

# DO OLDER WORKERS WITHOUT BENEFITS FIND HEALTH & RETIREMENT COVERAGE?

BY MATTHEW S. RUTLEDGE\*

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## Introduction

Since World War II, many workers have come to count on their jobs to provide health insurance and retirement plans. Indeed, the presence of these benefits is often seen as a marker of “traditional employment” or, simply, a “good job.”<sup>1</sup> When workers miss out on these benefits through their employer, to what extent do they find alternative sources?

This *brief*, based on a recent study, explores how older workers in “nontraditional jobs” that lack such benefits can gain health insurance and retirement coverage outside the employment relationship.<sup>2</sup> On the health side, workers have several options, including a spouse’s employer, an individual insurance policy, and public programs such as Medicaid. On the retirement side, workers’ main options are to save through an individual retirement account (IRA) or rely on a spouse with a 401(k) to save more to compensate.

The discussion proceeds as follows. The first section describes the measure of nontraditional work and the characteristics of older workers with these jobs. The second section identifies the possible sources of health insurance for the workers in nontraditional jobs, noting an uptick in non-employer alternatives after the introduction of the Affordable Care Act (ACA). The third section looks at retirement

saving options for the workers in nontraditional jobs, assessing the potential of IRAs and spousal 401(k)s. The final section concludes that, on the health side, most older workers in nontraditional jobs are able to find coverage, often through their spouse’s employer or, increasingly, Medicaid, but about one-third remain uninsured. On the retirement side, older workers with nontraditional jobs largely end up with no viable savings option.

## Older Workers in Nontraditional Jobs

Researchers define nontraditional jobs in various ways, including gig-economy jobs, on-call work, temporary positions, part-time slots, and/or self-employment. Not surprisingly, then, estimates of the prevalence of such jobs vary from 2 percent to 40 percent of the total U.S. workforce.<sup>3</sup>

Most of these definitions focus on the worker’s relationship to the employer. This *brief*, like previous ones in this series, instead looks at the characteristics of the jobs, focusing on a simple definition of nontraditional jobs: those without health insurance and a re-

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tirement savings plan.<sup>4</sup> (The full study also includes a narrower definition that combines no benefits with job instability; the findings are generally similar to those reported here.)<sup>5</sup>

This analysis uses the *Health and Retirement Study* (HRS) – a longitudinal survey of households ages 50 and older – from 2002-2016 to study workers ages 50-64 whose jobs do not offer health and retirement coverage. By this definition, at any given time, about one-quarter of these older workers are in nontraditional jobs.<sup>6</sup>

This sample of older workers without benefits is similar in gender composition and marriage rates to their counterparts in traditional jobs (see Table 1). But those in nontraditional jobs are more likely to be Hispanic and tend to have lower socioeconomic status: specifically, they are less likely to have a college degree and they have lower household incomes, driven by their lower earnings. In addition, they are much more likely to be below the poverty line, which may allow them to be eligible for Medicaid coverage.

TABLE 1. SELECTED SOCIOECONOMIC CHARACTERISTICS OF WORKERS IN NONTRADITIONAL AND TRADITIONAL JOBS, 2002-2016

	Nontraditional	Traditional
Male	46%	46%
Married	70	71
Hispanic	23	12
College degree	24	34
Personal earnings	\$17,582	\$58,763
Household income	85,934	121,268
Household poverty rate	13.5%	3.5%
Number of observations	10,210	27,555

Source: Rutledge (2020).

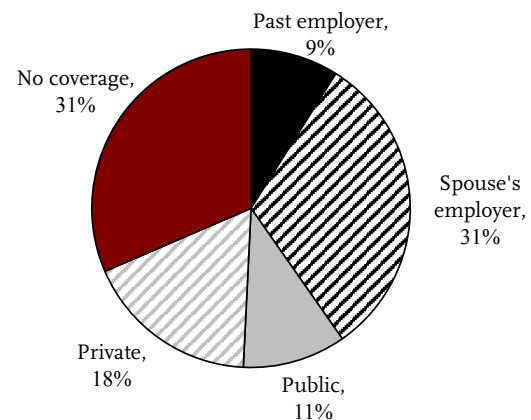
## Sources of Health Coverage

Workers who do not receive health insurance coverage on their job have several potential alternatives. These include obtaining insurance through a former employer or a spouse's employer; buying a private policy on an individual basis; or receiving coverage

through a public source. Of course, for some workers, these options will either be unavailable or too expensive, and they may end up with no health insurance at all.

The analysis finds that about two-thirds of older workers in nontraditional jobs were able to get an alternative source of health coverage, on average, during any given year during the 2002-2016 period. The most common source was a spouse's employer, accounting for about one-third of all older workers in the sample (see Figure 1). The prevalence of this option is not surprising given that most of the workers are married, and employer group health insurance is generally less expensive than an individual policy. About 10 percent of the sample had coverage through their own former employer, which could be either through COBRA or retiree health insurance. COBRA coverage allows workers to continue on a former employer's plan for up to 18 months after separation, but take-up is often low because workers have to pay both the employee and the employer shares of the premium.<sup>7</sup> Retiree coverage is generally more affordable, but firms have been cutting back on such coverage.<sup>8</sup> In terms of coverage sources outside of the employer market, about one-fifth of the sample purchased a private individual insurance plan, and about 10 percent received coverage through public programs, primarily Medicaid.<sup>9</sup>

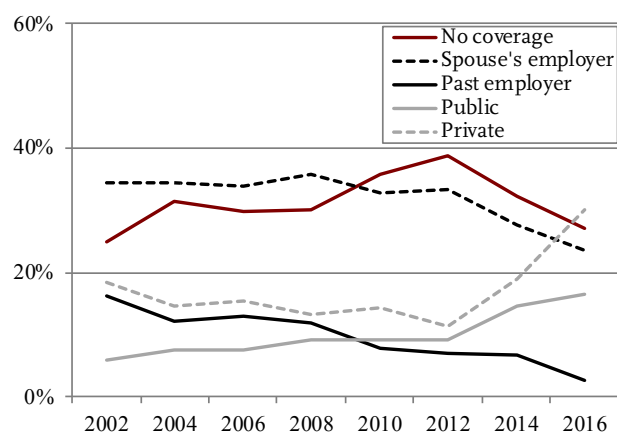
FIGURE 1. SOURCES OF HEALTH COVERAGE FOR OLDER WORKERS IN NONTRADITIONAL JOBS, AVERAGE OVER 2002-2016



Source: Rutledge (2020).

Interestingly, coverage patterns changed over the 2002-2016 period in three distinct ways. First, the percentage of older workers in nontraditional jobs without insurance increased throughout the 2000s, peaking at almost 39 percent during the Great Recession, but then declined rapidly to 27 percent in 2016 (see Figure 2). Second, the percentages of the group relying on a spouse's employer or a former employer both fell throughout the period. Third, private and public insurance became much more prominent sources of coverage toward the end of the period; by 2016, they covered nearly half of all older workers in nontraditional jobs.

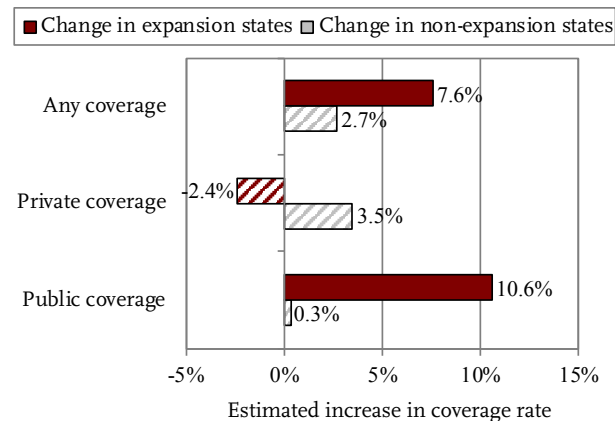
FIGURE 2. TRENDS IN HEALTH COVERAGE FOR OLDER WORKERS IN NONTRADITIONAL JOBS, BY COVERAGE SOURCE, 2002-2016



Source: Rutledge (2020).

Part of the explanation for all three patterns was the implementation of the ACA, which allowed more workers in nontraditional jobs to find their own insurance via marketplaces for subsidized private plans and broader eligibility for Medicaid in states adopting this reform. In difference-in-differences regressions that compare the change in the percentage of workers in nontraditional jobs with health insurance in expansion states to the change in non-expansion states, the results imply that public coverage through Medicaid was responsible for all of the coverage increase (see Figure 3).<sup>10</sup> Indeed, the bottom panel indicates that public coverage rose by 10 percentage points more in expansion states.

FIGURE 3. EFFECT ON HEALTH COVERAGE OF LIVING IN AN ACA EXPANSION STATE VS. NON-EXPANSION STATE FOR OLDER WORKERS IN NONTRADITIONAL JOBS, 2002-2016



Note: Solid bars are statistically significant at 5-percent level. Source: Rutledge (2020).

## Potential Sources of Retirement Coverage

The other challenge for workers in nontraditional jobs is finding convenient access to a retirement saving vehicle. As they are not covered by a 401(k) through their own employer, they have two main options: contribute to an IRA or rely on a spouse with a 401(k) to save more.

### IRAs

IRAs, which like 401(k)s are tax-advantaged retirement saving vehicles, are the most widely available option – in fact, anyone without a workplace plan can contribute to a traditional IRA. Individuals can obtain an IRA by going through a bank, broker, or other fund firm. Compared to 401(k)s, IRAs tend to offer more investment options but also have higher fees. More strikingly, IRA contribution limits are much lower: individuals ages 50 and over can contribute only \$7,000 to an IRA in 2020, compared to \$26,000 in a 401(k). Despite these limitations, IRAs would seem to present a viable saving option for those with nontraditional jobs. However, previous research shows that only about 15 percent of people of all ages actively contribute to IRAs (most IRA assets are

rolled over from 401(k)s). And a detailed analysis of the characteristics of IRA contributors found that the majority actually were those who also had an active 401(k) plan.<sup>11</sup> In short, it's clear that IRAs have not provided a solution for workers with nontraditional jobs.

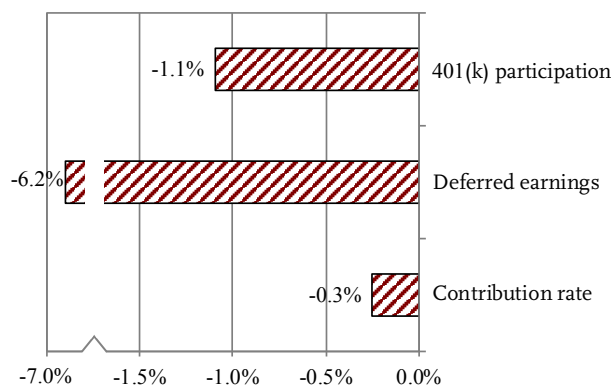
Unfortunately, in contrast to health insurance coverage, policy efforts at the federal level to increase the availability of workplace-based retirement plans have had limited impact.<sup>12</sup> The most promising recent activity is occurring at the state level through auto-IRA programs, which require employers without a retirement plan to automatically enroll their employees. However, only a handful of states have such programs and none of them was yet active during the period of this analysis.

### Spousal 401(k)s

For married older workers in nontraditional jobs, another option is a spouse with a 401(k), who might be able to save more to cover the retirement needs of both members of the household. Gaining access to benefits through a spouse was shown to be important for health insurance coverage, so it could potentially be a route to retirement saving as well.

The analysis, therefore, focuses on the behavior of married older workers in *traditional* jobs – who, by definition, have access to a retirement plan.<sup>13</sup> When they have a spouse in a nontraditional job, do these workers save more? Results from fixed effects regressions, using administrative tax records on 401(k) contributions linked to the HRS, suggest not: none of the regression estimates are statistically significantly different from zero, and in fact all are negative (see Figure 4).<sup>14</sup> The estimates effectively rule out any substantial increase in the 401(k) participation rate, the dollar amount contributed to the 401(k),<sup>15</sup> or the share of earnings contributed to the 401(k) when the 401(k) participant's spouse is in a nontraditional job. Moreover, nearly one-third of workers in nontraditional jobs are unmarried, so they do not even have the option of relying on a spouse.

FIGURE 4. EFFECT OF HAVING A SPOUSE IN A NONTRADITIONAL JOB ON 401(k) ACTIVITY FOR OLDER MARRIED WORKERS WITH ACCESS TO A 401(k), 2002-2016



Notes: The estimate is the percentage increase in each 401(k) saving measure when the worker's spouse has a nontraditional job, compared to when they have a traditional job. Striped bars are not statistically significant.

Source: Rutledge (2020).

## Conclusion

When older workers have jobs that lack health and retirement benefits, what alternative sources are available to them? The results of this analysis indicate that most older workers in nontraditional jobs find health coverage, often through a spouse's employer or, increasingly, a private individual policy or Medicaid, but about one-third remain uninsured. That uninsured rate has fallen by more in states that expanded Medicaid coverage under the ACA.

In contrast to health insurance, no retirement saving vehicle appears effective in helping older workers in nontraditional jobs set aside money for retirement. Despite the availability of IRAs, workers rarely contribute to them. And when workers without a retirement plan are married to workers who do have one, the analysis finds no evidence that their spouses save more to compensate. The most promising policy option going forward may be state auto-IRA programs.

## Endnotes

- 1 Osterman (2013).
- 2 Rutledge (2020).
- 3 Research on nontraditional work dates back decades (see, for example, Barker and Christensen 1998) but this topic has become increasingly prominent in recent years; see Collins et al. (2019); Katz and Krueger (2016, 2019); Robles and McGee (2016); Farrell and Greig (2016); Jackson, Looney, and Ramnath (2017); Abraham et al. (2018); and U.S. Government Accountability Office (2015).
- 4 For more details on the different definitions of nontraditional work, see Munnell, Sanzenbacher, and Walters (2019); Rutledge, Wettstein, and King (2019); and Rutledge (2020).
- 5 Rutledge (2020).
- 6 The prevalence of nontraditional work differs slightly from Munnell, Sanzenbacher, and Walters (2019) despite similar definitions. After accounting for differences in data availability and sample construction, the time trend in their definition of nontraditional work is similarly flat. The share of workers in nontraditional jobs without health insurance and with each source of insurance are also similar. (See Rutledge 2020 for further details.) The prevalence of nontraditional work also differs from Rutledge, Wettstein, and King (2019) because that study uses a different data source (the *Survey of Income and Program Participation*) over a different period (1998-2012) and a slightly different age range (50-62).
- 7 Fronstin (2010).
- 8 Monk and Munnell (2009).
- 9 Social Security Disability Insurance beneficiaries are eligible for Medicare after about two years of receiving benefits. Other respondents reported coverage in other public programs, including Tricare (for military retirees) and Indian Health (for Native tribes).
- 10 Expansion states are defined as those that expanded Medicaid and/or ran their own individual marketplace. The regression models also include demographic controls and household income excluding the earnings of the worker in a nontraditional job. For more details on the methodology, see Rutledge (2020).
- 11 Chen and Munnell (2017). The HRS does not include information on whether respondents (or their spouses) actively contribute to an IRA.
- 12 The recently passed SECURE Act may help modestly, but is not expected to substantially reduce the coverage gap. For information on past federal efforts to encourage broader coverage, see Munnell, Belbase, and Sanzenbacher (2018).
- 13 In some cases, the worker may have access to a traditional defined benefit pension instead, but these plans are becoming increasingly rare and those with such plans do not have the option of saving more to compensate for a non-saving spouse.
- 14 By including an individual fixed effect, the regressions effectively compare the worker's saving behavior in periods where the spouse is in a nontraditional job to periods where the spouse is in a traditional job (see Rutledge 2020 for results). Sanzenbacher and Hou (2019) similarly find evidence that dual-earner households with a single retirement saver do not save more to cover the non-saver.
- 15 Total deferred earnings are included in the regression as a natural logarithm to convert the estimated effect to percentages.

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The CRR gratefully acknowledges the Alfred P. Sloan Foundation for its support of this research. The findings and conclusions expressed are solely those of the author and do not represent the opinions or policy of the Alfred P. Sloan Foundation, Boston College, or the Center for Retirement Research.