

The Changing Nature of Work and Public Pension Coverage: Evidence from the US and Europe

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Key Findings and Policy Implications

This paper examines recent trends in non-standard work arrangements and their impact on pension coverage in the US, UK, and Germany. Such arrangements include independent contracts, on-call work, work for temporary help agencies, and self-employment. The analysis uses multiple data sources in each of the countries studied. The paper finds that:

- The share of workers engaged in non-standard work has changed only modestly over time in these three countries, despite the popular perception that a more significant transformation in the nature of work may be underway. Self-employment (as measured in survey data) has risen since 2000 in the UK, while falling in the US and remaining flat in Germany. The share of workers in non-permanent or otherwise atypical employment has fallen in the UK and Germany.
- Even without a dramatic rise over time in alternative work, there remains a concern that workers who engage in such work may have lower pension entitlements. Among the countries examined, this concern is most pronounced in Germany, where the self-employed and those in mini-jobs have traditionally not been required to participate in the pension system. In the US and UK, pension rules are largely similar for the employed and self-employed, yet the self-employed may be less likely to accumulate pension benefits due to lower actual or reported income.
- Workers who spend large portions of their career in self-employment (one type of non-standard work) have higher levels of financial distress in retirement and rely more on financial assets outside the public pension system.

By exploring the relationships between alternative work arrangements and pension entitlements, the study provides insights into the systematic differences in financial wellbeing in later life that workers in non-traditional work arrangements may experience.

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