Financial Fragility of Non-Standard Workers

Jialu Streeter and Kathleen Christensen[1]

1. Introduction

A person's employment status, whether characterized as standard or non-standard, has profound consequences for their financial stability and job security. "Standard employment" typically is defined as a job that is continuous, full-time, with a direct relationship between employer and employee. In comparison, "non-standard employment " is an umbrella term for employment arrangements that have features that deviate from that of standard employment. It commonly describes a wide range of jobs, including (1) part-time, on-call, or temporary employment and (2) self-employment, including independent contracting and platform-mediated work (Nutsubidze and Nutsubidze 2019; OECD 2020a, 2020b). Standard employment usually comes with more privileges, including higher earnings and better access to workplace fringe benefits and job security, than does non-standard employment. However, one should not overlook the importance of non-standard work, which accounts for more than one-third of jobs in OECD nations (OECD 2020b), and over 40 percent of the total workforce in the US in 2010. The development of platforms, such as UBER and Door dash, has brought more convenience and flexibility to people to take on non-standard work (Gallup and Intuit QuickBooks 2020).

In this report, we use a nationally representative survey conducted by the Stanford Center on Longevity (SCL) in December 2020 to document some of the economic vulnerabilities facing non-standard workers and point to possible policies that could rectify some of those insecurities.

Compared to standard workers, our survey results reveal the multiple ways that non-standard workers are more financially fragile. Their economic vulnerability is manifested in their work situations, where the job security is low, turnover is high, and workers may lack control of scheduling and hours. Moreover, their financial fragility can

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be exacerbated by their often unpredictable hours and compensation, their low levels of emergency funds, lack of access to retirement plans, and insufficient protection against unexpected events. The financial fragility that non-standard workers experience has been made worse by the COVID19 pandemic. Non-standard workers were three times more likely to lose a lose a job or business than standard workers during the pandemic. They were also more likely to have experienced a drop of income.

2. The Sightlines 2020 survey

In December 2020, the Stanford Center on Longevity deployed a survey assessing the experiences of a nationally representative sample of American adults aged 25 to 74 years old. We excluded data from participants who entered their responses twice (caused by time-out and re-entry), who didn't finish the survey, and whose age was below 25 or above 74. Our final sample size is 1,648. See the appendix for more information about the survey administration and summary statistics.

The survey participants were 51 percent female and were on average 47 years old. About 63% reported being non-Hispanic White, 13% non-Hispanic Black, 17% Hispanic, and 6% non-Hispanic Asian. Although the survey sample is nationally representative in age, sex, and race/ethnicity, it is better educated with a higher income than the national population. Approximately two-thirds of the participants had a Bachelor's degree or above. Just over half of the sample reported being married. About 72% of participants work (53% full-time, 8% part-time, and 11% self-employed). During the COVID-19 pandemic, about three-fourths of survey participants who had worked during the six months before the interview stated that they were able to work from home either completely or partly. The median family income is $75,000.

Two questions in the survey help identify work status (Table 1). First, survey participants reported their present status on their most important job. Second, independent of the first question, participants were asked whether they had received any income as a Gig worker. Many people use Gig work to supplement their income, while not considering it as a full-time occupation. For example, 27.8% of full-time employees, 50% of part-time employees, and 64% of self-employed individuals said that they had received some? income from Gig work.

Table 1: Key survey questions on work status

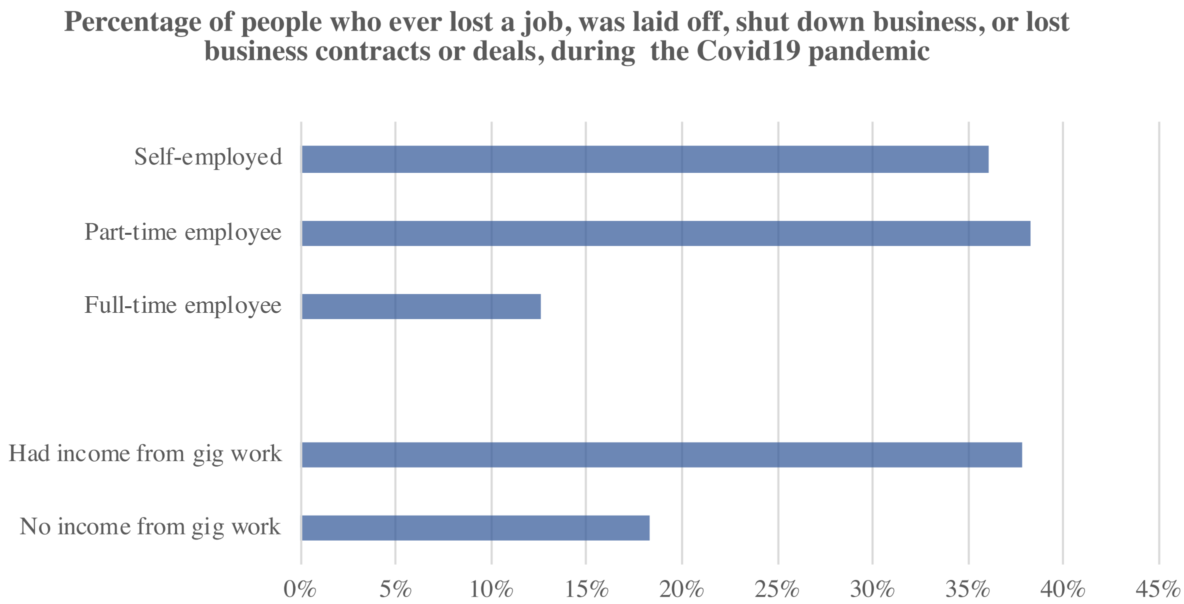
Who were asked the questions?	Work-status questions?	Responses	Mean
All survey participants	Are you working? What is your present status? If you have multiple jobs, record the one most important to you.	Full-time employee Part-time employee Self-employed Retired Student Not working*	52.87% 8.19% 11.42% 11.86% 1.04% 14.62%
All survey participants	In 2020, have you ever had any income as a Gig worker? Gig workers include (1) independent contractors, (2) people making money from platforms such as UBER, Lyft, Upwork, Freelancer, YouTube, Fiverr, Door Dash, Care.com, Airbnb, etc. (3) on-call workers. (4) temporary/seasonal workers.	Yes No	32.76% 67.24%

**Note: In the survey, "not working" was asked as individual categories including job accepted and waiting to start work, temporarily laid off, unemployed and looking for work, homemaker, disabled, volunteer work, on leave, on vacation, on strike, on sabbatical, and other not working and not looking for work.*

3. Job insecurity and income volatility

Compared to standard workers, non-standard workers have lower job security. Their work arrangements are more likely to be seasonal, with shorter-term, or contain fewer binding clauses on the termination of the agreement. During turbulent economic times like the year 2020, job insecurity was painfully felt by many. Close to 40 percent of part-time employees and the self-employed in our survey said they either lost a job, were laid off, shut down a business, or lost business contracts or deals in 2020, which is three times the level reported by full-time employees (Figure 1). As noted above, a substantial percentage of the survey participants use Gig work to supplement income. About 43 percent of Gig workers said the income from Gig work was less than 10 percent of total income, and only 11 percent of them said Gig work was their sole source of income. Individuals who received at least some earnings in the Gig economy, whether working full-time or part-time, were more likely to have lost a job than those with no earnings from the Gig economy.

Figure 1: Part-time employees, the self-employed, and Gig workers had lower job security in 2020



Source: Stanford Center on Longevity, Sightlines Survey, 2021

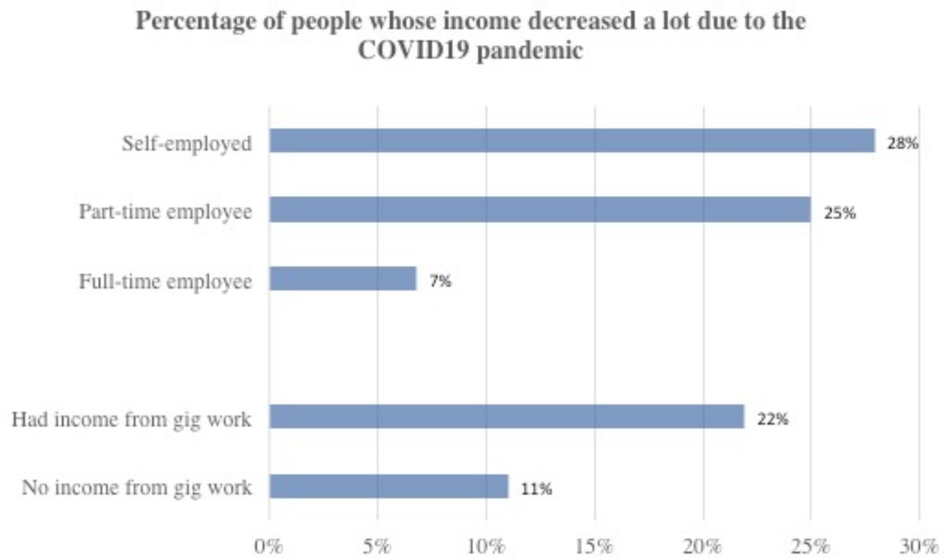
Part-time employees and the self-employed, on average, have lower family incomes than do full-time employees, while facing higher income volatility during economic hardship. According to our survey, the family income of part-time employees and self-employed was nearly 40 percent less than the level of full-time employees. When asked about how their earnings were affected by the COVID-19 pandemic, 25 percent of the part-time employees and 28 percent of the self-employed individuals said their income had "decreased a lot (over 25% loss)", compared to only 6.7 percent of the full-time employees (Figure 2).

Similar contrasts emerge when we examine the income volatility by Gig economy participation. Note that over 40 percent of Gig workers in our survey said they received less than one-ten of their total income from Gig work, suggesting that a large proportion of Gig workers are supplementing income by doing Gig jobs. In 2020, 22 percent of the Gig workers reported substantial income loss, which doubles the rate reported by non-Gig-workers.

Among other covariates, people with better general health status (self-reported) spend fewer hours sitting. Compared to those who self-reported poor health, people who reported very good health spend 2.02 fewer hours sitting (p-value=0.027), and those with excellent health spend 3 fewer hours sitting (p-value = 0.001).

No statistically significant relationship was found between work-from-home and insufficient exercise. However, a significant correlation emerges between excessive sitting and inadequate exercising (0.18***, p-value = 0.000). Even though work-from-home doesn't influence exercise directly, it can reduce exercise indirectly through excessive sedentary behaviors.

Figure 2: Part-time employees, self-employed, and Gig workers face more income volatility than full-time employees



Source: Stanford Center on Longevity, Sightlines Survey, 2021

4. The lack of short-term savings as a buffer for unexpected events

One way to characterize financial fragility is by examining a family's ability to access emergency funds from any source (Lusardi, Schneider, and Tufano 2011). In the short-run, individuals and families need to build up a certain level of buffer funds to protect themselves against unexpected events, to avoid high-interest borrowing should an unexpected event arise. This emergency fund should be relatively liquid, easily accessible, and thus excludes housing equity. Different surveys have designed different questions for evaluating the adequacy of emergency funds. For example, the Federal Reserve Survey of Household Economics and Decision-making (SHED) asks how one would cover a $400 emergency expense. In 2019, they found that 63 percent of respondents would be able to use cash or its equivalent (e.g., savings or a credit card paid off at the following statement) to cover the $400 unexpected expense (Federal Reserve Board 2020). Other surveys, such as the Survey of Consumer Expectations (SCE) by the New York Fed and the TNS Global Economic Crisis Survey, ask about the ability to come up with $2,000 or $3,000 within 30 days. In comparison, both types of questions assess families' ability to deal with an unexpected expense. spending. The former focuses on the immediate availability of a small dollar amount of cash equivalence, and the latter focuses on all liquid assets that a family can access within a longer time frame.

Emergency fund question (SCL) –
“Suppose you needed money within a month to cover some unexpected expenses. If you added up all the money that your household could access quickly, how much would this amount to? Examples include cash, checking and savings accounts, certificate of deposits, money market mutual funds, etc. Do not include your home equity."

In our survey, we followed the second tradition. We asked survey participants about the total money their family could come up with within a month by adding cash, checking, and savings accounts, CDs, money market mutual funds, and so forth, excluding home equity. Among all survey respondents, nearly 30 percent of them said they could come up with no more than $2,000, which is well-aligned with results (34.6%) by the Federal Reserve Bank of New York (2020). The median person in our survey could come up with $5,000 within a month.

The preparedness for an unexpected event varies across people with different work statuses. The median value for the full-time employees is $7,500, compared to $3,500 for part-time employees and self-employed. At the lower end, close to 20% of part-time employees and self-employed could come up with no more than $500, whereas only 8% of full-time employees said the same.

Similarly, we could also divide the sample by whether a person has any earnings from Gig work. By that division, the median amount of money that Gig workers could come up with within a month is $4,500, compared to $7,500 for non-Gig workers.

When individuals don't have an adequate emergency fund that they can tap into, they may be susceptible to making less financially sound decisions should an unexpected event occur. Prior studies have shown that economic constraints induce people to make bad financial decisions like resorting to high-cost methods of borrowing; moreover, people experiencing economic scarcity show a decrease in their IQ tests than before the scarcity emerged, indicating that the mental juggling about how to pay for a large unexpected expense depletes the amount of mental bandwidth for everything else (Feinberg 2015; Mullainathan and Shafir 2013). Our survey asked people whether they had ever used specific methods to pay for an unexpected expense. As shown in Figure (3), Gig workers are significantly more likely than non-Gig-workers to resort to risky financial instruments, such as payday loans and overdraft, or to take actions with adverse long-term effects, such as withdrawing from retirement accounts or putting on credit cards but not paying in full. Although payday loans may seem an easy and fast solution to access cash in the short-term, they usually cost a lot more: the average interest rate on payday loans is 391% (Bennett 2019). People using payday loans to cover an unexpected emergency can wind up with more financial debt burden in the long-term.

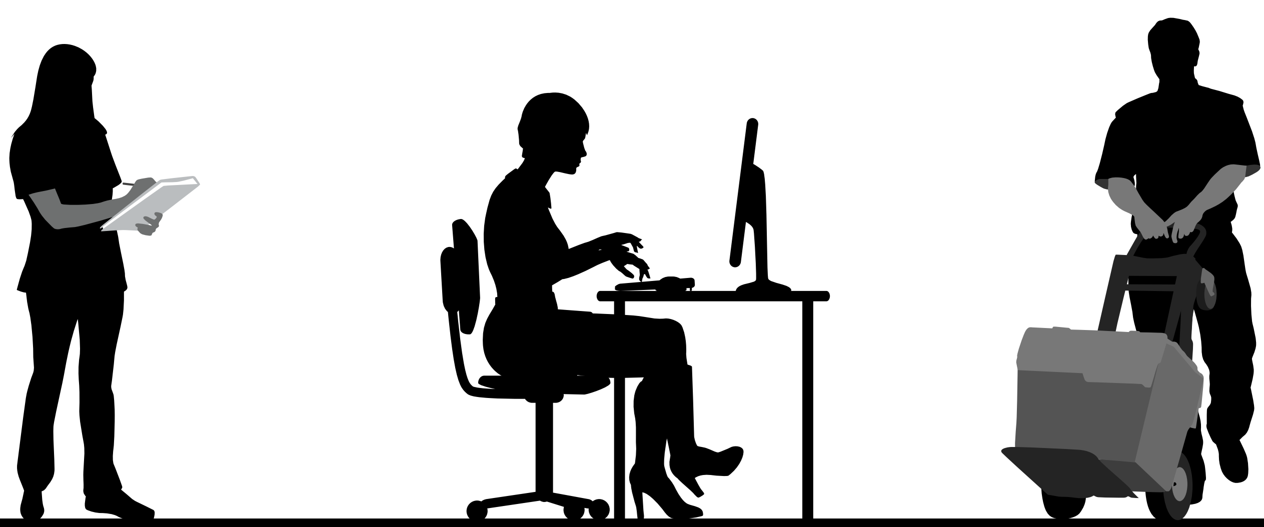
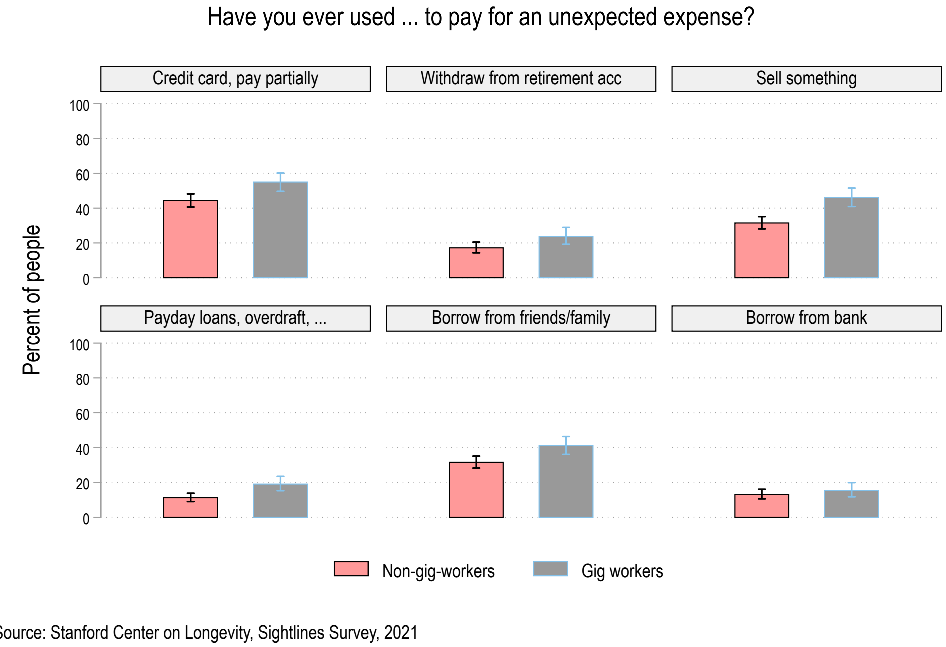


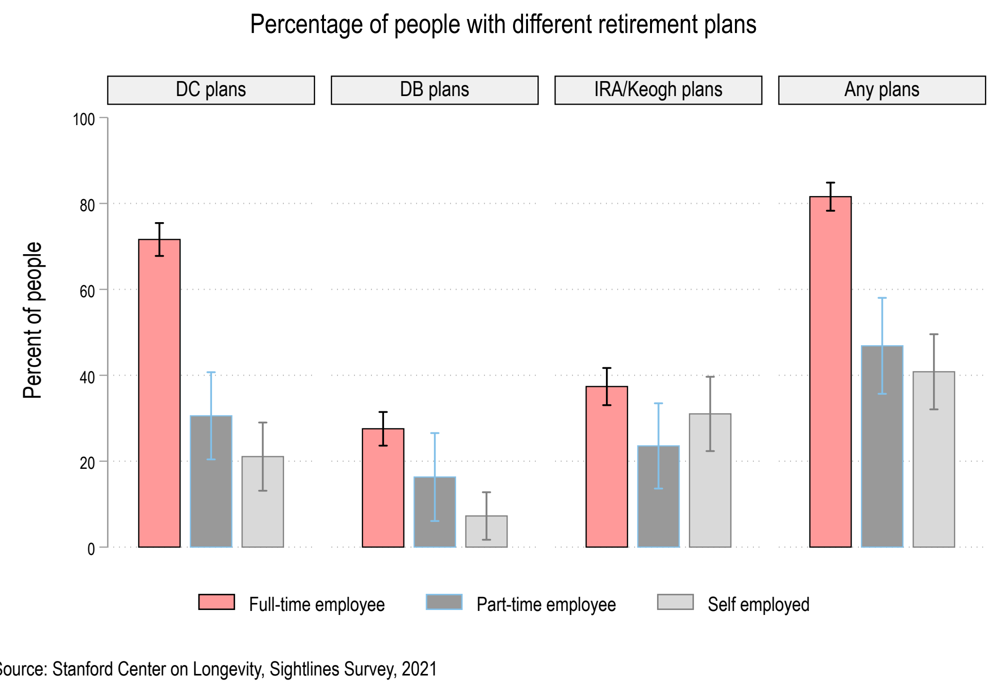
Figure 3: Gig workers are more likely to have had difficulties in paying for an unexpected expense, and are more likely to resort to high risk, high costs ways to pay.



5. The lack of access to retirement plans

Our survey results show that full-time employees are significantly more likely to own defined-contribution plans such as 401(k) 's, as well as defined benefit plans than are part-time employees and the self-employed. Regarding the ownership of individual retirement plans (IRA's/Keogh plans), we find no discernable variations across the three types of workers. Lastly, by lumping all retirement plans together, we found that over 80 percent of full-time employees have at least one retirement plan. In contrast, only about 40 percent of part-time employees and the self-employed have the same (Figure 4).

Figure 4: Significant gaps in retirement plan ownership, across work status



The current law doesn't require employers to offer retirement plans to their employees. Small firms or businesses may find it too expensive to administer retirement plans due to IRS testing and reporting requirements for the smallest plans. Also, part-time workers are often not eligible for employer-sponsored retirement plans. The Setting Every Community Up for Retirement Enhancement (SECURE) Act that became effective as a federal law as of January 2020 made some notable changes beneficial to part-time workers. Before the bill, part-time workers who worked under 1,000 hours a year would be excluded from workplace retirement plans such as 401(k) 's. The SECURE Act stated that anyone over age 21, who works more than 500 hours a year, each year, for more than three years, are now eligible for a workplace retirement plan if the employer provides one. This change will help long-term part-time workers to access retirement plans.

The Multiple-employer plans (MEPs), also allowed by the SECURE Act, are valuable tools to help workers save for retirement. Unrelated small employers band together in "open" 401(k) MEPs to reduce the costs and administrative duties that each employer would otherwise bear alone (Feinberg 2015; Mullainathan and Shafir 2013).

Other beneficial programs include the state-run auto-IRA's, such as CalSavers and OregonSave, which feature an automatic payroll deduction into an individual retirement account (IRA) for workers with no employer-sponsored retirement plans.

While the latest federal and state legislation brings hope to millions of part-time employees and self-employed to start building their retirement nest egg, the current gap in retirement preparedness between people with and without full-time employment is substantial. Only time will tell the efficacies of the new rules.

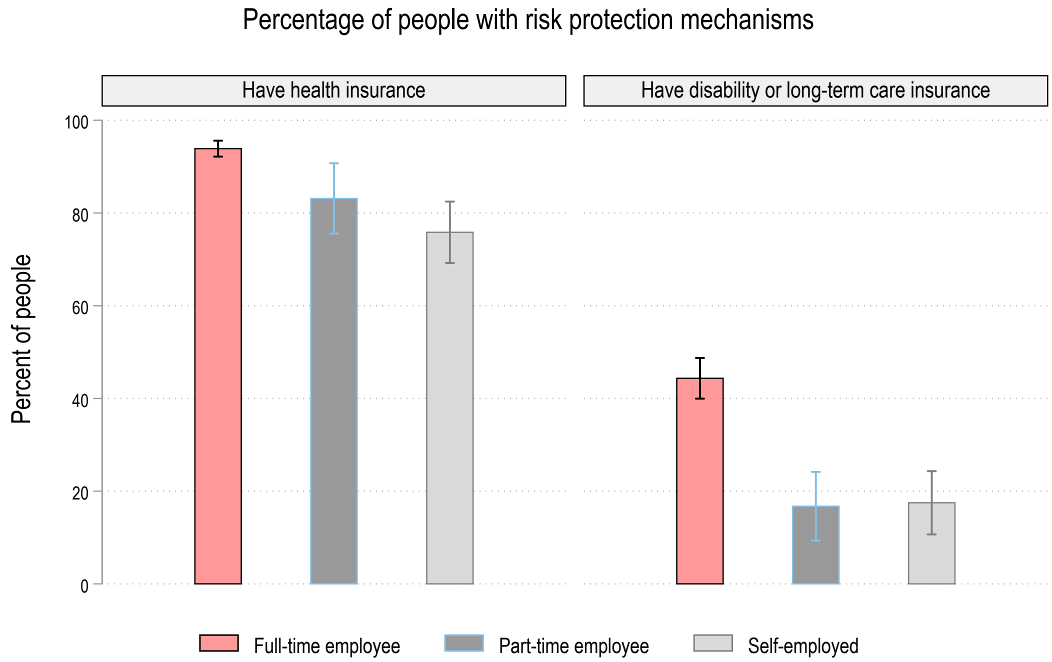
6. Inadequate protection against unexpected workplace health risks

Prior studies have demonstrated that part-time employees and self-employed individuals, particularly contract workers in certain industries, are more likely to experience work-related accidents and disabilities. As Pegula (2004) wrote, self-employed contract workers commonly work in occupations and industries with high fatality rates, such as agriculture, forestry, fishing, construction, retail trade, and services. Even when controlling for the type of occupation, self-employed individuals still have higher risks of accidents. First, self-employed workers are more susceptible than are wage and salary workers to experience workplace death by being struck by an object or by accidents while driving a truck or operating machinery. Second, self-employed workers spend more extended hours than wage and salary counterparts, which exposes them to workplace hazards.

In recent years, the rise of the Gig economy brings even greater challenges to workplace safety. For example, rideshare drivers, though working on a large corporate platform such as UBER, are essentially independent contractors. Until recently in California, They are exposed shouldered? to financial risks associated with road accidents, injuries and disabilities. With the passage of Prop 22 in December 2020, California UBER drivers now have Injury Protection Insurance paid by UBER, which provides benefits including disability payments, survivor benefits, and medical expenses (UBER n.d.).

Our survey results show that part-time employees and the self-employed experience substantially more health risks than do full-time employees. About 94 percent of full-time employees have health insurance coverage, well above the 83 percent of part-time employees and 76 percent of the self-employed. The gap in disability insurance ownership is even more prominent. The share of full-time employees with disability insurance is more than three times the level of part-time employees and self-employed (Figure 5).

Figure 5: The gap in risk protection



Source: Stanford Center on Longevity, Sightlines Survey, 2021

Concluding remarks

Non-standard workers account for a significant part of America's labor force. Compared to standard employment, generally defined as working as a full-time employee with one employer, people in non-standard work arrangements may work part-time on multiple jobs or be self-employed, including as a Gig worker who may supplement a wage/salary job. While non-standard employment may be arguably more flexible than standard work arrangements, it generally pays less with no provisions of fringe benefits, such as retirement plans, health insurance, and disability insurance. This report shows results from a recent nationally representative survey conducted by the Stanford Center on Longevity in December 2020 to highlight some of the financial vulnerabilities of people with non-standard employment.

Our results show that, compared to standard workers, non-standard workers face financial fragility in job security, earnings capability, the preparedness for an emergency, the lack of access to retirement savings plans, and inadequate risk protections.

- During the pandemic, non-standard workers were three times more likely to lose a job or business than standard workers. They were also more likely to have experienced a drop of income.

- Non-standard workers are less prepared for unexpected events such as an accident or a health shock than standard workers. The lack of emergency funds is associated with certain financial behaviors, including relatively risky behaviors like borrowing payday loans or overdraft.

- Non-standard workers are much less likely to have workplace-sponsored retirement plans and individual retirement plans (IRAs). In sum, the percentage of non-standard workers with any retirement plans is about half the level of standard workers.

- In the US, affordable health insurance and disability insurance are often tied to stable and standard full-time employment so that non-standard workers are left to either pay a hefty premium on their own or run the risk of not having insurance coverage. Our results show a substantial gap in insurance coverages between standard and non-standard workers.

Several new policies and laws were passed to boost the financial resilience of non-standard workers. However, the combination of low job security, insufficient preparedness for rainy days, inadequate retirement planning, and little insurance coverage can translate to considerable tail risk for some non-standard workers. More discussions and policy innovations are needed to strengthen their financial wellness.

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Appendix

We used Prolific (www.prolific.co) to recruit an online sample of 1700 individuals between age 25 and 74 who were currently living in the United States. We stratify the sample by age, sex, race/ethnicity, and employment status. Participants were invited to complete a study entitled "Sightlines Survey: Assess the Impact of COVID-19." Data from all participants were collected using Qualtrics survey software between December 12, 2020, and January 4, 2021.

Table 1: Summary statistics of demographic and socioeconomic variables

	Mean	S.D.
Age	47.35	13.84
Male	0.49	0.50
Non-hispanic White	0.63	0.48
Non-hispanic Black	0.13	0.33
Hispanic	0.17	0.37
Non-hispanic Asian	0.06	0.24
Non-hispanic Others	0.01	0.11
High school or less	0.07	0.25
Some college or Associate degree	0.28	0.45
Bachelor’s degree	0.39	0.49
Graduate degrees	0.27	0.44
Health, Poor Health,	0.04	0.19
Fair Health, Good	0.21	0.40
Health, Very good	0.41	0.49
Health, Excellent	0.26	0.44
	0.09	0.29
Married	0.54	0.50
Widowed Separated/	0.02	0.12
divorced Never	0.11	0.31
married Cohabiting	0.22	0.42
	0.12	0.32
Including you, how many people live in your household full-time?Have	2.70	1.50
child under 12 yr	0.22	0.42
Full time employee	0.53	0.50
Part time employee	0.08	0.27
Self employed	0.11	0.32
Students or in training	0.01	0.10
Retired	0.12	0.32
Not working (incl. unemployed, homemaker, disabled, etc.)	0.15	0.35
Can work from home 100 percent of time during Covid19 Can	0.50	0.50
work from home sometimes during Covid19 Cannot work from	0.23	0.42
home at all during Covid19	0.27	0.44
Not a gig worker	0.67	0.47
Gig worker	0.33	0.47
Northwest	0.20	0.40
Midwest	0.17	0.38
West	0.39	0.49
South	0.24	0.43
Median family income (USD), 2020	75,000	
Observations	1648	