



SHORING UP SHORTFALLS: WOMEN, RETIREMENT AND THE GROWING GIGSUPP ECONOMY

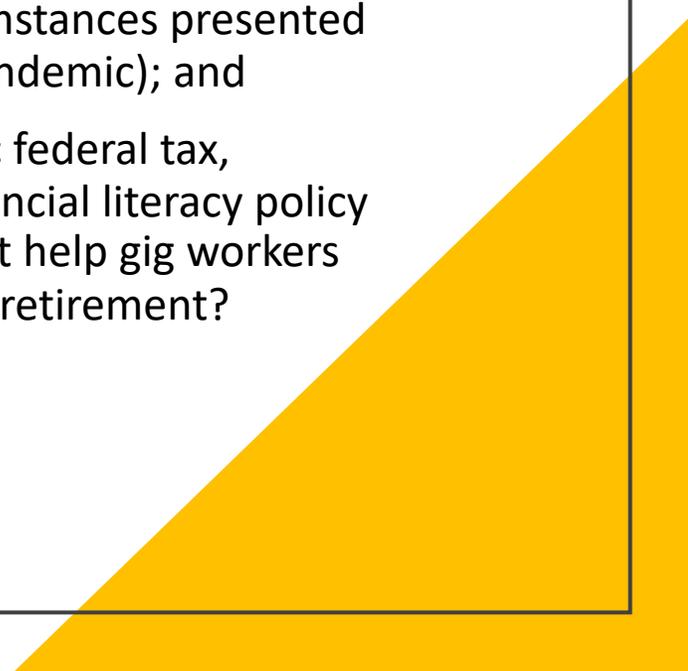
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Research Questions on Women, Retirement & Gig Work

- (1) What do existing measures of gig work show about its growth and whether there are any data gaps;
 - (2) what are the challenges and anticipated needs of gig workers in saving for retirement (including the extraordinary circumstances presented by the COVID-19 pandemic); and
 - (3) what are specific federal tax, retirement, and financial literacy policy proposals that might help gig workers better finance their retirement?
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GigSupp Work

the selling or renting of labor, assets, effort, skills or time, usually as a supplemental source of income. Includes online and offline gig workers.

Online Gig Workers - sell goods and services, or rent rooms, houses, vehicles, and other assets using *online platforms* (e.g., Uber, Lyft, Airbnb, Etsy, DoorDash) to connect with customers; platforms process payment. Approx. 13% of workers find customers online (Board of Governors of the Federal Reserve System, 2020, Appendix B, Q&A GE5).

- **Online Platform** - *online and app-based platforms that: (1) connect gig workers selling goods and services to customers; and (2) process customer payments.*

Offline Gig Workers - run errands, walk dogs, rent rooms, care for children and the elderly, sell, and do housework, yardwork and other occasional jobs without using the same online platform to both connect with customers and process payment.

Comparative Summary of Gig Workforce	Independent Contract Workers	Populations of Gig Workers
Bureau of Labor Statistics: Alternative Contingent Worker Survey (2017) Total number of U.S. workers in 2017 (153.3 million) - Full-Time (125.2 million) - Part-Time (28.1 million) - Asks respondents to identify work done in the prior week, which may fail to capture seasonal workers or workers that supplement their income (U.S. Government Accountability Office, 2019)	10.6M (A/C work is sole or main job; does not measure GigSupp)	1.6M (Online Gig Workers)
JP Morgan Chase Institute (Farrell et al., 2018) (2012-2018) <i>- dataset comprises a de-identified sample of 39 million Chase checking account customers</i>	NA	2.3M/month 5M Households/year (Online Gig Workers)
Failure to Contribute-Survey of Income and Program Participation (Bruckner & Hungerford, 2019)	7.1M (Self-Employed/Non-Employer)	3.1M (Population of Gig Workers w/ occupations occurring in the online gig economy)
Treasury 2019 TIGTA Report (2012-2016)	NA	3.8M (Online Gig Workers) Not Home-sharing

Review of Major Data Sources

Estimates of gig work vary widely depending on how work is defined or what research tools are used (e.g., surveys or administrative data) (Abraham & Houseman, 2019).

- In 2017, BLS conducted a survey to measure the alternative and contingent workforce, and included questions to capture online gig work and found an overall decline in independent contractors from 7.4% in 2005 to 6.9% in 2017 (U.S. Government Accountability Office, 2019, p. 11).
- SHED/EIWA find a significant number of workers (3 in 10) (SHED) do offline or online gig work as a supplemental source of income, and suggest more of these workers are women (e.g., Robles & McGee, 2016; Board of Governors of the Federal Reserve System, 2020)
- Tax data shows that the number of independent contractors has grown 22% from 2001-2016, and that the growth was driven by women doing independent contract work (Lim et al., 2019, p. 14); *see also*, Collins et al., 2019).
- The share of women doing independent contract work rose from 5.4% to 7.5% while the share of the male independent contract workforce remained constant (Lim, et al., 2019, pp.19-20).

Industry & Earnings Data



Source: JP Morgan Institute

Avg. monthly income ranges in 4 key sectors for online gig work (Farrell, et al. 2018):

- Transportation (\$783)
- Leasing (\$1,736)
- Selling (\$608)
- Other Services (\$793)

Tax data indicates that, “over time, most participants in the ‘1099 economy’ have been earning modest amounts, generally less than \$7,500 in gross receipts” (Collins, et al., 2019, p. 13). “1099 economy” includes workers from 2000 to 2016 that receive IRS Forms 1099 (along w/ 50 identified online platforms) and accounts for 11.8% of the workforce (ibid).

Gender & GigSupp Work

- Surveys that measure GigSupp work suggest that more women than men do informal work (see, e.g., Bruckner & Hungerford, 2019, Robles & McGee, 2016).
- The Federal Reserve Board's EIWA survey found that more women (56%) than men (44%) engaged in informal work, and that the percentage differential increased when the comparison was between lower-income women (62%) and men (38%) (Robles & McGee, 2016, p. 12).
- These findings are somewhat consistent with SIPP research that considered informal work as well as independent contract work more broadly. In 2019, reviewing SIPP data, Bruckner and Hungerford (2019) found significantly more women (56%) than men (44%) among the 7.1 million workers identified as independent contractors, and slightly more women (52%) than men (48%) among the 3.1 million on-demand workers.

Table 1. Share of Adults Performing Gig Activities, 2019

	Female	Male
Have Been Paid <u>For</u> Activities in the Past Month (services)		
Child or elder care services	72	28
Dog walking, feeding pets or house sitting	61	39
House cleaning, yardwork, or other property maintenance work	46	54
Driving or ridesharing such as Uber or Lyft	50	50
Paid tasks online	51	49
Other personal tasks such as deliveries, running errands, or helping people move	47	53
Have Been Paid <u>For</u> Activities in the Past Month (assets)		
Selling <u>goods</u> yourself at flea markets or garage sales	56	44
Sold goods at consignment shops or thrift stores	70	30
Selling goods online	51	49
Selling goods at a party you plan, such as an Avon party	73	27
Any other paid activities not already mentioned	50	50

Source: Board of Governors of the Federal Reserve System. 2020. Survey of Household Economics and Decisionmaking. <https://www.federalreserve.gov/consumerscommunities/shed.htm>. Accessed 10-11-2020; additional gender data breakdown courtesy of Kimberly Kreiss and Cassandra Duchan, with respect to the 2018 and 2019 SHED data.

SHED 2020
Survey Data
on GigSupp
Work

Challenges & Anticipated Needs of GigSupp Workers Saving for Retirement

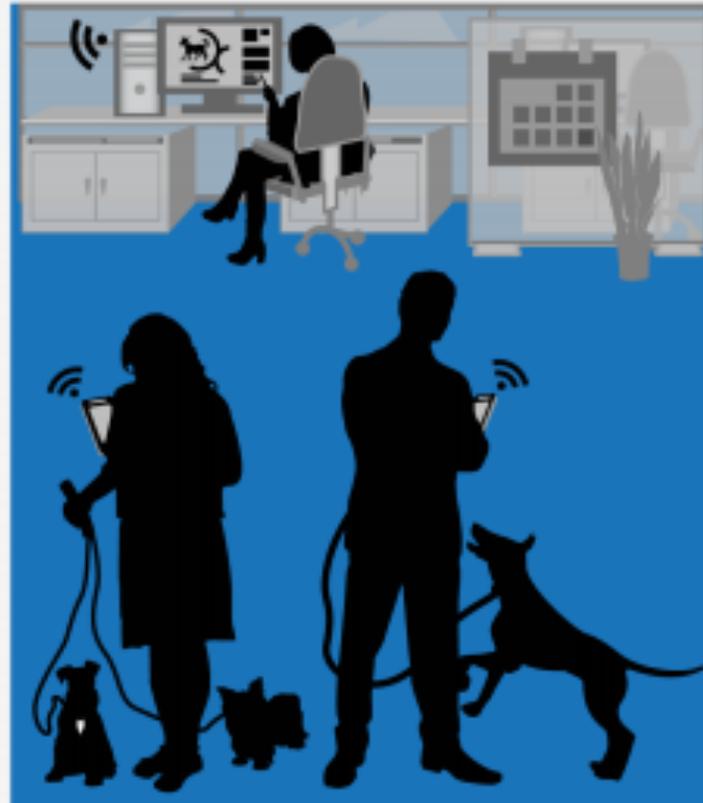
1. Self-Employment Tax Compliance
 2. GigSupp Workers Struggle with Cash Flow and Access to Retirement Plans
 3. Implications for Gender and Racial Retirement Wealth Gap
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Same Service, Different Types of Worker and Tax Responsibilities

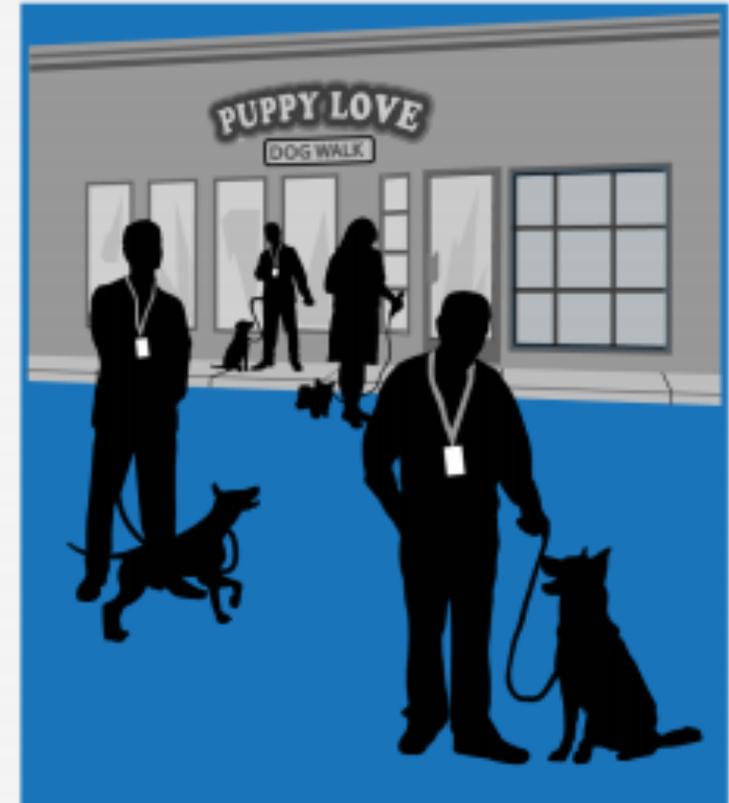
Traditional Independent Contractor



Platform Worker*



Employee



Payments

Customer **directly** pays worker

Customer pays **platform, platform** pays worker

Customer pays **company, company** pays worker a wage

General tax responsibilities

Worker pays estimated federal income taxes and **15.3 percent** tax for Social Security and Medicare on a quarterly basis

Worker pays estimated federal income taxes and **15.3 percent** tax for Social Security and Medicare on a quarterly basis

Employee pays estimated federal income taxes and **7.65 percent** tax for Social Security and Medicare through employer withholding from pay

Gig Workers & Tax Compliance

- Study almost two decades of tax returns found that of those online gig workers that received an IRS Form 1099-K, 43% did not file any IRS Form 1040 Schedule C or Schedule SE with respect to their online gig earnings (Collins et al., 2019, p. 9).
- Overall, 8.6% of people (almost 2 million) who received IRS Form 1099s for non-employee compensation for the 2016 tax year did not file an IRS Form 1040 or pay any payroll taxes—up from just 6.1% in 2000 (Collins, et al, p. 10). This translates to underpayment of Social Security and, ultimately, impacts' gig workers contributions towards their own Social Security benefits.
- IRS analysis shows there is at least \$45 billion in underreporting and another \$6 billion of non-filing of self-employment tax every year (Internal Revenue Service, 2019, p. 11).
- As gig work has gained in popularity, tax information reporting has just not kept pace (Bruckner & Hungerford, 2019, p. 11).

Information Reporting for Online Gig Workers

- IRS does not require online platforms that connect workers to customers and process payment to issue an IRS Form 1099-K to the IRS or online gig workers until the aggregate number of annual transactions exceeds 200 *and* the TPSO processes more than \$20,000 of payments in the calendar year (a/k/a “the 200/\$20K IRS Form 1099-K threshold”) (U.S. Department of Treasury, Inspector General for Tax Administration, 2019, pp. 31–35). Treasury has instituted a “tie-breaker rule” to prevent a transaction from being reported more than once. Effectively, the tie-breaker rule results in TPSOs only using IRS Form 1099-Ks to report electronic payments, and only when the 200/\$20K IRS Form 1099-K threshold is triggered, which results in “no Form 1099 being filed in some cases.” (U.S. Government Accountability Office, 2020, p. 10).
- Online gig workers who earn less than \$20,000 or have fewer than 200 transactions in a calendar year—which is a majority—typically do not receive either an IRS Form 1099-NEC [or MISC] or an IRS Form 1099-K from the online platforms that they use to connect with customers (Bruckner & Hungerford, 2019; Bruckner & Nellen, 2019, Bruckner, 2018).

Women & Retirement Income

- Three main pillars:
 - Social Security
 - Pensions and IRAs
 - Individual savings.
- Gender retirement wealth gap
 - Women typically earn less than men because of gender pay gap and work gaps, live longer, have higher health care costs, engage in more paid/unpaid care work, carry more debt, have less investing confidence & are less financially literate
 - Retirement wealth gap is even greater for women of color, who, on average, have less savings for retirement than their White counterparts (see, e.g., Hassani, 2018).
- In 2020, the National Institute on Retirement Security found that in 2016, older women (65+) had a median household income of \$47,244, which was just 83% of the retirement income of older men
- Mothers have 28% less earnings than women who are not mothers (all else equal), and each additional child lowers lifetime earnings by another 3% which translates to lower Social Security benefits. For example, “women with one child receive 16% less in benefits than non-mothers, and each additional child reduces benefits by another 2 percent” (Rutledge, et al 2017)

Major Findings

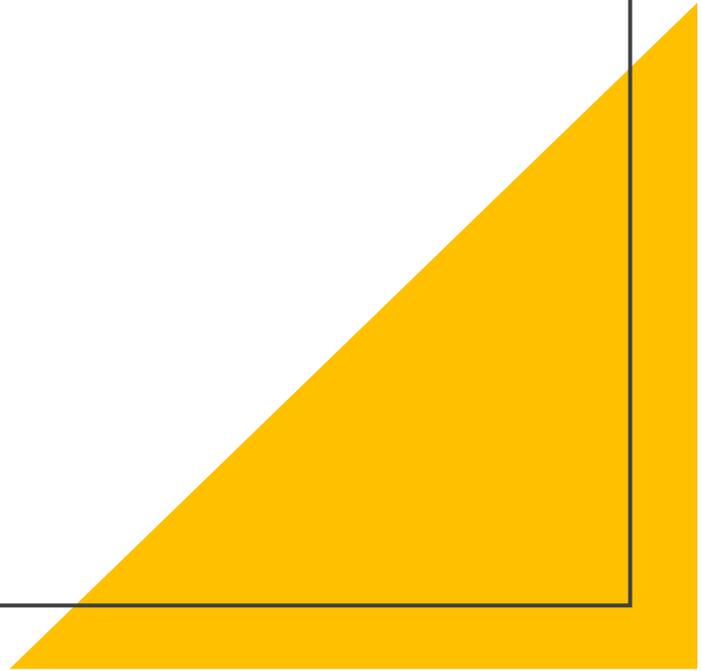
1. GigSupp Work has grown significantly and is continuing to grow, but existing tax data have failed to fully capture the population of GigSupp Workers in large part because tax reporting rules enable extensive underreporting of self-employment income.
2. Comparative review of multiple administrative and survey data sources suggests that more women than men engage in GigSupp Work and that women are driving GigSupp Work growth.
3. The policy response to the COVID-19 pandemic reflects the systemic failure of government research to measure the GigSupp Workforce reliably. Moreover, the COVID-19 pandemic has led to even more GigSupp Work growth as employers shed traditional jobs and employees.
4. GigSupp Work triggers a retirement financing gap that disproportionately impacts women, and notably, women of color, who have greater challenges saving for retirement than men.
5. Absent change, the existing tax and retirement financing rules will continue to underserve and frustrate the ability of GigSupp Workers to save for retirement in the short-term and, consequently, result in inadequate retirement incomes when they do ultimately retire.

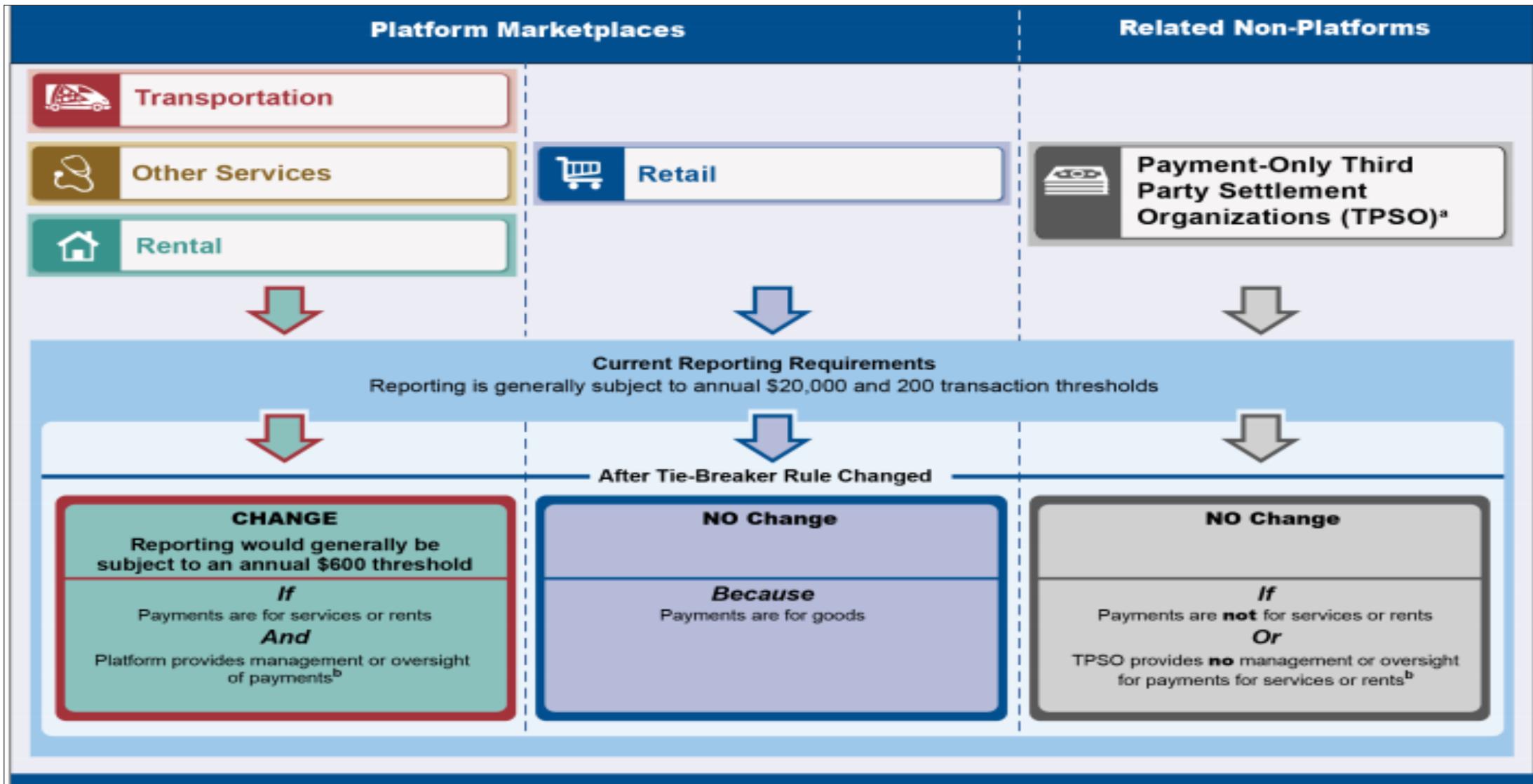
GigSupp Work & Covid-19

- In CARES Act, CBO estimated that 5 million gig workers (and wage and salary workers without sufficient work history to qualify for regular UI) would claim around \$35 billion in PUA benefits in 2020/2021 (CBO, 2020a, pp. 9–10). By August 2020, 14.5 million individuals filed PUA benefit claims (DOL, 2020, p. 4). Estimators had relied on data from prior major disasters where Congress had authorized similar emergency unemployment assistance to develop their estimates (CBO, 2020, p. 11).
- December 2019: women briefly outnumbered men in the paid workforce for just the second time. Those gains were virtually eliminated as COVID-19 layoffs swept the nation and women were overrepresented in some of the hardest-hit industries such as leisure and hospitality, health care and education.
- School and daycare shutdowns have had a huge impact on the working women who “provide the majority of childcare” and now have children at home in the absence of full-time school and daycare (Karageorge, 2020, p. 1). Congress has already heard from experts on women in retirement that the “pandemic’s economic consequences have fallen heavily on women of color...[and that] the pandemic will likely have negative long-term effects on women’s lifetime incomes, wealth, and overall economic security” (see, e.g., Matsui, 2020, pp. 3–4).

Policy Options

1. Improve Information Reporting (e.g., amend tie-breaker rule) & Allow Voluntary Withholding
2. Social Security and SSI Reforms
3. Prioritize Gig Worker Tax Research





Source: GAO analysis of IRS regulations. | GAO-20-366

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