

SHOULD WE WORRY ABOUT OLDER WORKERS WITH NONTRADITIONAL JOBS?

BY GEOFFREY T. SANZENBACHER*

Introduction

Nontraditional jobs – defined here as those without health and retirement benefits – often concern policymakers. They worry that the lack of health insurance leaves workers’ finances vulnerable to health shocks, while the lack of retirement plans will stunt savings. On the other hand, workers might use these jobs only infrequently to fill the gap between periods of more traditional employment, or they could use them to extend their careers past typical retirement ages. And, in any case, such workers may have access to benefits from family members or public programs. So, the question is: should we worry about these jobs?

To answer the question, this *brief* synthesizes the findings of four recent Center studies on nontraditional jobs and older workers, a group that could be particularly vulnerable without employer benefits.

The discussion proceeds as follows. The first section introduces the definition of nontraditional jobs used in this body of research. The second section discusses nontraditional jobs for workers approaching retirement – i.e., in their 50s and early 60s. It focuses on how frequently these jobs are used, whether workers are able to get health and retirement benefits elsewhere, and whether pressures like automation and trade increase the prevalence of these jobs. The third

section turns to a different group of older workers – those of retirement age, i.e., in their mid- to late-60s. It examines whether the workers in this age group who use nontraditional jobs to extend their careers improve their financial situation. The final section concludes that some concern over nontraditional jobs is warranted. Most workers approaching retirement in these jobs use them frequently and, though they often find health insurance, they generally lack a viable alternative to save for retirement. However, workers in their 60s who switch to nontraditional jobs do improve their financial situation.

Defining Nontraditional Jobs

Researchers have devised many ways to define nontraditional jobs. The definitions include “gig economy” jobs like Uber or TaskRabbit, jobs where workers receive 1099 tax forms for self-employment, and/or jobs involving part-time or temporary work.¹ As a result, studies have arrived at an array of estimates of the prevalence of these jobs among workers of all ages – from as low as 1 percent of the workforce to as high as 31 percent.²

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The series of studies covered in this *brief* took a different approach, basing their definition on the characteristic of these jobs that concerns researchers and policymakers the most – a lack of both health and retirement benefits. This benefits-based definition corresponds to 20 percent of all jobs, and therefore falls well within the range of estimates considered elsewhere. With a definition in hand, the discussion turns to the use of these nontraditional jobs by older workers.

Nontraditional Jobs Approaching Retirement

Workers in their 50s and 60s are in a crucial phase in their careers with respect to retirement. These years represent a time to shore up finances, and even catch up in terms of retirement savings.³ Lacking health and retirement plans for a significant amount of time could jeopardize retirement security. Therefore, it matters whether workers in nontraditional jobs are in them consistently or only sporadically and whether they can get benefits elsewhere.

How Do Late-Career Workers Use Nontraditional Jobs?

Assessing how much time older workers spend in nontraditional work requires following the same workers for over a decade. The *Health and Retirement Study* (HRS) – a longitudinal survey of households ages 50 and older – provides the ability to track workers every two years as they approach retirement.

The first study used a technique called sequence analysis to group HRS sample members into similar employment patterns.⁴ The first step was to identify each individual's work status each time they were surveyed from ages 50-62. Work status consisted of four categories: 1) working in a traditional job; 2) working in a nontraditional job; 3) not working; and 4) retired.⁵ The next step was to group workers together based on having employment patterns that are similar in both the time and the order of their work statuses.⁶

An example might help. Table 1 shows how three hypothetical workers move among traditional work (T), nontraditional work (N), not-working (U), and retired (R). In this example, the sequence analysis will

likely group workers A and B together, because they both started as traditional workers, used nontraditional work temporarily before returning to traditional work, and then retired. The only difference is how long they were in nontraditional work. That experience differs distinctly from worker C, who moved from traditional to nontraditional work at the same age as A and B, and retired at the same age, but never returned to traditional work.

TABLE 1. EMPLOYMENT SEQUENCES FOR HYPOTHETICAL WORKERS

	Age						
	50	52	54	56	58	60	62
Worker A	T	T	N	N	T	T	R
Worker B	T	T	N	T	T	T	R
Worker C	T	T	N	N	N	U	R

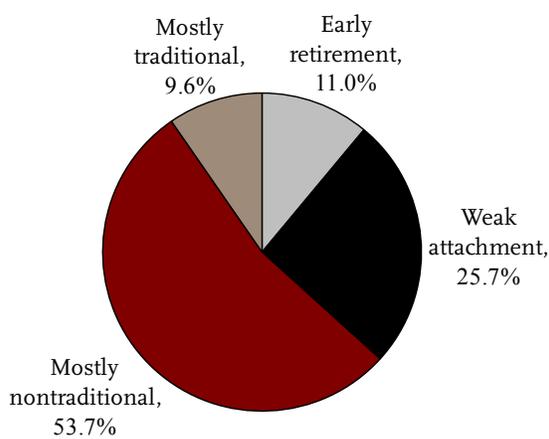
Source: Munnell, Sanzenbacher, and Walters (2019).

Applying sequence analysis to the HRS data revealed five different work patterns. Two involved individuals who did not work consistently; they were either in an Early Retirement sequence or a Weak Attachment sequence, with frequent spells of not working. The other three sequences consisted of people who worked most of the time; their work patterns were Mostly Nontraditional; Mostly Traditional; and Traditional.

Strikingly, workers in the Traditional group accounted for only about one-quarter of the HRS sample, which means that three-quarters of the workers spent at least some time in nontraditional jobs, or out of the labor force, between ages 50 and 62.

The key issue is, among those using nontraditional jobs, how often did they use them? If used only infrequently as a temporary “stopgap” to help make ends meet before returning to traditional work, a nontraditional job might not be of much concern. However, it turns out that nearly 80 percent of nontraditional jobs occurred in the Mostly Nontraditional and Weak Attachment sequences compared to just 10 percent in the Mostly Traditional sequence (see Figure 1 on the next page).

FIGURE 1. PERCENTAGE OF ALL NONTRADITIONAL JOB OBSERVATIONS BY SEQUENCE GROUP, WORKERS AGES 50-62



Source: Data from Munnell, Sanzenbacher, and Walters (2019).

Given that older workers in nontraditional jobs seem to spend very little time in traditional work, a logical question is what do they do for benefits?

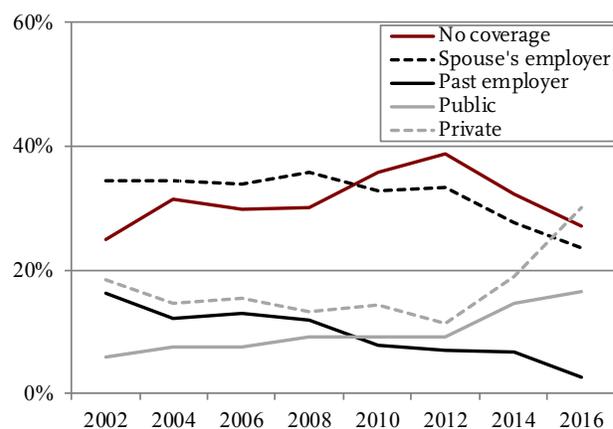
Do Workers in Nontraditional Jobs Get Benefits Elsewhere?

Although employers are the primary way Americans get health and retirement benefits, other alternatives also exist. On the health insurance side, workers in nontraditional jobs could be covered by a spouse's plan, by a government program, or by purchasing a plan on the private market. On the retirement side, workers in nontraditional jobs could save on their own through an IRA. Or, if a spouse has a 401(k) at work, the spouse could contribute extra to save on behalf of both members of the couple. The question is: to what extent do workers in nontraditional jobs use these options?

To answer this question, the second study in the series used the HRS to assess alternative coverage sources among workers ages 50-64 in nontraditional jobs during 2002-2016.⁷ With respect to health insurance, the picture is somewhat positive, as most of these workers found some type of coverage, often through a spouse's employer or, increasingly, through a private individual policy or Medicaid. Strikingly, the percentage of workers in nontraditional jobs without coverage dropped from nearly 40 percent in 2012 to

27 percent in 2016 (see the red line in Figure 2). This improvement likely reflects the implementation of the Affordable Care Act (ACA), whereby the new marketplaces and the Medicaid expansion led to a rise in both public and private coverage.

FIGURE 2. TRENDS IN HEALTH COVERAGE FOR WORKERS AGES 50-64 IN NONTRADITIONAL JOBS, BY COVERAGE SOURCE, 2002-2016



Source: Rutledge (2020).

With respect to retirement benefits, the picture is less rosy. For one thing, while an IRA is available to all workers, it is an unlikely route for workers in nontraditional jobs to save. Previous research has shown that only about 15 percent of people actively contribute to IRAs (most IRA assets are rolled over from 401(k)s), and the majority who do contribute also have an active 401(k) plan.⁸

As far as saving through a spouse's account, the result is not much better. Here, the analysis focused on *traditional* workers, examining whether they saved more when they were married to someone in a nontraditional job. The answer was a clear "no." Whether looking at either their 401(k) participation or contribution rate, the results showed no increase. Further, one-third of workers in nontraditional jobs were not married, meaning this option did not exist for them at all.

It is concerning that older workers in nontraditional jobs are unlikely to have access to retirement savings, especially given the earlier finding that these workers tend to spend most of their time in nontradi-

tional work. The next question is whether the problem is likely to get bigger in the future, especially as U.S. workers face increased competition from trade and automation.

Will More Workers Hold Nontraditional Jobs in the Future?

The dual trends of increased trade and automation have had well-documented effects on workers. For example, areas of the country more impacted by trade have experienced more unemployment and lower labor force participation.⁹ And automation has put downward pressure on middle-income wages by reducing the demand for workers in routine jobs.¹⁰ Given that both trade and automation have trended upward since the 1990s, with an expectation for the trend to continue, it seems logical to ask whether the same pressures that reduce employment and wages translate to more nontraditional jobs.¹¹

To examine this question, the third study in the series used the *Survey of Income and Program Participation (SIPP)*.¹² For gauging workers' exposure to trade, the analysis used a measure based on Chinese imports to the United States.¹³ For automation, the analysis used the number of industrial robots per 1,000 workers for 19 industries.¹⁴ The study considered how the share of workers in a given U.S. state working in a nontraditional job varied with these measures.

The findings suggest that increases in trade do not drive more older workers into nontraditional jobs. This finding may not be surprising – most research finds that trade forces workers out of the labor force entirely, not into new jobs.¹⁵ But, the same could not be said for automation. Here, the results showed some evidence that the share of older workers in nontraditional jobs was higher in states with more automation. Specifically, a 1-percent increase in automation led to roughly a 1-percent increase in the share of workers ages 50-62 in a specific kind of nontraditional job – one that lacks benefits *and* offers only volatile employment, hours, or earnings.¹⁶ In other words, a continued trend toward more automation could lead to an increase in unstable, nontraditional jobs.

The message from these three studies is not positive. Many workers seem to get stuck in nontraditional jobs without any alternative access to retirement benefits, and these jobs may become more common in the future. But, workers in their mid- to late-60s – an age range when most people have already retired – could still benefit from these jobs. For example, traditional workers approaching retirement could switch to nontraditional jobs in order to work longer, increasing their Social Security benefits and reducing the time period over which their savings need to stretch. The final study in the series turned to this issue.

Nontraditional Jobs in Late Career

To look at whether nontraditional jobs helped late-career workers, the final study used the HRS to focus on workers at ages 61-68.¹⁷ The study followed those who were still in traditional jobs at ages 61-62, and

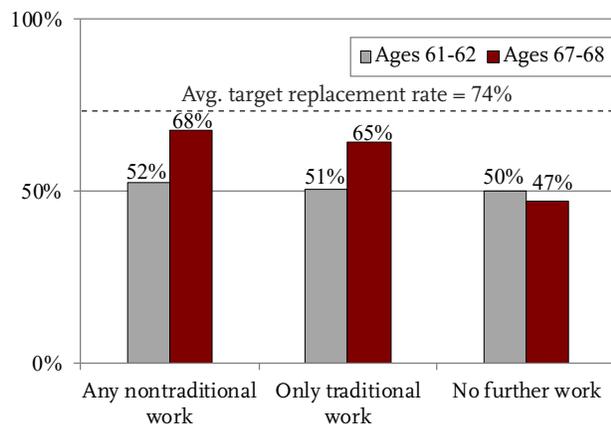
explored whether switching to nontraditional work helped this cohort's retirement preparedness.

Workers in nontraditional jobs often lack a viable alternative for retirement saving.

To examine the issue, the authors looked at the retirement preparedness “gap” at ages 61-62 and then again at 67-68. This gap is the difference between a worker's target replacement rate – the ratio of post-retirement income needed to maintain their standard of living – and their actual replacement rate if they retired at a given age. If these jobs help improve financial security, this gap would be smaller by ages 67-68 for workers who use nontraditional jobs rather than simply retiring.

The results suggest that nontraditional jobs did improve workers' finances. Indeed, those who held nontraditional jobs in their late-60s saw a considerable boost, roughly in line with those who stayed in their traditional jobs. Figure 3 (on the next page) shows this result, illustrating how the workers' replacement rates rose when they worked in nontraditional jobs or when they worked consistently in traditional jobs.¹⁸ These results indicate one apparent advantage of nontraditional jobs – they give workers a way to extend their careers and improve their financial situations.

FIGURE 3. AVERAGE REPLACEMENT RATES AT AGES 61-62 AND 67-68 FOR UNDERPREPARED WORKERS, BY WORK STATUS AFTER AGE 62



Source: Rutledge and Wettstein (2020).

The results suggest a few priorities for policymakers. One would be to ensure that some of the features of the ACA, especially the Medicaid expansion, are able to thrive going forward. The ACA seems to have reduced non-coverage among workers who lack employer health insurance. Another priority would be to try to extend easy access to retirement savings vehicles to more workers. For example, several states are implementing programs that automatically enroll workers without a plan at work into an IRA. The evidence, to date, suggests that many of these workers do participate and accumulate savings.¹⁹ Finally, policymakers should continue to encourage workers to extend their careers into their 60s, if necessary using nontraditional jobs. Working longer remains one of the best ways to improve retirement security, and nontraditional jobs appear to be a viable way to do it.

Conclusion

This *brief* started with a question: should we worry about nontraditional jobs? The Center's four studies on this topic suggest that some worry is merited. Most workers who are in nontraditional jobs in their 50s and early 60s do not appear to be using them as bridges to more traditional work. Instead, they tend to spend most of these years in jobs without benefits. This pattern is a concern since, while these workers often find health insurance, they generally do not find an alternative way to save for retirement. Furthermore, this problem may get worse in the future if automation continues on its current track. Still, the news is not all bad. These jobs clearly do help workers in their 60s improve their financial position.

Endnotes

- 1 See Farrell and Grieg (2016) and Collins et al. (2019) for example.
- 2 For the low end, see Farrell and Grieg (2016); for the high end, see U.S. Government Accountability Office (2015).
- 3 Higher 401(k) and IRA contribution limits for workers ages 50 and over actually provide an incentive to catch up.
- 4 While the HRS has 42,053 respondents, the sequence analysis requires a considerable reduction of the sample, to allow nearly continuous tracking of workers over a decade. These restrictions reduce the sample to 4,174 respondents. See Munnell, Sanzenbacher, and Walters (2019) for more details.
- 5 “Not working” is defined as earning less than \$5,000 a year but not claiming to be fully retired. “Retired” is defined as not working and classified as retired by the RAND labor force status variable.
- 6 More detail on sequence analysis can be found in Munnell, Sanzenbacher, and Walters (2019).
- 7 See Rutledge (2020).
- 8 Chen and Munnell (2017). The HRS does not include information on whether respondents (or their spouses) actively contribute to an IRA.
- 9 See Autor, Dorn, and Hanson (2013).
- 10 Autor and Dorn (2013).
- 11 For information on trends in trade with China, see Autor and Dorn (2013). For information on trends in automation, see Acemoglu and Restrepo (2018).
- 12 For more detail, see Rutledge, Wettstein, and King (2019).
- 13 This definition follows Autor, Dorn, and Hanson (2013).
- 14 This definition follows Acemoglu and Restrepo (2018).
- 15 For example, see Autor, Dorn, and Hanson (2013).
- 16 These types of jobs are a subset of all nontraditional jobs.
- 17 See Rutledge and Wettstein (2020).
- 18 This finding held even when a regression was run that held socioeconomic factors constant between workers using nontraditional jobs and those who used only traditional jobs or chose not to work.
- 19 See Quinby et al. (2020).

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