment or self-employment is considered covered by Social Security if the services performed in that job result in earnings that are taxable and creditable for program

³⁸ See Robinhood, "Introducing Robinhood Retirement," December 6, 2022, <https://blog.robinhood.com/news/introducing-robinhood-retirement>. Robinhood's website notes that rollovers into Robinhood IRAs are also eligible for the 1% match. See Robinhood, "IRA Match FAQ," <https://robinhood.com/us/en/support/articles/ira-match-faq/>. The 1% match is increased to 3% if customers subscribe to *Robinhood Gold*, "a suite of powerful tools, data, and features designed to take your investing to the next level." See Robinhood, "What's Robinhood Gold?," <https://robinhood.com/us/en/support/articles/gold-overview/>.

³⁹ See SoFi, "Retirement Reimagined: SoFi Invest Matches 1% of Eligible IRA Contributions," October 12, 2023, <https://www.sofi.com/blog/sofi-invest-ira-match>. SoFi subsequently increased the matching percentage from 1% to 2% for IRA contributions made before the tax filing deadline on April 15, 2024. See SoFi, "SoFi Accelerates Retirements with 2% Match on Contributions," press release, <https://www.sofi.com/press/sofi-accelerates-retirements-2-match-ira-contributions/>.

⁴⁰ As of the date of this report, all state-facilitated IRA programs use Roth IRAs. However, employees who are ineligible to contribute to Roth IRAs due to income thresholds may save through traditional IRAs instead.

⁴¹ States typically include some exceptions for certain small and new businesses.

⁴² Several state auto IRA programs specifically allow independent workers who are at least age 18—such as gig workers, self-employed individuals, and independent contractors—to enroll in the auto IRA programs on their own. For example, California's CalSavers program, Oregon's OregonSaves program, Illinois's SecureChoice program, and Maryland's MarylandSaves program permit self-employed individuals to participate in the state-facilitated auto IRA programs. Connecticut's MyCTsavings is currently available only to workers through their employers, which would appear to exclude nontraditional workers. Some programs specify more details about certain groups of employees or have different age requirements (either 18 or 19). MyCTsavings's FAQ page notes that seasonal employees are eligible for the automatic IRA if they work for their employers for at least 120 days. Data from CalSavers indicated that, as of September 30, 2024, there were 2,739 self-enrolled funded accounts (see https://www.treasurer.ca.gov/calsavers/reports/participation/2024/september_2024.pdf). It is possible that self-employed individuals who wish to set up IRAs might choose to do so directly through financial institutions rather than through state-facilitated programs.

purposes. In 2024, an estimated 182 million workers, or 94% of the overall workforce in paid employment or self-employment, were covered by Social Security.⁴³

Employment for Social Security purposes is defined under Section 210 of the Social Security Act.⁴⁴ Most jobs in the United States are covered by Social Security, whether the employment is in a traditional or nontraditional work arrangement, with some exceptions.⁴⁵ Additionally, for some types of work (such as farm work, self-employed workers, election officials and election workers, and household employees), earnings below a specific threshold are not subject to Social Security payroll taxes.⁴⁶ Therefore, earnings from traditional or nontraditional work arrangements that fit in the excepted categories may not be covered by Social Security.

Estimates of Nontraditional Workers' Access to and Participation in Retirement Savings Plans

Workers' access to and participation in retirement savings plans are influenced by multiple factors, such as the nature of the work arrangement, whether their employers sponsor pension or retirement plans, whether they meet eligibility requirements, and their states of residence.⁴⁷

The varied nature of nontraditional work means that there are a range of reasons why workers in such jobs might not have access to or participate in employer-sponsored pension or retirement plans. For example, although some contingent workers are considered employees of an employer that might sponsor a plan, their tenure with the employer may be too short to meet eligibility requirements for plan enrollment. Other workers in alternative work arrangements, such as contractors, are not considered employees and, thus, are not eligible to enroll in their employers' plans.⁴⁸

Regardless of whether a nontraditional worker has access to an employer-sponsored pension or retirement plan, any worker with taxable (and certain nontaxable) compensation is able to set up and contribute to an IRA. However, many workers do not save through IRAs for various reasons, such as low income or unfamiliarity with the accounts. In 2022, thirty-one percent of U.S. households had savings in IRAs.⁴⁹ While workers can contribute directly to IRAs, much of the assets in IRAs is from rollovers of savings in employer-sponsored plans.

In addition, nearly all nontraditional workers who are *self-employed workers* are permitted to set up their own retirement plans as well as their own IRAs. Some examples of plans available to self-employed workers include solo 401(k) plans, SIMPLE IRAs, SEP-IRAs, and one-participant

⁴³ Social Security Administration (SSA), Office of the Chief Actuary, "Social Security Program Fact Sheet," January 29, 2024, <https://www.ssa.gov/oact/FACTS/index.html>.

⁴⁴ 42 U.S.C. §410. See also Title 20, Part 404, of the *Code of Federal Regulations*, Subpart K, and SSA, Program Operations Manual System, RS01901.000: Coverage and Exceptions.

⁴⁵ Major categories of work that are not covered by Social Security include (1) civilian federal employees who were first hired before 1984, (2) about one-quarter of state and local government employees, (3) railroad workers, (4) certain family employment, (5) certain work performed by students, (6) certain members of the clergy and others, and (7) certain work performed by noncitizens.

⁴⁶ For more information, see CRS In Focus IF11824, *Social Security: Who Is Covered Under the Program?*

⁴⁷ A worker's state of residence is most relevant for state-administered retirement savings programs.

⁴⁸ A discussion about the classification of workers is beyond the scope of this report. For more information on worker classification, see CRS Report R46765, *Worker Classification: Employee Status Under the National Labor Relations Act, the Fair Labor Standards Act, and the ABC Test*.

⁴⁹ See CRS Report R48456, *Traditional, Roth, and Rollover Individual Retirement Account (IRA) Ownership in 2022*.

DB plans.⁵⁰ In these cases, the self-employed worker acts in both an employer and employee capacity and may make contributions accordingly. In practice, however, many self-employed workers do not set up their own plans, perhaps due to lack of awareness or financial capability.

This section presents estimates of employer-sponsored pension and retirement plan access and participation from several sources.

Estimating Retirement Preparedness

Whether individuals are adequately prepared for retirement, financially, is the subject of debate and research. While no standard definition exists, income adequacy in retirement could mean whether retirement income can meet basic needs (e.g., being above the poverty line) or whether such income is sufficient to maintain a preretirement standard of living.

A challenge in estimating retirement preparedness among nontraditional workers in particular results from the diverse nature of the group, ranging from financially successful self-employed individuals to lower-income, temporary workers who frequently change jobs. While some nontraditional workers are adequately preparing for retirement, others may face barriers, such as not meeting requirements to participate in workplace plans or earning too little to contribute to retirement accounts.

In addition, the age at which a worker engages in nontraditional work might affect long-term retirement security. Nontraditional work at young ages could be associated with lower retirement security compared to those with traditional work due to, for example, lower workplace plan access and participation rates. Some researchers have found that nontraditional work at older ages might improve retirement security by extending careers and easing the transition into retirement.⁵¹ Others have found that workers who were employed frequently in nontraditional work during their late careers had lower retirement income compared to other groups.⁵²

BLS Contingent Workers and Workers in Alternative Work Arrangements Estimates

As noted earlier, BLS has collected information on contingent workers and workers in alternative work arrangements through the *Contingent Worker Supplement* (CWS) to the Current Population Survey (CPS), a large-scale household-based survey.⁵³ The last released data describe such work

⁵⁰ A one-participant 401(k) plan (also referred to as *Solo 401(k)*, *Solo-k*, *Uni-k*, or *One-participant-k* plan) covers a business owner with no employees (or the owner and spouse, if applicable). A one-participant 401(k) plan is subject to the same requirements as traditional 401(k) plans, but instead of covering a business with multiple employees, it covers a business owner with no employees. For more information, see IRS, “One-Participant 401(k) Plans,” <https://www.irs.gov/retirement-plans/one-participant-401k-plans>. Self-employed individuals may also establish personal DB plans. However, these plans are more complicated than other retirement savings options and are most likely used by relatively high-income individuals. The Charles Schwab Corporation notes that personal DB plans “may be best for professionals age 50 and over who can make annual contributions of \$90,000 or more for at least five years” or “highly compensated business owners, partners, and key employees who are in their peak earning years.” See Charles Schwab, “Personal Defined Benefit Plan,” <https://www.schwab.com/small-business-retirement-plans/personal-defined-benefit-plan>.

⁵¹ See M. Rutledge and G. Wettstein, “Is Nontraditional Work at Older Ages Associated with Better Retirement Security?,” July 7, 2020, Center for Retirement Research at Boston College, <https://crr.bc.edu/is-nontraditional-work-at-older-ages-associated-with-better-retirement-security/>.

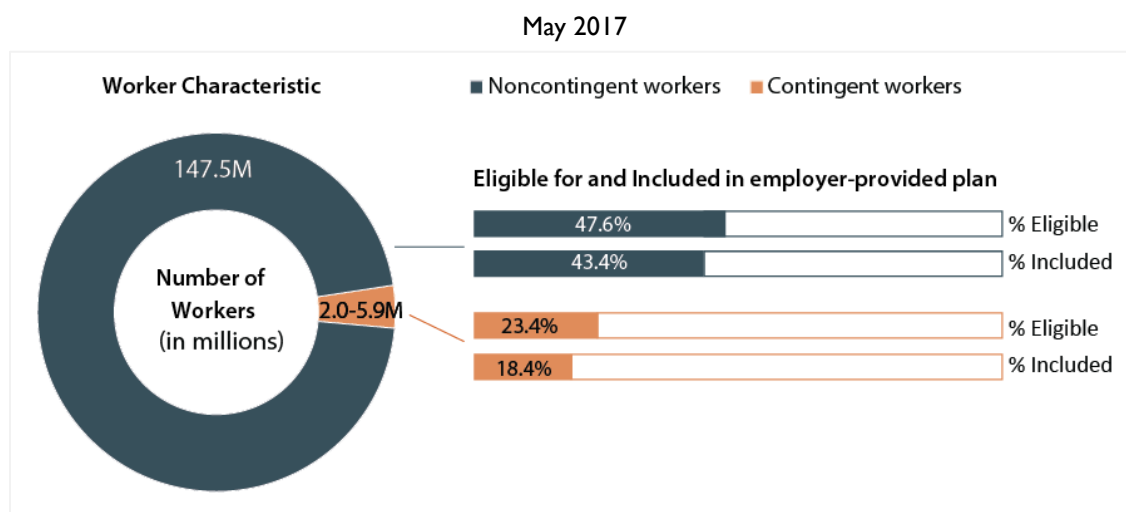
⁵² See A. Munnell et al., “How Do Older Workers Use Nontraditional Jobs?,” October 2019, Center for Retirement Research at Boston College, https://crr.bc.edu/wp-content/uploads/2019/10/wp_2019-12_.pdf.

⁵³ BLS also publishes an annual National Compensation Survey (NCS), which surveys employers to estimate the percentage of workers with access to different workplace benefits. Because NCS estimates do not distinguish between contingent and noncontingent workers or the various types of work arrangements, they are not included in this report. In addition, NCS notes that self-employed workers and “workers who set their own pay” are excluded from NCS estimates. In general, NCS estimates for civilian worker (i.e., private sector workers and state and local government workers) access to and participation in workplace retirement plans are higher than those estimated through the CWS. For example, NCS-based estimates indicate that 70% of civilian workers had access to employer-sponsored retirement (continued...)

arrangements in July 2023, but do not include estimates on pension or retirement plan eligibility. The most current estimates for such benefits are from May 2017.⁵⁴ Contingent work and alternative work arrangements, as defined by BLS, are not mutually exclusive categories.

Estimates from the CWS indicate that in May 2017, contingent workers—which represented 1%-4% of all workers—were less likely to be eligible for or participate in employer-provided pension or retirement plans compared to noncontingent workers (see **Figure 2**).⁵⁵ Among contingent workers, 23.4% were eligible for and 18.4% participated in such plans, whereas 47.6% of noncontingent workers were eligible for such plans and 43.4% participated.

Figure 2. Contingent and Noncontingent Worker Eligibility for Employer-Provided Pension or Retirement Plans



Source: CRS presentation of Bureau of Labor Statistics data from BLS, “Contingent and Alternative Employment Arrangements News Release,” Table 9, June 7, 2018, https://www.bls.gov/news.release/archives/conemp_06072018.htm.

Notes: Number of workers is rounded to the nearest thousand.

Similarly, workers with alternative arrangements—specifically, on-call workers, temporary help agency workers, and workers provided by contract firms—were less likely to be eligible for and participate in employer-provided plans than were workers in traditional work arrangements (see **Figure 3**). Among workers with traditional arrangements in May 2017, about half were eligible for employer-sponsored pension or retirement plans. Among workers with alternative

plans and 54% participated in plans in March 2017 (see Bureau of Labor Statistics, *National Compensation Survey*, March 2017, <https://www.bls.gov/ebs/publications/pdf/bulletin-2787-september-2017-employee-benefits-in-the-united-states-march-2017.pdf>). The NCS considers an employee to have access to a plan if it is offered by an employer without regard to whether the employee has met eligibility requirements for enrollment. This is one reason for the difference (i.e., CWS estimates account for eligibility and the NCS estimates do not). Survey design differences may affect estimates as well (see “Limitations of Survey Data” section of this report).

⁵⁴ See BLS, “Contingent and Alternative Employment Arrangements News Release,” June 7, 2018, https://www.bls.gov/news.release/archives/conemp_06072018.htm.

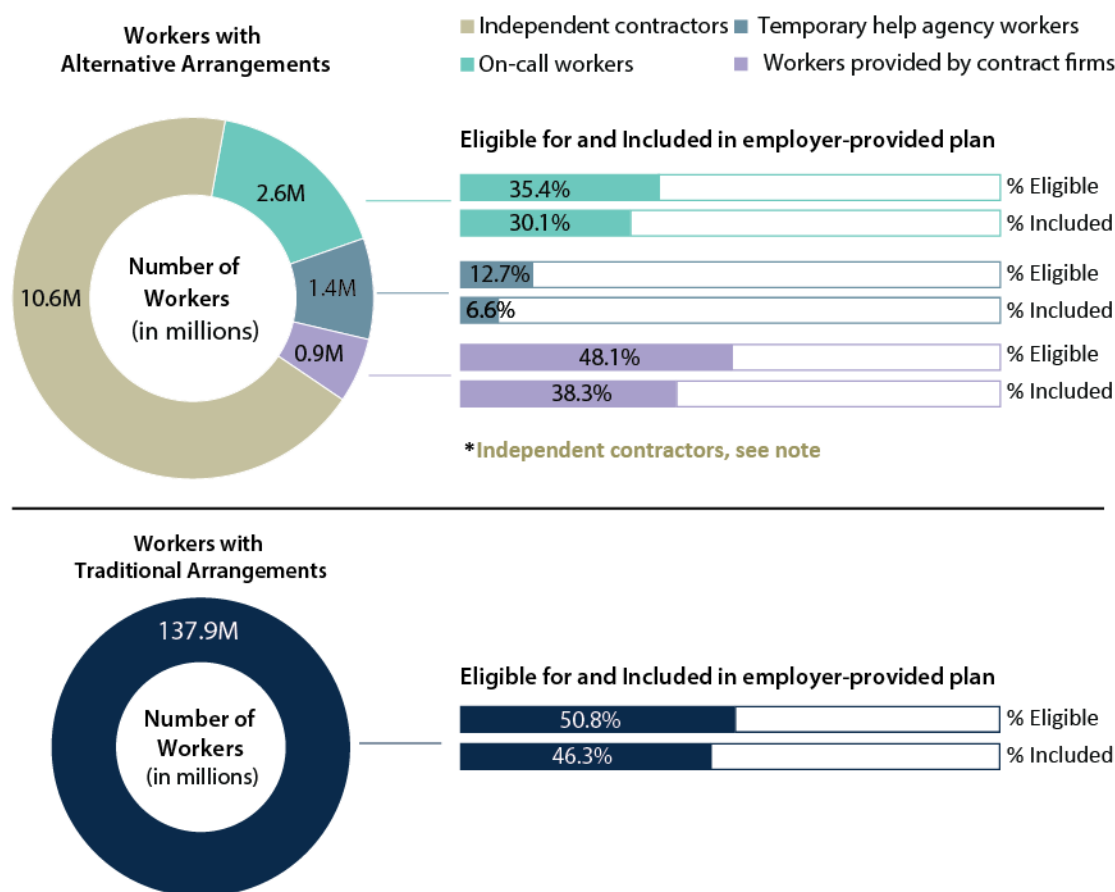
⁵⁵ The Current Population Survey (CPS) collects data on retirement plan access on a monthly basis. Some researchers have noted that retirement access rates based on CPS data likely underestimate coverage, perhaps due to confusing wording of questions (e.g., using *pensions* to refer to DC plans) or incorrect knowledge of plan access by survey respondents. See John Sabelhaus, “The Current State of U.S. Workplace Retirement Plan Coverage,” Pension Research Council, March 2022, <https://repository.upenn.edu/server/api/core/bitstreams/53f6523d-7c37-4052-add0-676774a6181a/content>.

arrangements in May 2017, eligibility for workplace plans ranged from 13% (for temporary help agency workers) to 48% (for workers provided by contract firms). Data for independent contractors were not available.

Many of the 1.6 million gig workers identified by BLS are included in the BLS contingent worker and alternative work arrangement estimates, but BLS did not separately publish information on gig workers' access to and participation in retirement plans.⁵⁶

Figure 3. Eligibility for Employer-Provided Pension or Retirement Plans For Workers in Alternative and Traditional Arrangements

May 2017



Source: CRS presentation of data in BLS, "Contingent and Alternative Employment Arrangements News Release," Table 9, June 7, 2018, https://www.bls.gov/news.release/archives/conemp_06072018.htm.

Notes: Number of workers is rounded to the nearest thousand. Data exclude the self-employed (incorporated and unincorporated) and independent contractors.

While the data above focus on eligibility for and participation in employer-provided plans, BLS also collected data on IRA or Keogh plan usage among nontraditional workers in May 2017.⁵⁷

⁵⁶ See BLS, "Labor Force Statistics from the Current Population Survey: Electronically Mediated Employment," <https://www.bls.gov/cps/electronically-mediated-employment.htm>.

⁵⁷ A Keogh plan is a retirement plan for self-employed individuals. The IRS indicates that the term *Keogh* is seldom used because the law no longer distinguishes between corporate and other plan sponsors.

The Employee Benefit Research Institute analyzed these data and found that 33.8% of independent contractors reported owning IRAs or Keogh plans, compared to 24.6% of all nontraditional workers, and 23.9% of workers using gig economy platforms.⁵⁸

Estimates from Non-BLS Sources⁵⁹

BLS surveys of worker eligibility for employer-provided pension and retirement plans estimated eligibility for those who worked *primarily* in contingent and alternative work arrangements.⁶⁰ However, some workers in nontraditional jobs have multiple jobs that might combine traditional and nontraditional work. In July 2023, BLS found that 7.8% of contingent workers (on their sole or main job) held multiple jobs.⁶¹ Among workers with alternative arrangements as their sole or main job, 5.8% to 7.8% held multiple jobs.⁶²

The results of a 2020 Pew Charitable Trusts survey indicated that 40% of nontraditional workers had a mix of traditional and nontraditional jobs.⁶³ Pew found that employment in a traditional job was correlated with a worker's access to an employer-sponsored DC plan. Pew reported that 46.3% of nontraditional workers in its survey had jobs or employers during the previous year that *offered* DBs, DCs, or other types of retirement plans, noting that nontraditional workers with at least one traditional job were more likely to be included in this category.

Because retirement savings decisions frequently take place at the household level, rather than the individual level, Pew also examined nontraditional workers' access to retirement plans through spouses or partners. After accounting for a spouse or partner's workplace plan, overall access to a retirement plan in the previous year increased from 46.3% to 58.1% for nontraditional workers in the survey.⁶⁴

Even if an employer offers a retirement plan, workers might not meet the eligibility requirements to participate in the plan. Overall, Pew reported that nearly 22% of nontraditional workers *participated* in workplace DC plans during the year leading up to the survey, meaning that they

⁵⁸ See slides from the presentation at John Scott, "Pew Policy Summit Explores Retirement Security Issues Faced by Nontraditional Workers," Pew Charitable Trusts, December 4, 2023, <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/12/04/pew-policy-summit-explores-retirement-security-issues-faced-by-nontraditional-workers>. Data on this topic is presented around minute 20 of the presentation.

⁵⁹ Some of the studies mentioned in this section provide data from 2019 and 2020. It is unclear how the COVID-19 pandemic affected long-term retirement security among different types of workers.

⁶⁰ That is, it is the worker's only job, or it is the job in which the worker works the most hours per week.

⁶¹ See BLS, "Contingent and Alternative Employment Arrangements," Table 2a. Among noncontingent workers (as their sole or main jobs), 5.1% held multiple jobs.

⁶² See BLS, "Contingent and Alternative Employment Arrangements," Table 6a. Among workers with traditional arrangements as their sole or main jobs, 5.1% held multiple jobs.

⁶³ In 2020, Pew surveyed 1,026 workers who said that they worked at nontraditional jobs. The survey examines their access to workplace retirement plans, the barriers they face in saving for retirement, and preferences over the types of programs. Pew found that 37.6% of nontraditional workers worked in a single nontraditional job and that 22.4% had multiple nontraditional jobs but no traditional work. Pew defines *nontraditional work* to include "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." John Scott, "Nontraditional Workers Lack Access to Workplace Retirement Options," Pew Charitable Trusts, October 14, 2021, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/10/nontraditional-workers-lack-access-to-workplace-retirement-options>.

⁶⁴ See John Scott, "Can Nontraditional Workers Improve Retirement Outlook by Coordinating with Partners?," Pew Charitable Trusts, October 20, 2021, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/10/can-nontraditional-workers-improve-retirement-outlook-by-coordinating-with-partners>.

(1) worked for employers that offered plans, (2) were eligible to participate in them, and (3) enrolled in the plans.⁶⁵

Pew's results indicate that relatively low DC plan participation among nontraditional workers is driven primarily by lack of access to such plans, not lack of interest in such plans. About 66% of nontraditional workers reported that they wanted work-related retirement benefits, and most workers (77.5%) with access to plans who met eligibility conditions participated in them.⁶⁶

Limitations of Survey Data

Many of these surveys consider the availability and uptake of retirement savings options to workers at a given point in time. For example, a survey might ask workers whether their employer offers pension plans and if so, if the workers are currently participating in the plans. The estimates produced by such studies are influenced by the methodology used to produce them. For example, the size and composition of a study's sample will influence the precision of estimates and the ability of researchers to consider certain worker groups separately (e.g., to compare workers in traditional and non-traditional work arrangements). How questions are phrased and whether the respondent is the worker or an employer are likely to affect the interpretation of survey responses.

Estimates of Nontraditional Workers' Retirement Savings

While some surveys ask nontraditional workers if they have access to or participate in retirement plans, others focus on workers' accumulated savings. Because saving for retirement is an activity that takes place over an individual's working lifetime, it is difficult to assess workers' preparedness based on their employment status at one point in time. A number of workers alternate between traditional employment (with or without access to employer-sponsored plans) and nontraditional employment throughout their careers. Others might stay in nontraditional work for the majority or all of their work careers. Some have partners or spouses with whom they are making retirement saving decisions.

Data on nontraditional workers' accumulated retirement savings appear to be limited. Differing definitions of who is considered a nontraditional worker (or who has worked in nontraditional arrangements during their work histories), along with differing methodologies in asking about work and work history, makes it difficult to identify this population in survey or administrative data.

Despite these challenges, some groups have attempted to measure nontraditional workers' retirement savings. Pew found that 59% of workers in its 2020 survey reported having savings in DC plans through current or former employers and that 22% reported having IRA savings.⁶⁷ As a

⁶⁵ Pew also reports on defined benefit (DB) plans: "Among nontraditional workers, 11.3% had a workplace that offered a DB plan. Another 2.3% had one or more workplaces that offered other types of retirement plans, such as annuities. Some workers may have more than one type of workplace plan. A substantial 9.3% said they didn't know whether any of their workplaces over the past year had offered any type of retirement plan." See Scott, "Nontraditional Workers Lack Access," p. 16. In its survey, nontraditional workers stated that they worked at nontraditional jobs as their primary jobs or as one of multiple jobs. Pew has several articles and issue briefs about nontraditional workers and retirement savings.

⁶⁶ See Scott, "Nontraditional Workers Lack Access."

⁶⁷ This statistic refers to accumulated savings in a DC retirement account from any former or current employer, not (continued...)

comparison, in 2022, nearly 40% of U.S. households reported having savings in DC plans, and 31% reported having IRA savings.⁶⁸

A survey by the Transamerica Center for Retirement Studies found that 68% of self-employed workers (a subset of nontraditional workers) were currently saving for retirement in 2021.⁶⁹ Among those who were currently saving, 71% were saving through tax-advantaged retirement accounts, including IRAs (44%), 401(k) plans (34%), solo 401(k) plans (21%), SIMPLE IRAs (10%), SEP-IRAs (8%) or SARSEPs (4%).⁷⁰

Policy Challenges to Expanding Access to Employer-Sponsored Pension and Retirement Plans

Policy challenges to expanding access to employer-sponsored pension and retirement plans for workers in nontraditional work arrangements vary at the employer level and at the worker level. Several of these challenges are described below.

Employer Challenges

As previously discussed, private sector employers that sponsor pension plans are subject to ERISA's requirements. Plans may be more generous than ERISA's requirements (e.g., plan sponsors could extend eligibility to part-time workers and contingent workers, such as seasonal and temporary employees). However, employers may generally not extend eligibility to nonemployees.⁷¹ This is one of the principal impediments to increasing employer-sponsored pension and retirement access among nontraditional workers.

Though employers may extend plan eligibility to certain additional employees, they may choose not to for various reasons. First, employer-sponsored retirement plans are typically used to recruit and retain employees. Employers may not have a need to retain short-term employees, such as seasonal employees. Second, retirement plans represent administrative and monetary costs for employers. Additional participants in a retirement plan increase plan costs (e.g., such as through

whether a worker had access to or participated in a plan in the year prior to the survey. John Scott, "Freelancers, Sole Proprietors, and Other Nontraditional Workers Have Little Retirement Savings," 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>.

⁶⁸ See CRS Report R48143, *Ownership of Retirement Accounts in 2022: Amounts in Defined Contribution Plans and Individual Retirement Accounts*. Some reasons why the rate of DC plan ownership of the workers in Pew's study exceeds that of the U.S. household population could be because Pew was focusing solely on workers currently in the workforce, whereas the U.S. household population includes respondents of all ages within and outside of the labor force. In addition, older U.S. households were more likely to have access to DB plans rather than DC plans during their working years. Furthermore, some households with DC plan savings roll them over to IRAs at job change or retirement, which could explain why the U.S. household IRA ownership rate exceeded that of the workers in Pew's study.

⁶⁹ See Catherine Collinson et al., "Emerging from the COVID-19 Pandemic: The Retirement Outlook of the Workforce," Transamerica Center for Retirement Studies, June 2022, <https://transamericainstitute.org/docs/default-source/research/emerging-from-the-covid-19-pandemic-the-retirement-outlook-of-the-workforce.pdf>. In this study, *self-employed workers* was defined as workers age 18 and older who are self-employed.

⁷⁰ Collinson et al., "Emerging from the COVID-19 Pandemic." Under a SARSEP, employees elect to enter into salary reduction agreements in which part of their compensation is contributed to their SEP-IRAs. Starting in 1997, employers were no longer permitted to establish SARSEPs. Some SARSEPs established before 1997 are still in existence and must continue to follow SARSEP requirements. Official data on solo 401(k) plan usage is scarce, because taxpayers with less than \$250,000 in their plans are exempt from annual filing requirements.

⁷¹ Some independent contractors may be in employment relationships in second jobs.

employer contributions made to an individual's account or administrative services to maintain each account).

Employers and participants receive favorable tax treatment to encourage establishing and contributing to retirement plans. One of the conditions for receiving these tax preferences is that plans benefit rank-and-file employees as well as highly paid employees and owners. Each year, plans must satisfy certain requirements to show that benefits are not excessively distributed to highly paid employees and that plan assets do not accumulate among a select few employees (generally referred to as *nondiscrimination tests*).⁷² These tests aim to ensure that, among other things, the contributions made by and for rank-and-file employees (non-highly compensated employees, or NHCEs) are proportional to contributions made for owners and managers (highly compensated employees, or HCEs). If a plan fails these tests, it must make additional contributions to NHCEs or reduce contributions by HCEs. Otherwise, the plan might lose its tax-qualified status.

The effect of including additional NHCEs, such as temporary or part-time workers, on a plan's ability to meet these requirements is unclear.⁷³ For example, additional NHCEs could improve a plan's ability to meet the *top-heavy test*, in which plans must document that no more than 60% of plan assets are held by *key employees*.⁷⁴ On the other hand, if additional NHCEs participate in the plan but bring down the average contribution rate of all NHCEs, then a plan might be more likely to fail one of the nondiscrimination tests called the *average deferral percentage (ADP)* test. If employers believe that the latter scenario could occur, they might be less willing to extend eligibility to nontraditional workers.

Congress has enacted provisions that alleviate this issue. Under current law, plans that cover excludable employees (i.e., those not required to be eligible to participate, such as employees with less than a year of service or who are under age 21, or certain part-time workers) must include these employees in nondiscrimination tests for the year but can conduct separate tests for (1) these excludable employees and (2) the rest of the employees (without the excludable employees). More recently, a provision in SECURE 2.0 modified rules for top-heavy tests so that plans could exclude from the test employees who are covered by the plans but do not meet the minimum age or service requirements.

Finally, because employer-sponsored plans are voluntary, additional requirements or administrative burdens might cause some employers to terminate their plans or decide not to adopt new plans.

Worker Challenges

Nontraditional workers are a diverse group, and face a range of potential obstacles to workplace-based or employer-sponsored pension and retirement plans. For example, independent

⁷² For more information on these requirements, see CRS Report R48091, *Contributions to Defined Contribution Retirement Plans*.

⁷³ Note that the provisions in the SECURE Act and SECURE 2.0 that required certain long-term, part-time workers to be eligible to contribute to their workplace 401(k) and 403(b) plans stated that workers who were eligible for the plans due to this provision did not have to be taken into account for nondiscrimination testing purposes. However, this exception from testing no longer applies to any employee who becomes a full-time employee (as of the first plan year beginning after the plan year in which the employee becomes a full-time employee).

⁷⁴ Key employees are classified as employees earning more than \$220,000 in 2024, those with more than 5% ownership of the firm, or those with more than 1% ownership of the firm who are earning more than \$155,000 in 2024. This amount is adjusted annually for inflation. See IRS, "Is My 401(k) Top-Heavy?," January 29, 2024, <https://www.irs.gov/retirement-plans/is-my-401k-top-heavy>.

contractors—a group that includes many gig economy workers—can range from financially successful business owners to workers with multiple jobs in the bottom of the household income distribution. Broadly, factors that may influence access and take up of retirement benefits for some nontraditional workers include lack of an employment relationship, eligibility requirements, liquidity constraints, and earnings volatility and payment methods. These factors are discussed below.

Lack of an Employment Relationship

Lack of an employment relationship is one of the main reasons why nontraditional workers do not have access to workplace plans. As noted, employers may generally not extend eligibility to nonemployees, which effectively bars access to employer-sponsored plans for many nontraditional workers.

Some nontraditional workers, such as independent contractors, are their own employers (i.e., self-employed) and may set up their own plans if they so choose. In contrast, on-call workers, as measured by the BLS, are employees, but their employment is concentrated in industries with relatively low retirement plan offer rates, and they may face other barriers.⁷⁵

While the absence of a traditional employment relationship does not preclude plan participation or the ability to save on one's own—such as through a solo 401(k) plan or an IRA—employer-sponsored pension plans often have higher take-up rates due to features such as automatic enrollment (in which employees are, by default, enrolled into the plan upon becoming eligible),⁷⁶ payroll deductions (in which retirement plans contributions are automatically deducted from a worker's paycheck), and employer contributions (contributions made by an employer on behalf of an employee). In addition, workers might not be aware of the savings options outside of the workplace that are available to them.

Eligibility Requirements

ERISA sets a minimum standard for hours-of-service and age requirements that workers must meet to participate in plans. Such requirements may discourage contingent workers—who do not expect their employment to last—from participating. Part-time workers are less likely to meet hours-of-service requirements compared to full-time workers, though recent legislation (discussed later) modified eligibility rules so that more part-time workers are eligible to participate in plans.

Liquidity Constraints

Some nontraditional workers may not be able to afford pension or retirement plan contributions (or fully finance such plans, in the case of independent contractors). Nontraditional workers with low weekly earnings—due to lower wages, lower hours, or both—may face difficulties in

⁷⁵ BLS estimated that in July 2023, 10.7% of on-call workers were employed in construction and 8.8% in leisure and hospitality. Both industries had below-average retirement benefit access rates in that year. BLS, “Table 6a. Percent Distribution of Employed Workers with Alternative and Traditional Work Arrangements on Sole or Main Job by Usual Full- or Part-Time Status, Occupation, Industry, Class of Worker, and Multiple Jobholding Status, July 2023,” November 8, 2024, <https://www.bls.gov/news.release/conemp.t06a.htm>; and BLS, “National Compensation Survey: Employee Benefits in the United States, 2010-2024 Historical Excel Dataset,” 2023 annual data, <https://www.bls.gov/ebs/publications/xlsx/employee-benefits-in-the-united-states-dataset.xlsx>.

⁷⁶ “[R]esearch generally indicates participation rises from about 60 percent of the workforce in traditional plans without automatic enrollment to over 90 percent once automatic enrollment is adopted” (Robert L. Clark and Denis Pelletier, *Impact of Defaults in Retirement Saving Plans: Public Employee Plans*, National Bureau of Economic Research, September 2019, <https://www.nber.org/papers/w26234>).

meeting current financial obligations and therefore be less inclined to allocate parts of their paychecks to retirement plans, where funds are set aside for the future and generally inaccessible in the near term.⁷⁷

One of Pew's surveys asked nontraditional workers without IRAs or workplace plans, or who were not eligible for such plans, whether they would be interested in a hypothetical retirement savings plan.⁷⁸ Among the workers who responded that they were probably or definitely not interested in the hypothetical plan, 58.3% cited lack of income as a barrier. Other barriers included, for example, not thinking about retirement savings at the time of the survey, not understanding how to save for retirement, not wanting to reduce take-home pay, and needing to save for a planned expense or an emergency.

In addition, nontraditional workers who are self-employed must pay 12.4% of net earnings up to the annual maximum in Social Security payroll taxes. Compared to employees in traditional employee-employer relationships—who split the cost with their employers (each paying 6.2%)—self-employed nontraditional workers might have less after-tax income, holding all else constant, which might influence retirement savings behavior.

Earnings Volatility and Payment Methods

Some nontraditional workers, such as independent contractors and on-call workers, may have considerable earnings volatility,⁷⁹ making it harder for them to make regular retirement contributions.⁸⁰ In addition, nontraditional workers have more variety in payment methods and frequency compared to traditional workers. While many traditional workers are paid on regular schedules and through direct deposit, nontraditional workers may be more likely to be paid in cash, by check, or via electronic cash transfer applications. Features that are common in employer-sponsored plans, such as automatic enrollment features, might be difficult for workers without regular payment intervals or amounts.

Recent Congressional Efforts That Could Improve Retirement Security for Nontraditional Workers

Legislation enacted in recent Congresses has focused on increasing access to, and participation in, employer-sponsored pension and retirement plans and increasing retirement savings more

⁷⁷ For example, BLS estimates that median weekly earnings for temp agency workers were \$818 in July 2023, whereas they were \$1,132 for workers in traditional work arrangements. BLS, "Table 11. Median Usual Weekly Earnings of Full- and Part-Time Workers by Contingent Status and Alternative Work Arrangement on Sole or Main Job by Sex, Race, and Hispanic or Latino Ethnicity, July 2023," November 8, 2024, <https://www.bls.gov/news.release/conemp.t11.htm>.

⁷⁸ See John Scott, "Nontraditional Workers Face Multiple Barriers to Saving for Retirement," Pew Charitable Trusts, November 9, 2021, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/11/nontraditional-workers-face-multiple-barriers-to-saving-for-retirement>.

⁷⁹ For example, a 2016 study by the Century Foundation found that nontraditional workers had considerably more earnings volatility than did workers in standard work arrangements. Andrew Stettner et al., "A New Safety Net for An Era of Unstable Earnings," Century Foundation, December 15, 2016, <https://tcf.org/content/report/new-safety-net-for-an-era-of-unstable-earnings/>.

⁸⁰ For example, researchers found that nearly a third of those who opted out of the OregonSaves plan reported they did so because they "can't afford to save," and "employees in lower-paying industries are more likely to cite lack of income and less likely to cite having an existing retirement account" as the reason for opting out of the savings program. John Chalmers et al., *Auto-enrollment Retirement Plans for the People: Choice and Outcomes in OregonSaves*, National Bureau of Economic Research, February 2021, <https://www.nber.org/papers/w28469>.

generally. Most provisions in these bills primarily affect workers in traditional employee-employer relationships (e.g., those who work for sponsoring employers or those who already participate in workplace plans). However, these provisions could benefit nontraditional workers who (1) combine nontraditional and traditional work—either concurrently or over time—by increasing access to plans through their traditional jobs or (2) have spouses who are traditional workers—by increasing spousal access to and participation in employer-sponsored plans—as retirement savings decisions are frequently made at the household level. Other provisions, which aim to increase retirement savings generally (e.g., increasing IRA contribution limits for certain older taxpayers) could benefit all types of workers.

Some provisions have been more narrowly targeted toward increasing access and participation rates for specific types of nontraditional workers, such as sole proprietors. A selection of provisions in recent laws that could improve retirement security for nontraditional workers is discussed below⁸¹:

- **Expanding pooled employer plans (PEPs).** A plan sponsored by one employer is called a *single-employer plan*. A plan sponsored by more than one employer but not maintained as part of a collective bargaining agreement is called a *multiple-employer plan (MEP)*.⁸² Prior to the SECURE Act, employers who wished to jointly offer a MEP had to demonstrate some sort of commonality, such as operating in the same industry. A provision in the SECURE Act removed the commonality requirement for 401(k) plans sponsored by multiple employers, creating what are referred to as *pooled employer plans (PEPs)*. SECURE 2.0 included a provision that expanded the PEP concept to 403(b) plans.

Proponents of PEPs note that small plans—and similarly, sole proprietors—might find them advantageous due to their reduced administrative burdens and costs as compared to establishing a single employer plan or solo 401(k) plan. In a 115th Congress hearing (prior to the passage of the SECURE Act, which authorized PEPs), one witness noted that open MEPs could provide independent workers with ERISA protections and institutional pricing not typically available to workers setting up plans for themselves.⁸³ In addition, the outsourcing of administrative responsibilities could be attractive to self-employed workers who might not want to spend the time or energy on them.⁸⁴ Because PEPs are relatively new, their presence in the industry—including their applicability to nontraditional workers—is still subject to discussion.

- **Facilitating plan establishment by sole proprietors.** SECURE 2.0 permitted a sole proprietor who establishes a new 401(k) plan after the end of the taxable year but prior to the tax filing deadline to treat the plan as having been

⁸¹ Many provisions in SECURE 1.0 and SECURE 2.0 are related to increasing access to and participation in employer-sponsored retirement plans. This report describes selected provisions that could benefit nontraditional workers in particular. The list of examples is not exhaustive of those in recent legislation that could benefit nontraditional workers.

⁸² Multiemployer plans are distinct from multiple-employer plans. A multiemployer plan is maintained by more than one employer as part of a collective bargaining agreement. For more information on multiemployer plans, see CRS Report R43305, *Multiemployer Defined Benefit (DB) Pension Plans: A Primer*.

⁸³ U.S. Congress, Senate Committee on Health, Education, Labor, and Pensions, Subcommittee on Primary Health and Retirement Security, *Exploring the “Gig Economy” and the Future of Retirement Savings*, 115th Cong., 2nd sess., February 6, 2018, p. 12.

⁸⁴ See Paul J. Schneider, “The Utility of Pooled-Employer Plans for Gig Workers and Small Employers,” *Journal of Financial Services Professionals*, vol. 77, no. 5 (September 2023), pp. 30-37.

established on the last day of the taxable year. This flexibility could lead to more sole proprietors establishing retirement savings accounts.

- **Creating a retirement savings lost and found database.** In some cases, individuals have lost track of former pensions, such as through changing addresses or plan mergers. SECURE 2.0 directed the Department of Labor (DOL) to create an online database where individuals can search for the contact information of plan administrators for former plans in which they accumulated benefits. Because many nontraditional workers have held traditional jobs throughout their lives, it is possible that this database will assist them in locating retirement money that they are owed.
- **Replacing the Saver's Credit with the Saver's Match.** Under current law, eligible low-income taxpayers who contribute to employer-sponsored DC plans or IRAs may claim a nonrefundable tax credit (the Retirement Savings Contribution Credit, also known as the Saver's Credit), up to \$1,000 per person (\$2,000 for those married filing jointly). A provision in SECURE 2.0 replaced the Saver's Credit with a Saver's Match beginning in 2027.⁸⁵ Rather than receiving a tax credit, eligible individuals will receive a federal match into their retirement accounts based on their DC plan or IRA contributions. Another provision in SECURE 2.0 directs the Treasury to increase public awareness of the Saver's Match. These provisions could increase retirement savings for low-income nontraditional workers by encouraging contributions into workplace plans (for those with plan access) or into IRAs, with the federal match mimicking (or supplementing) an employer match that would occur in a workplace-sponsored plan.

Discussion

Nontraditional workers are a varied group of workers, ranging from independent contractors to gig economy workers and temporary workers. As a result, they face a range of retirement outcomes. Some nontraditional workers, such as high-income independent contractors, have the ability to save for retirement through existing types of accounts and may be better prepared for retirement than many traditional workers. Other nontraditional workers, such as temporary workers, may work multiple jobs with short durations and fail to meet workplace plan eligibility requirements. In addition, Social Security is an important source of income for nearly all retired workers. Its projected trust fund depletion in 2035 could lead to benefit changes that reduce retirement security for nontraditional workers without alternate sources of income.⁸⁶

Recent federal, state, and private sector efforts have attempted to increase retirement savings among this diverse group. At the federal level, legislation enacted in the 116th and 117th Congresses contained provisions to increase access to, and participation in, employer-sponsored pension and retirement plans and increase retirement savings generally. While the bills were geared toward workers with employer-sponsored plans, increased access to plans could benefit nontraditional workers who concurrently work traditional jobs, switch between nontraditional and traditional work, or have spouses in traditional jobs.

⁸⁵ For more information about this provision, see CRS In Focus IF11159, *The Retirement Savings Contribution Credit and the Saver's Match*.

⁸⁶ See CRS In Focus IF12844, *Social Security: Finances and Policy Options*.

Policy developments at the state level and initiatives in the private sector could improve retirement security for nontraditional workers. At the state level, some have established state-administered retirement savings programs that enroll workers who are not covered by workplace-sponsored plans into IRAs.⁸⁷ In the private sector, some businesses have experimented with ways to promote retirement savings among workers or clients, such as by providing a match based on IRA contributions.

Despite these efforts, a number of nontraditional workers continue to face barriers to retirement savings, including liquidity constraints, earnings volatility, and unfamiliarity with available savings vehicles. A focus on these underlying issues could lead to policy options that improve retirement security for this population. In addition, a recognition that workers may alternate among different types of work during their careers, and that savings decisions are frequently made at the household level—rather than the individual level—could inform policy solutions that are based on a lifecycle view of nontraditional workers and the related issues that might arise during transitions between traditional and nontraditional work.

As the workplace continues to evolve, Congress continues to express interest in this subject. In June 2024, Senator Cassidy, then-ranking member⁸⁸ of the Senate Health, Education, Labor, and Pensions (HELP) Committee, requested information from stakeholders “on ways to modernize federal law to allow independent workers access to portable workplace benefits like retirement and health care.”⁸⁹ In the 118th Congress, H.R. 3482 and S. 1696 would have required DOL to award grants to states, local governments, or nonprofit organizations to evaluate or improve existing models or approaches for providing portable benefits or design, implement, and evaluate new models or approaches for doing so.

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⁸⁷ Analysis of these programs shows that, in February 2025, states with automatic IRA programs had 983,000 funded accounts with nearly \$2 billion in assets. See Georgetown University Center for Retirement Initiatives, “State Program Performance Data,” <https://cri.georgetown.edu/states/state-data/current-year/>.

⁸⁸ As of the date of this report, in the 119th Congress, Senator Cassidy is chair of the Senate Health, Education, Labor, and Pensions Committee.

⁸⁹ See Senate Committee on Health, Education, Labor and Pensions, “Ranking Member Cassidy Requests Information from Stakeholders on Portable Benefits for Independent Workers,” press release, June 5, 2024, <https://www.help.senate.gov/ranking/newsroom/press/ranking-member-cassidy-requests-information-from-stakeholders-on-portable-benefits-for-independent-workers>.

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