# 3. Increasing the role of retirement savings plans for workers in non-standard forms of work

This chapter discusses policy options to increase the role of retirement savings plans for workers in non-standard forms of work, based on the experience of OECD and non-OECD countries. It first describes the characteristics of workers in non-standard forms of work and the implications for their ability and capacity to save for retirement. It then identifies gaps in their retirement income protection given the current balance between public and private provisions. The chapter ends with policy options, distinguishing different categories of workers in non-standard forms of work, to encourage them to join and regularly contribute to retirement savings plans.

Labour market transformations are giving rise to an increased use of non-standard forms of work. In the OECD, non-standard forms of work account for more than one-third of total employment (OECD, 2019[1]) and this share has the potential to increase, as there is a growing diversification of employment and work arrangements driven by globalisation, technological developments, ageing, as well as regulation. Increased competition among firms due to globalisation indeed leads some employers to outsource part of their activities and use more flexible work arrangements, such as independent contractors and temporary contracts, to contain or reduce labour costs.[1] New technologies are also changing the production and delivery of goods and services, giving rise to online labour platforms. In addition, population ageing may favour the development of flexible working arrangements that may help older workers to stay in the labour market, such as part-time work or self-employment.[2]

This trend is likely to have implications for the role and design of pension systems, and in particular of funded pension systems. Pension systems were initially designed to cater for the dominant group of workers, i.e. full-time permanent employees. Workers who are not in a full-time permanent employment relationship may therefore have worse access to pensions and lower entitlements. In addition, the COVID-19 crisis has hit non-standard workers harder because they are highly exposed to job and income losses following lockdowns, while being less likely to benefit from income support in case of job or income loss, sickness or mandatory quarantine (OECD, 2020[2]). This may affect their capacity to save for retirement. One way to help address these issues is to adjust the design of supplementary funded pensions, taking into account the specific needs of non-standard workers to help them save for retirement.

This chapter discusses policy options to increase the role of retirement savings plans for workers in non-standard forms of work, based on the experience of OECD and non-OECD countries. It brings together all the analysis conducted by the OECD under the project on “the role of funded pensions in providing retirement income to people in non-standard forms of work”, which started in 2018. It covers options throughout the whole spectrum of retirement savings plans, whether occupational or personal. It finally discusses which approaches may work best for different categories of non-standard workers, given the heterogeneity of this population.

Non-standard workers represent a very diverse population, including part-time and temporary employees, self-employed workers and informal workers. In many OECD countries, retirement income provisions may be insufficient to protect these workers in retirement given the current balance between public and private arrangements. To strengthen the role of funded systems and provide better retirement income security to these workers, the design of retirement savings plans needs first to avoid discriminatory treatment of non-standard workers (OECD, 2019[3]). In addition, other approaches can be put in place to encourage non-standard workers to save for retirement. These include applying the same enrolment rules as for standard employees, facilitating the access to retirement savings plans in the workplace, offering dedicated retirement savings products, allowing workers to keep their plans when changing jobs, permitting flexible contributions, offering hybrid products mixing different savings motives, simplifying the contribution process and using nudges. These approaches need to be tailored to the different categories of non-standard workers, given the different constraints they face.

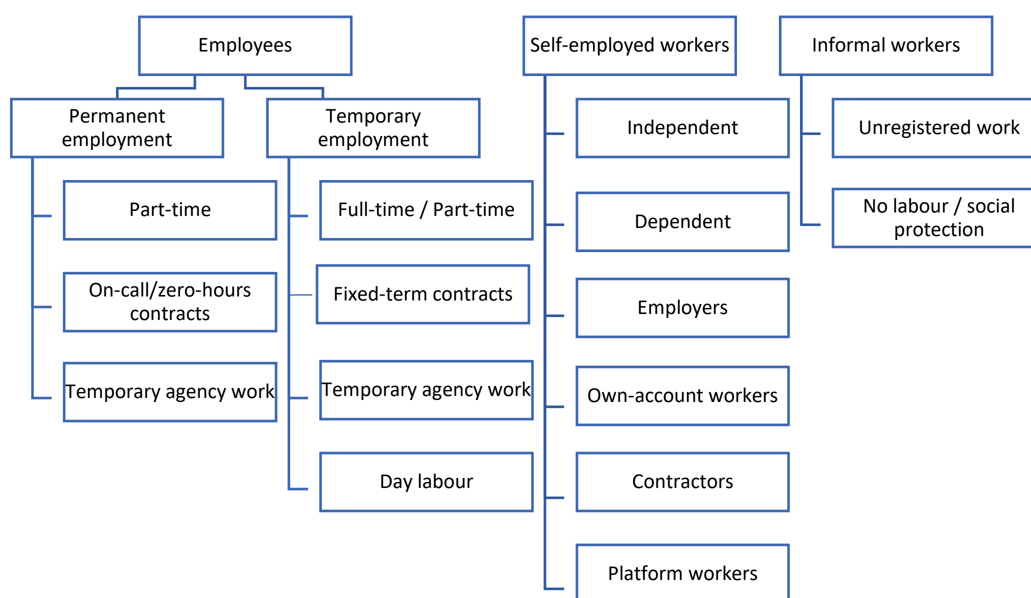
This chapter first describes the different categories of workers in non-standard forms of work covered in this analysis and looks at their characteristics to identify which constraints linked to their specific work arrangements may limit their ability and capacity to save for retirement. It then examines the extent to which the current balance between public and private provisions allows pension systems to fulfil their objectives for non-standard workers. As gaps arise, it presents policy options to encourage non-standard workers to join and regularly contribute to retirement savings plans. The last section concludes and identifies which approaches may work best for different categories of non-standard workers.

## 3.1. Characteristics of workers engaged in non-standard forms of work and implications for retirement savings

This section looks at the characteristics of the different categories of workers in non-standard forms of work to identify which constraints linked to their specific work arrangements may limit their ability and capacity to save for retirement. Understanding these constraints should shed light on particular design requirements for retirement savings plans that would enable these workers to save for retirement.

Non-standard workers comprise three main categories: employees, self-employed workers and informal workers. Figure 3.1 provides a framework to think about the different types of non-standard workers from the perspective of retirement savings systems. Non-standard forms of work cover work that falls outside the scope of a standard employment relationship, which itself is understood as being full-time indefinite employment in a subordinate employment relationship. Among employees, non-standard work therefore refers to employment contracts with a reduced number of working hours (part-time work, on call or zero-hours contracts). It also refers to irregular or temporary work arrangements (temporary agency work, fixed term contracts and day labour).[3] Some employees may have both characteristics, working part-time and on a temporary basis.

### Figure 3.1. Framework presenting different categories of workers in non-standard forms of work from the point of view of retirement savings




All self-employed workers are considered non-standard workers. They can be either independent or dependent. Independent self-employed workers are responsible for and hold controlling ownership of the enterprise. Dependent self-employed workers provide services to a client under a commercial contract but depend on one or a small number of clients for their income and receive direct instructions regarding how the work should be done. They may be in a vulnerable position vis-à-vis their client(s) and therefore, experience lower or more unstable earnings compared to independent self-employed workers, and, in some cases, they can even be misclassified.[4] Self-employed workers may have employees or work on their own, and can operate incorporated or unincorporated enterprises, which carry various degrees of legal and economic risks. Contractors, who perform one-off tasks for which they are paid an agreed sum,

and platform workers, who perform small projects of a relatively limited duration facilitated by an internet platform or application, usually operate unincorporated enterprises with no employees.[5]

Finally, all informal workers are also considered non-standard workers. Informal work refers to unregistered work or work that does not enjoy labour and/or social protection. This second group intersects with the previous two categories of non-standard workers. For example, in many Latin American countries, most self-employed workers are considered informal because they are not covered by social security systems (they are not obliged to contribute). Similarly, some employees may be out of the scope of labour and social benefits, e.g. those with contracts of short duration or having working hours or wages below certain thresholds.

Non-standard forms of work are more prevalent among populations who may not prioritise retirement savings. Across the OECD, part-time employment follows a U-shape relationship with age, with younger (15-24) and older (65-74) workers around twice more likely to work part-time than those aged 25-54 and 55-64 (OECD, 2019[1]). Part-time work is also three times more frequent among women (25%) than among men (8%). In addition, younger workers are more likely to have temporary contracts than other workers. As for self-employment, its prevalence increases with age. Finally, non-standard forms of work are more common among individuals with lower levels of education (OECD, 2015[4]). Younger workers, older workers, women and the lower educated are population sub-groups who often have lower levels of understanding of pension-related issues and who may not prioritise retirement savings (e.g. younger workers may prioritise repaying student loans or saving for a house).

Some non-standard workers may have a reduced capacity to save for retirement. Part-time and temporary workers have, on average, lower annual earnings than full-time permanent employees. This is due to a lower number of working hours and working days, but also to a wage penalty for temporary workers (OECD, 2015[4]). The earnings position of the self-employed compared to employees varies across countries. Across the OECD, the median earnings of full-time self-employed workers are 16% lower than those of full-time employees. However, the self-employed earn more than employees in some countries, such as in France, Lithuania and the Slovak Republic (OECD, 2019[1]). The situation within countries is also likely to be contrasted, with some self-employed workers having predictable and high earnings (e.g. liberal professions, employers, freelance consultants in financial services), while others cannot count on steady work and have low earnings (e.g. owners of food stalls, construction workers, craftsmen). Consequently, workers in non-standard forms of work have a higher risk of poverty (OECD, 2015[4]). Therefore, some non-standard work generates lower earnings, thereby limiting the amount that can be saved for retirement.

Certain non-standard workers may need flexibility when contributing to a retirement savings plan. They may find it difficult to contribute regularly into a retirement savings plan. When workers have interruptions between different temporary jobs, their pension contributions will be intermittent. In addition, certain self-employed workers have fluctuating earnings, because they are paid at irregular intervals, there are time lags between work and payment, or demand for their services is erratic (e.g. platform workers).

Non-standard workers would need portable pension plans that can follow them throughout their career. Non-standard workers are likely to change jobs frequently, making it harder to maintain retirement savings during their entire career. When changing employers, employees may stop saving for retirement if the new employer does not offer an occupational pension plan. Even when the new employer offers a plan, the consolidation of past and current occupational plans is not always possible, in particular with defined benefit plans, potentially leaving employees with multiple inactive retirement savings accounts. These issues are more acute for temporary workers, as well as for workers switching between employment and self-employment, or between formal and informal work.

Temporary workers and self-employed workers may prioritise precautionary savings over retirement savings. This is because they face uncertainty over their income. For example, temporary workers may not have their contract renewed, while day labourers and employees with on-call or zero-hours contracts

do not know for how many days or hours they will be called to work in a month. Self-employed workers face the risk that their business goes bankrupt. In case of an unincorporated enterprise, they are even liable to pay the excess liabilities of the enterprise, as there is no legal separation between the owner and the enterprise. The economic crisis following the COVID-19 outbreak may fuel this uncertainty. Therefore, precautionary savings are particularly important for temporary and self-employed workers as they can help these workers face immediate financial hardship. Retirement savings plans usually restrict access to funds before retirement, which may be an impediment to their use by some non-standard workers.

Self-employed workers do not have an employer to help them save for retirement. This means that financial incentives in the form of employer matching contributions are not available to them. In addition, policies such as automatic enrolment are more difficult to put in place for the self-employed.

Additionally, self-employed workers may expect the proceeds from the sale of their business or their business assets to fund their retirement. Some self-employed workers may consider their business as a replacement for a pension plan as they intend to sell their enterprise or to get some of the business assets back once they liquidate their enterprise.[6] However, it may be difficult to sell a business and the sale proceeds may fall short of what the individual would need to finance retirement.

Finally, many self-employed workers actually combine independent and dependent employment, which means that they may already save part of their dependent earnings. On average across OECD countries, income from self-employment activities represents more than two-thirds of total income for 60% of workers with some self-employment income. For the others, income from self-employment is either equivalent to income from dependent work (14%), or only marginal (27%) (OECD, 2019[1]). Some self-employed workers may therefore participate in an occupational pension plan through their dependent work. The challenge is to cover their earnings from self-employment, so that future retirement income replaces a sufficient share of total pre-retirement income.

## 3.2. Current retirement income provisions may be insufficient for workers in non-standard forms of work

It is important to understand how current pension systems cope with workers in non-standard forms of work before advocating any change to the role and design of funded pension arrangements. This section therefore considers the different objectives of pension systems and examines the extent to which the current balance between public and private provisions allows the fulfilment of these objectives for non-standard workers.

The main purpose of pension systems is to provide income security to individuals during retirement years. This entails protecting old-age individuals from poverty, helping individuals to replace part of their pre-retirement income and smooth consumption over their lifetime, and providing insurance against risks that may affect individuals' capacity to save enough for retirement (OECD, 2018[5]). These risks include labour market risks (i.e. the effects of low earnings and spells of unemployment or inactivity), macro-economic risks (i.e. low economic growth, high inflation, low interest rates), financial market risks (i.e. low asset returns), and demographic risks (i.e. large cohorts of retirees compared to that of workers, unexpected increases in life expectancy).

To achieve these objectives, pension systems mix different elements. The state can finance pensions from general revenues, or from contributions collected from workers on a pay-as-you-go (PAYG) basis. Pensions can also be funded through assets accumulated in public or private institutions. Retirement income payments can be based on a flat rate, be defined according to a formula based on earnings (defined benefit, DB), or depend on the amount of assets accumulated (defined contribution, DC). Most countries follow the OECD recommendation of diversifying the sources to finance retirement and combine public and private, non-contributory and contributory, PAYG and funded, and DB and DC elements.

The rules of the pension system differ for non-standard workers in some countries, reducing their income security in retirement. Non-standard workers have more limited access to most types of pension arrangements and build up lower entitlements ( (OECD, 2019[6]), Chapters 2 and 3). The main reasons are the following:

- Part-time employees may be penalised by minimum earnings and working time requirements for mandatory and voluntary pension schemes. Part-time employees fail to contribute and accrue pension entitlements in mandatory schemes in half of OECD countries during periods when they do not meet these requirements. This implies that their retirement income may be reduced more than proportionally compared to that of a full-time employee. In addition, part-time employees may suffer greater risk of poverty in old age, as failing to meet these requirements jeopardises their ability to become eligible for contribution-based basic pensions and minimum pensions. Moreover, minimum earnings and working time requirements also exist to join voluntary funded pension plans in six OECD countries, meaning that part-time employees may not be able to fill protection gaps with the help of complementary schemes.
- Temporary workers are disadvantaged by their interrupted careers. Although pension rules for temporary workers tend to be aligned with those for permanent employees, lower densities of contributions due to frequent job changes and job losses imply reduced pensions.[7] Temporary workers may also be at greater risk of old-age poverty when this protection is provided by contribution-based basic pensions or minimum pensions. Moreover, waiting periods and vesting periods in occupational pension plans make it harder for temporary workers to accumulate complementary pension rights. Finally, public pension schemes help manage labour market risks, in particular due to unemployment, but temporary workers may benefit less from mechanisms using pension credits linked to the receipt of unemployment benefits.
- Specific pension rules for self-employed workers tend to reduce their future retirement income. The self-employed are not required to contribute to mandatory pension schemes in eight OECD countries. These workers therefore lack an automatic tool for consumption smoothing. This also means that they do not qualify for the minimum pension, such as in Mexico for example. In 19 other OECD countries, self-employed workers have to participate in mandatory pension schemes but contribute less (through lower contribution rates, fixed contributions or lower income bases), reducing their future retirement income compared to employees at the same level of earnings. Voluntary funded pension systems may not fill that gap, given that in many countries they rely on occupational pension plans to which the self-employed lack access. The self-employed usually do not contribute to unemployment schemes, implying that they cannot benefit from pension credits, which help manage labour market risks.
- Finally, pension systems mostly fail to protect informal workers. By not contributing to mandatory pension schemes, informal workers do not build pension rights, and are likely to fail to meet requirements based on the number of years of contribution to become entitled to basic or minimum pensions. They can only be covered by residence-based basic pensions and social assistance benefits, which provide some protection against the risk of old-age poverty.

Many countries therefore need to take steps to improve the pension outcomes of non-standard workers. This includes strengthening the role of funded pension arrangements. Pension reforms should aim to mitigate disparities between standard and non-standard workers in terms of coverage, contributions and entitlements (OECD, 2019[1]). Funded pension systems can better contribute to help non-standard workers smooth their consumption. In particular, a better alignment with the *OECD Core Principles of Private Pension Regulation* could help some countries to have a more inclusive funded pension system, by ensuring non-discriminatory access to retirement savings plans, minimising vesting periods and facilitating the portability of pension rights and assets (OECD, 2019[3]; OECD, 2016[7]). This is also in line with the 2019 EU Council Recommendation on access to social protection for workers and the self-employed.[8] However, additional measures are needed to encourage non-standard workers to save for retirement.

Sections 3.3 and 3.4 therefore present approaches to encouraging non-standard workers to join and regularly contribute to retirement savings plans, whether through occupational or personal plans.

## 3.3. Encouraging workers in non-standard forms of work to join retirement savings plans

This section presents different approaches to encouraging workers in non-standard forms of work to join funded pension plans. These approaches fall into three main categories: applying the same enrolment rules to all workers; facilitating the access to plans in the workplace; and offering dedicated retirement savings products.

### *Applying the same enrolment rules as for full-time permanent employees*

Countries should consider having the same enrolment rules into retirement savings plans for all types of workers. This would entail removing eligibility criteria to join voluntary retirement savings plans that are based on earnings, working hours and length of employment. For example, minimum income thresholds can be found in Canada, Japan and the United Kingdom, a minimum number of working hours exists in Japan and Korea, and a minimium length of employment is used in Ireland and Luxembourg (OECD, 2019[3]). Having the same enrolment rules could also imply extending mandatory and automatic enrolment to workers in non-standard forms of work when these policies are already in place for full-time permanent employees. The task may be more challenging for the self-employed, however, and may require differentiated approaches for different groups of self-employed workers.

Countries with mandatory retirement savings plans covering only full-time permanent employees could extend this mandatory enrolment to part-time and temporary employees. Many countries already cover all categories of employees through occupational or personal plans. For example, in Finland and Iceland, the mandatory occupational pension system does not discriminate against part-time or temporary workers (including temporary agency workers).[9] All employees have to participate, irrespective of the number of hours they work, their income level, their type of contract, or the duration of their contract. This is not the case, however, in Australia, Norway and Switzerland. By contrast, the vast majority of countries with mandatory personal pension plans cover all types of formal employees. It is even possible to cover intermittent workers during interim periods. For example, in Croatia, individuals employed as permanent seasonal workers enjoy pension coverage in the mandatory personal system outside the seasons when work is performed. For non-working periods, the employer has to pay pension contributions based on 38% of the national average wage.

Likewise, countries willing to introduce automatic enrolment schemes should avoid earnings thresholds to allow all part-time employees to benefit from the behavioural mechanism. Among all the countries with automatic enrolment schemes in place, the United Kingdom is the only one with an earnings threshold (OECD, 2019[8]). Only employees earning over GBP 10 000 per year are eligible to be automatically enrolled by their employer. The purpose of the earnings threshold is to address the risk of over-saving for low-income earners, who would already enjoy high replacement rates from the public pension system. Unfortunately, this may lead to the exclusion of employees with multiple part-time jobs, who do not reach the earnings threshold in any individual job alone although they do overall and could afford pension contributions.

Although employees that are in more precarious jobs are more likely to opt out once automatically enrolled, they have experienced the largest increases in participation levels. Evidence from New Zealand, the United Kingdom and the United States shows that people who opt out tend to be in younger or older age groups, with lower earnings and less stable employment (OECD, 2019[8]). The main reason for opting out is linked to financial constraints, particularly the affordability of contributions. Despite this, the largest gains

in participation following the introduction of automatic enrolment are observed for young and lower-wage earners. For example, a study in the United States shows that the participation rate in 401(k) pension plans among employees with the lowest level of compensation increased from 12.5% for the cohort hired before the introduction of automatic enrolment to 79.5% for the cohort hired just after (Madrian and Shea, 2001[9]).

Extending mandatory or automatic enrolment to the self-employed may be more complicated in occupational systems, however. Self-employed workers have the same enrolment rules as employees in only a minority of countries that have a mandatory, quasi-mandatory or automatic enrolment system. Iceland is the only OECD country where the occupational pension system is mandatory for all workers, whether working for an employer or self-employed. Lithuania is the only country where the automatic enrolment system covers the self-employed in the same terms as employees. By contrast, most countries with mandatory personal pension plans cover all types of workers, including all self-employed workers (Bulgaria, Colombia, Estonia, Israel, Latvia, Romania and Sweden). This is not the case in Chile, Denmark and Mexico.

Mandatory enrolment into retirement savings plans may only target selected groups of self-employed workers. For example, in the Netherlands, some occupational groups among the self-employed without personnel fall under a compulsory sectoral or occupational collective pension scheme. This applies mainly to high-income professionals, such as doctors, notaries and dentists, but also, for instance, to self-employed painters. Sufficient support within the sector or occupational group is necessary for the introduction of such compulsory pension schemes. In Chile, since 2019, only the self-employed issuing invoices for their services have to contribute to their retirement savings accounts.

Some categories of self-employed workers may also be considered as employees for pension purposes and therefore be mandatorily covered by funded systems. In Australia for example, contractors paid wholly or principally for their labour are considered as employees for superannuation purposes and entitled to compulsory superannuation contributions from their employer.[10]

There are also discussions in some countries about whether some platform workers should be considered as employees of the platform provider and be entitled to employer pension contributions accordingly. For example, in the Netherlands, a recent court order ruled that the meal delivery platform Deliveroo must enrol its employees and its self-employed drivers into the transport sector's pension scheme.

Extending mandatory enrolment into retirement savings plans to self-employed workers may require a transition period. For example, in Chile, the self-employed are being gradually integrated into the mandatory personal pension system. Between 2012 and 2017, the self-employed issuing invoices could opt out of automatic pension contributions. In 2018, the opt-out option was removed. Since then, social security contributions (covering different insurance components and pensions) are gradually increasing from 10% to 17% of income over the course of nine years. In addition, individuals can choose between two options. By default, they contribute fully to the different insurance components, while the contribution rate for retirement savings accounts increases gradually over time. With the second option, individuals contribute to the whole social security system but, for health insurance and pensions, the income base is lower initially and increases gradually.

However, recent experiences show the challenges of integrating the self-employed into mandatory personal pension schemes when this was not set from the inception of the system. In Israel, since January 2017, the self-employed have to participate in the personal pension system. Compared to 2016, the number of active pension accounts owned by the self-employed rose by 15% to 70 000 accounts. However, the self-employed only have 3% of all active pension accounts, despite the fact that they represent about 11-12% of total employment in Israel. Lack of interest in pension products and lack of enforcement by the Ministry of Labour explain this.[11] In Chile, on average between 2012 and 2017, 74% of the self-employed decided not to contribute, with an increasing share opting out over time.

Extending automatic enrolment to the self-employed may require the involvement of other stakeholders to enrol workers in the absence of employers, in particular in occupational systems. In occupational systems, automatic enrolment relies a lot on employers. Chambers of commerce and pension providers may therefore have a role to play to enrol the self-employed automatically. For example, in the Netherlands, the provider APG has started an initiative to use automatic enrolment in order to allow the self-employed to participate in the construction sector's pension fund. The idea is that the pension fund would enrol self-employed workers automatically by exchanging information with the Chamber of Commerce, where all the self-employed must register themselves. In Chile, the employer is also responsible for the collection of contributions to the personal pension system, so the automatic contributions of self-employed workers issuing invoices between 2012 and 2017 involved the tax authority. Workers had until the submission of their income tax declaration each year to refuse the use of their tax rebate to pay pension contributions. By contrast, in Lithuania there is no need for another institution to enrol the self-employed. The State Social Insurance Fund Board, which is responsible for collecting all social insurance contributions, enrols all workers (employees and self-employed) into personal plans.

Finally, countries not extending automatic enrolment to all workers could consider letting workers outside the target population of the scheme join a provider directly, so that they can benefit from most of the advantages of the scheme. In Canada, self-employed workers and employees whose employer does not offer a pooled registered pension plan (PRPP) can join the PRPP provider of their choice. In New Zealand, self-employed workers, people not working and even children can voluntarily opt into a KiwiSaver plan. In the United Kingdom, employees earning less than the required threshold can voluntarily opt into the occupational plan set up by their employer. In addition, the self-employed can join the Nest scheme, which was established by legislation with the public service obligation to accept the self-employed.[12] Consequently, workers joining voluntarily can save in good quality retirement savings plans, in particular in terms of fees. They also enjoy the same incentives as automatically enrolled employees, except for the employer contribution.

### *Facilitating access to retirement savings plans in the workplace*

In voluntary pension systems where occupational pension plans are not widespread, policy makers may consider alternative ways to facilitate access to retirement savings plans in the workplace. In some countries, small employers may be discouraged from setting up a voluntary occupational pension plan for their employees because of the related administrative burden. Reducing that burden may help more employers to offer retirement savings plans. In addition, some employers may not want to commit to contributing on behalf of their employees, but could be willing to offer access to personal retirement savings plans that any of their workers could join if they can afford to contribute.

Small businesses and self-employed workers could take advantage of multiple employer plans to join forces and establish voluntary occupational pension plans. These plans allow small businesses to pool resources, mitigate the administrative expenses of establishing a plan, and increase their negotiation power with financial institutions. In the United States for example, the SECURE Act creates new incentives for employers to establish occupational plans and expand access to more workers. From 1 January 2021, any employer, including self-employed workers, will be able to join a multiple employer plan (MEP), even if they share no common relationship or association with each other.[13] In addition, the federal tax credit for defraying plan start-up costs will be increased from USD 500 to up to USD 5 000, and an additional USD 500 tax credit will be available for plans that automatically enrol new employees.[14]

Workplace personal retirement savings plans can also complement occupational pension plans. Employers who are not willing to set up a voluntary occupational plan or to make all of their employees eligible to join such a plan could offer access to a voluntary personal plan to their entire workforce. The fact that the employer selects the pension provider for this plan removes the task of finding one for the worker. The employer may also be able to negociate better terms for the plan than what employees may

be able to find by themselves. In addition, a workplace plan offers the possibility to set up an automatic payroll deduction of contributions, making it easier for employees to save. For example, in Ireland, all employers are required to enter into a contract with a Personal Retirement Savings Account (PRSA) provider to allow all employees not covered by an occupational pension plan access to at least one standard PRSA. In the United States, employers can offer payroll deduction Individual Retirement Accounts (IRAs) to their employees, into which only employees can contribute.[15]

Similarly, platform providers can offer access to voluntary personal retirement savings plans to their self-employed contractors. Platform providers usually do not consider themselves as the employers of their contractors. However, they can still facilitate access to retirement savings vehicles for the people working with them. For example, in the United States, Uber and Lyft offer their drivers access to an IRA through savings applications (Gale, Holmes and John, 2018[10]). The drivers can choose to save either a pre-set amount each month, a percentage of each payment, or only when a payment is above a certain amount. Alternatively, they can choose when and how much to save, but the application then sends them reminders. This design is well adapted to the situation of platform workers, who may not be able to count on stable flows of income. In addition, the pension providers offer discounts on the fees charged (USD 3 per month for Lyft drivers and no fees during the first year of participation for Uber drivers), acknowledging the fact that such workers tend to have low earnings and to accumulate small amounts. In Latin America, three in four Uber drivers declare that they would be interested in participating in a savings plan that would allow them to save automatically a certain fraction of their earnings (Azuara, González and Keller, 2019[11]).

### *Offering dedicated retirement savings products*

Some countries may consider that there is no one-size-fits-all approach when it comes to encouraging non-standard workers to join retirement savings plans. In order to address the specificities of different categories of workers, dedicated retirement savings products may be needed, for example for self-employed and informal workers. Such dedicated voluntary products can be accessed either individually (personal plans) or collectively (occupational plans). This approach, however, may reduce labour mobility because workers changing job status may no longer be able to save in products designed for their former job category.

Several countries offer dedicated voluntary personal retirement savings plans to self-employed workers. For example, Belgium has three types of personal retirement savings plans for different categories of self-employed workers. All self-employed workers can participate in free supplementary pensions for the self-employed (VAPZ) and, since 2019, in pension agreements for the self-employed (POZ). By contrast, only self-employed managers can participate in company pensions for self-employed managers (IPT and CPT).[16] In France, Madelin contracts only cover self-employed workers and heads of agricultural holdings.[17]

Dedicated retirement savings plans for self-employed workers may also cover their spouse and/or their employees. In Japan, self-employed residents aged 20 to 59 and their families, freelance workers, and students can join national pension funds, which are voluntary personal plans. The United States also has two workplace retirement savings arrangements designed primarily for the self-employed but not covering only self-employed workers. A solo or one-participant 401(k) plan is an occupational plan designed for business owners with no employees. There are no age or income restrictions to set one up. The plan can cover the self-employed worker and their spouse only. A Simplified Employee Pension (SEP) plan is a personal retirement account for business owners and self-employed individuals, as well as their employees. Business owners with employees have to contribute on behalf of eligible employees, and those contributions must be an equal percentage of compensation as the business owner's own contributions.[18] Because of the rule requiring equal contributions as a percentage of compensation, a SEP is generally best for self-employed people or small-business owners with few or no employees.

The self-employed may also be able to earmark part of their business profits or sale proceeds for retirement through specific retirement savings arrangements. The self-employed may consider their business assets as a way to finance their retirement. Some countries allow them to use part of business profits or sale proceeds to save for retirement in a tax-favoured way. This type of arrangement is likely to be more appealing to higher-income earners, given that they are the ones who can benefit the most from tax incentives (OECD, 2018[12]). In Australia, there is a capital gains tax exemption on the sale of an active business asset, up to a lifetime limit of AUD 500 000. To enjoy the tax deduction, individuals under the age of 55 must deposit the money from the disposal of the asset into a complying superannuation fund. In Denmark, self-employed workers selling a business can pay up to DKK 2 803 900 (in 2019) of taxable profit into a pension scheme. The payment of the tax due on profits is then postponed to the years when the pension is received. Finally, in the Netherlands, business owners can accrue a fiscal old-age reserve (FOR) by setting aside up to 9.8% of their profits (up to EUR 8 775 in 2018) every year.[19] By doing so, they postpone the payment of taxes on these profits until retirement. They can then convert all or part of their FOR into a life annuity, the premium of which is tax deductible.

Retirement savings plans for self-employed workers can also be organised collectively. Profession-wide associations of self-employed workers can establish, on a voluntary basis, an occupational pension plan for their members in Croatia, Greece, Italy, Norway and Portugal. In the United States, small employers and self-employed workers will be able to join multiple employer plans from January 2021. In addition, the self-employed may voluntarily enrol through chambers of commerce in association retirement plans since 2019. In Luxembourg, since 1 January 2019, small traders and liberal professions are eligible for supplementary pension schemes, just like employees, and with the same tax treatment.[20] In the Netherlands, the largest associations of self-employed workers without personnel ("zzp" in short in Dutch) developed the ZZP Pension in collaboration with the provider APG. The self-employed can decide how much and how frequently to contribute to this personal plan, which pays an annuity (at least 5 years) at retirement (no earlier than age 60). The Dutch government also reviews the possibility to have voluntary collective pension schemes aimed specifically at the self-employed without personnel. These collective solutions may enable the self-employed to benefit from economies of scale.

Countries with a large informal sector may need to assess the specific needs of low-income, informal workers and offer them dedicated retirement savings plans. For example, the BEPS programme in Colombia (*Beneficios Económicos Periódicos*) allows some of the lowest income groups to contribute voluntarily to the pension system. Similarly, micro pensions are retirement savings plans that target low-income, informal sector workers, who tend to have irregular income. This type of pension plan exists in African and Asian countries for example. A typical micro pension product is designed as a DC personal plan providing for small, frequent contributions that are collected in a convenient way. For example, the micro pension in Nigeria allows participants to contribute daily, weekly, monthly or as may be convenient, provided that contributions are made in any given year. Participants can contribute through an electronic payment platform, cash deposits, or other financial service agents approved by the Central Bank of Nigeria. In India, the PM-SYM scheme covers unorganised workers aged 18 to 40 with income up to INR 15 000 per month. Contrary to Nigeria, contributions are deducted automatically from the participant's savings bank account, the amount of which is set according to the age of the participant when opening the plan.

Finally, financial incentives can be tailored to the characteristics of non-standard workers, especially to their level of income. Individuals in different income groups are likely to react differently to financial incentives structured in different ways (OECD, 2018[12]). Middle-to-high income earners tend to respond to favourable tax treatment, in particular tax-deductible contributions, while low-income earners are less sensitive to tax incentives and may be more likely to respond to matching contributions and fixed nominal subsidies. In line with this, the financial incentive for the BEPS programme in Colombia, which targets low-income, informal workers takes the form of a government matching contribution, corresponding to 20% of lifetime voluntary contributions, which is paid into the pension account upon reaching retirement age if the savings are used to purchase an annuity. By contrast, Denmark offers tax incentives to affluent self-

employed workers, who can pay up to 30% of their business profits into an individual retirement savings plan and get a full tax deduction.

The success of dedicated retirement savings plans in terms of participation varies greatly across countries. In Belgium, participation in voluntary retirement savings plans of the self-employed (through dedicated personal plans) is similar to that of employees (through occupational pension plans), at around 60%. In France, the self-employed are more likely to participate in a voluntary retirement savings plan than employees. However, the popularity of dedicated plans for non-standard workers is more limited in the other countries with available data. According to the Financial Superintendency of Colombia, around one million low-income informal workers have a BEPS account, but less than 50% of these accounts have actual savings and less than 30% of workers with a BEPS account contribute actively. In Japan, participation in national pension funds is voluntary, but once enrolled members cannot leave the fund. This may explain why only 2% of the self-employed participate in these plans (OECD, 2019[3]). In the United States, primarily self-employed own-account workers are less likely to contribute to voluntary pension plans (7.8%) than primarily wage earners (44.9%) (Jackson, Looney and Ramnath, 2017[13]). In Denmark, only 385 individuals used the end-of-business pension savings vehicle in 2018. Finally, in the Netherlands, around 9% of eligible self-employed workers use the FOR.

## 3.4. Encouraging workers in non-standard forms of work to make regular contributions

Once workers are enrolled in a retirement savings plan, it is important to make sure that they save regularly. This section presents different approaches to encouraging workers in non-standard forms of work to make regular contributions to their retirement savings plan, whether occupational or personal. These approaches include allowing workers to keep contributing into the same plan upon job changes; allowing flexible contributions; offering hybrid products combining different savings motives; simplifying the contribution process; and using nudges.

### *Allowing workers to keep contributing into the same plan upon changing jobs*

Allowing workers to keep contributing into the same plan upon changing jobs could help non-standard workers to save regularly for retirement. Transferring portable retirement savings plans into the new employer's plan when workers change jobs is an important option available in a majority of OECD countries (OECD, 2019[3]). However, even when this transfer is possible, it may not be automatic and workers may end up with multiple inactive accounts, possibly eaten up by fees. Making it easy for workers to keep the same plan upon job changes could help them to have a continuity in retirement savings. This could apply when workers change employer or when they move between employment and self-employment.

In occupational pension systems structured through collective agreements, workers can keep the same retirement savings plan when moving to an employer covered by the same agreement. Such industry-wide or sector-wide occupational plans exist in Australia, Belgium, Denmark, Finland, Germany, Iceland, the Netherlands, Sweden and the United States. Social dialogue, collective bargaining and tripartite agreements can play an important role to develop further such plans (OECD, 2019[14]). In the absence of collective agreements, it is also possible to continue contributing into the same occupational plan upon changing employer in selected countries (e.g. Australia, France and the United Kingdom). For example, in France, if the new employer does not offer a collective occupational retirement savings plan, the employee can keep contributing into the plan of the former employer. In the United States, the possibility for unrelated employers to establish multiple employer plans from 2021 will increase the chances for workers of keeping the same plan upon changing jobs.

Workers may also be given the possibility to keep contributing into the same plan when moving from employment to self-employment. However, evidence from Denmark and the Netherlands suggests that few self-employed workers make use of this option, due to lack of interest or barriers to do so. In Denmark, self-employed workers can keep participating in the ATP plan if they have been part of ATP as an employee for at least three years and have paid an amount equal to at least three years' contribution. According to ATP data, in 2017, only 2% of primarily self-employed workers paid into ATP voluntarily. The proportion drops to 0.8% when considering all workers with income from self-employment. The fact that the ATP pension only represents a small complement to other mandatory pension schemes may explain the lack of interest in the option for the self-employed.[21] In the Netherlands, if employees are no longer covered by the same collective agreement, they may opt to defer their accrued rights until retirement age. A pension provider may accept voluntary contributions from deferred members for up to three years. When the deferred member becomes self-employed, this period is prolonged to 10 years. While 85% of pension funds provide the possibility of voluntary continuation in the pension scheme for the self-employed, only approximately 650 persons nationally make use of this option (Bureau Bartels, 2016[15]). There seems to be two important barriers: the legal requirement that the contribution to their retirement savings plan has to be continued immediately after the end of the prior period in employment; and, especially, the required level of the contributions (the sum of employee and employer contributions).

Personal retirement savings plans accepting worker and employer contributions could also facilitate retirement savings for workers changing jobs frequently. Such plans can indeed follow workers throughout their career, independently of their employment status. Employers can contribute to their employees' voluntary personal retirement savings plan in the Czech Republic, Estonia, Finland, Iceland, Mexico and Romania. For example, in the Czech Republic, 22% of participants in supplementary pension plans received employer contributions in 2018, and employer contributions were on average higher than that of the participants (OECD, forthcoming[16]). In Iceland, employers must contribute at least 2% of salary to their employee's voluntary personal plan if the employee makes a contribution at least equivalent. This type of arrangement is well suited to temporary workers changing employers frequently, workers switching between the formal and informal sectors, as well as workers moving between employment and self-employment. While in formal employment, workers' plans can receive both employee and employer contributions. When changing employer, the new employer can start contributing into the same plan. When moving out of formal employment, the worker can keep saving into the plan. The rules of the personal plan may be adjusted when the worker joins an employer that already sponsors an occupational pension plan to reflect any additional features of the occupational plan (Gale, Holmes and John, 2018[10]).

### *Allowing for flexible contributions*

Although high contribution densities are necessary to help workers achieve a certain target retirement income, the volatility of earnings of some workers in non-standard forms of work, in particular temporary employees and self-employed workers, may make it hard for them to contribute at the same level and with the same regularity into a retirement savings plan. These workers may not want to commit to making regular and fixed contributions in advance, and may refrain from participating in a retirement savings plan in the first place when plan rules require regular (e.g. monthly) contributions. Allowing flexible contributions into retirement savings plans could avoid putting a strain on these workers at times of low earnings and may remove a barrier to participating. Flexibility refers to both the level of contributions and the periodicity of payments.

Self-employed workers value flexibility. According to the Association of Independent Professionals and the Self-Employed (IPSE), the self-employed in the United Kingdom value flexibility highly, in particular the possibility to pause, stop and restart contributions without incurring penalties (IPSE, 2018[17]). Similarly, qualitative research by Nest Insight (2019[18]) shows that messages emphasizing flexible pension options ("pay what you can when you can") are appealing to the self-employed and can encourage saving behaviour.

Flexible contributions are common practice in voluntary personal retirement savings plans. In most voluntary personal retirement savings plans, members can decide freely whether to increase, decrease or stop contributions at any time. Exceptions include the public funded voluntary personal plans in Japan (national pension funds), Portugal (public funded scheme) and the Slovak Republic (second pillar pension funds), where the level and regularity of contributions are set by law. In India, the level and regularity of contributions to the APY and PM-SYM schemes are set by contract. Flexible contributions are also allowed in some dedicated retirement savings products, for example the ZZP Pension in the Netherlands, or micro pensions in Nigeria. Flexible contributions are less common in occupational pension plans but do exist. In Australia for example, workers can carry forward their contributions cap for up to five years. This allows people who take time out of the workforce, work part-time or have irregular work patterns, and have contributed less than their cap in the past, to increase their contributions later on.

Allowing for flexibility would result in a better outcome than if workers did not participate at all in a retirement savings plan. However, flexible contributions may raise adequacy concerns if workers do not compensate for periods without contributions afterwards. Nudges and reminders of the importance of retirement savings are important complements to flexible contributions, to increase the chances that workers keep contributing, whenever their situation permits.

### *Offering hybrid products combining different savings motives*

The design of retirement savings plans may need to account for the fact that temporary workers and self-employed workers may prioritise precautionary savings over retirement savings. This is because some of them face uncertainty and may experience a decline in income if their contract is not renewed, or if the business goes bankrupt, for example. Precautionary savings can help temporary and self-employed workers face financial hardship and avoid having too much debt. However, many people have little to no short-term emergency savings and the COVID-19 crisis has exacerbated the issues related to the lack of emergency savings (Nest Insight, 2020[19]). As retirement savings plans usually restrict access to funds before retirement, these workers may feel uncomfortable locking their money away.

Letting workers save into a hybrid product that links an emergency savings account and a retirement savings account would allow them to better meet their short- and long-term financial needs. This is the so-called “sidecar” model, where contributions are split initially between an emergency savings account and a retirement savings account, until the balance of the emergency savings account reaches a certain threshold. At this point, all contributions flow into the retirement savings account only. If the individual withdraws money from the emergency savings account, future contributions will once again start being divided between the two accounts. The idea is to offer a degree of upfront liquidity, while using the power of inertia to boost long-term, illiquid savings. This design takes advantage of behavioural insights, in particular mental accounting, as linking the emergency savings account to the long-term retirement savings account may help savers resist the temptation of withdrawing early, because the entire product would be psychologically associated with future income. Qualitative research on UK self-employed workers suggests that they positively receive savings mechanisms combining short-term, liquid savings with retirement savings (Nest Insight, 2019[18]).

### *Simplifying the contribution process*

Simplifying the contribution process could remove some of the barriers to voluntary saving for selected workers in non-standard forms of work. Indeed, financial inclusion may be limited for these workers, in particular informal workers in rural areas. In addition, inertia and procrastination may prevent regular contributions to schemes with flexible contribution schedules. Simplifying the contribution process may require increasing the number of channels through which workers can save, or making savings automatic.

When contributions are not taken directly from wages, voluntary savings could be facilitated by extending the mechanisms through which workers can deposit contributions. This is particularly relevant for self-employed or informal workers, who cannot benefit from payroll deductions. In Mexico for example, the pension regulator has been creating partnerships since 2014 with many business entities to offer different points of contact for workers to make voluntary contributions. In particular, workers can deposit contributions in more than 16 000 convenience stores around the country (e.g. 7-Eleven shops, pharmacies, and telecom branches), facilitating contributions even in rural areas.[22] In addition, workers can use six different digital platforms. For example, with the application *Afore Movil*, workers can open an account, consult the balance of the account, and make voluntary contributions. This mix of convenience stores and digital platforms makes it very easy for workers to find the most suitable way for them to save for retirement. Between April 2013 and December 2019, voluntary contributions have been multiplied by a factor of 5.7, increasing from MXN 10.9 billion to MXN 62.2 billion (CONSAR data). The digital platforms are the favoured means of making voluntary contributions, capturing 89% of the voluntary savings transactions and 81% of the amounts saved in 2019.

Another way of simplifying savings in voluntary personal retirement savings plans is to make them as automatic as possible, using “set and forget” mechanisms. These mechanisms could replace payroll deductions for self-employed and informal workers, while harnessing the power of inertia. For example, in India, low-income informal workers aged 18 to 40 can participate in the PM-SYM scheme, which requires auto-debit contributions from a savings bank account. The contribution level is set based on the age at which an individual joins the plan, so that someone entering later needs to contribute a larger amount.[23] The government pays an equal matching contribution. At the age of 60, the member receives a minimum pension of INR 3 000 per month. In the United Kingdom, Nest Insight research shows that 56% of self-employed workers like the idea of automatically diverting a portion of their income to save for retirement (Nest Insight, 2019[18]). A survey on Uber drivers in five Latin American countries also shows that almost three in four drivers would be interested in participating in a savings plan that would allow them to automatically save a certain fraction of their earnings (Azuara, González and Keller, 2019[11]).

Savings into voluntary personal plans can also be automatised by associating saving with individuals’ habits, in particular with respect to consumption. This is particularly relevant for informal workers, who do not have formal earnings from which they can pay contributions. In Chile, Mexico and Colombia, people can commit to saving in the future through an application using rules that automatically transform their behaviours into savings to achieve different goals. For example, users can decide to save e.g. 50 pesos every time they go running, or every time they get a ride through a ride-hailing application. Whenever a user achieves a goal, the application automatically creates a new goal and transfers the savings rules to this new goal to continue with the savings habit. Results from a pilot programme in Chile exhibited a 116% increase in savings on average per user, compared to the control group (FIAP, 2018[20]). In Mexico, the application Miles for Retirement allows people to save through consumption. Individuals automatically save a percentage of the amount consumed when paying for a good or a service. They also participate in a loyalty programme providing discounts on future purchases, which will eventually generate more consumption, and therefore more savings. Since September 2019, Mexicans using the application *Afore Movil* can also receive a free bonus paid directly into their savings account when purchasing products and paying for services via *GanAhorro*. The bonus corresponds to a percentage of the purchase. There are currently 20 companies participating, with discounts from 5% to 30% directly paid into the account.

Finally, digital services and platforms that self-employed workers use to run their businesses may facilitate automatic savings. In the United Kingdom, around 86% of self-employed workers who replied to an online survey say they use some sort of digital platform for their business (Nest Insight, 2019[18]).[24] For example, 64% say they use platforms to sell work, products or services (e.g. eBay or their own website), 60% to take or process payments (e.g. PayPal), 59% to advertise work, products or services (e.g. Facebook, LinkedIn), 27% for accounting and invoicing, and 22% to find work (e.g. Uber). When asked which platforms would be

most suitable to provide tools to help them save for retirement, 46% of the respondents identified platforms for business accounting and invoicing and 40% identified platforms to take or process payments.[25]

### *Using nudges to encourage savings*

Policy makers can also use nudges, learned from behavioural economic studies, to encourage voluntary savings among non-standard workers, especially those with low incomes. The nudges analysed here include sending reminders, framing contributions to reduce the feeling of loss, and providing personalised information about the future expected level of retirement income.

Reminders can increase voluntary savings, in particular among individuals already committed to saving. Reminders are a useful tool in fighting procrastination and helping people follow through on their goals and commitments. In Bolivia, Peru and the Philippines, bank clients with commitment savings accounts who received monthly messages reminding them of their savings goals (text message or letter) saved more and were more likely to reach their goals than clients who did not receive the messages (Karlan et al., 2016[21]). In Kenya, sending two reminders a week more than doubled the savings of informal workers with low and irregular income compared to those not receiving reminders over a six-month field experiment (Akbas et al., 2016[22]). The effect was even larger when reminders were combined with a golden coloured coin that helped workers to keep track of the weeks in which they saved. Similarly, in Colombia, text messages were effective at increasing the savings amounts of individuals enrolled in the BEPS programme who were already actively saving before receiving the messages (Innovations for Poverty Action, 2019[23]). Messages setting individualised savings goals and informing individuals about their progress towards accomplishing their goal worked best. However, text messages do not seem to be as effective at encouraging people to start saving (Innovations for Poverty Action, 2019[24]; Akbas et al., 2016[22]). In addition, reminders may fail to create habit formation, as the effect on BEPS savings dissipated once messages were stopped (Innovations for Poverty Action, 2019[23]).

Temporal framing of contributions also influences saving behaviour, in particular among low-income earners. Reminders with a savings goal perform better when framed as a monthly goal rather than as an annual goal among BEPS participants (Innovations for Poverty Action, 2019[23]). In the same way, framing deposits in daily amounts as opposed to monthly amounts encourages continued saving behaviour among new users of a savings application in the United States (Hershfield, Shu and Benartzi, 2018[25]). With the daily framing (USD 5 per day), 30% of users enrolled into the recurring deposit programme, while only 10% did with the weekly framing (USD 35 per week) and 7% with the monthly framing (USD 150 per month). Indeed, framing contributions in small amounts reduces the feeling of loss and increases the feeling of affordability.

Finally, personalised information, as opposed to general information, can also encourage people to increase contributions. Middle-income workers in Chile make higher voluntary savings when receiving a personalised estimate of their expected pension under different scenarios, as opposed to receiving comparable general information and recommendations on how to improve their future pension without any reference to their individual situation (Fuentes et al., 2017[26]). The positive effect of personalised information was not permanent, however, with no difference in the level of voluntary savings between those who received personalised or general information nine months after the intervention.

## 3.5. Conclusions

This chapter has analysed policy options to increase the role of retirement savings arrangements for workers in non-standard forms of work. Non-standard workers represent a very diverse population, including part-time and temporary employees, self-employed workers and informal workers. In many

OECD countries, these workers have more limited access to public and private retirement schemes, and build up lower entitlements.

To strengthen the role of retirement savings plans and provide better retirement income security to these workers, the design of funded systems first needs to avoid discriminatory treatment of non-standard workers (OECD, 2019[3]). A better alignment with the *OECD Core Principles of Private Pension Regulation* could help some countries to have a more inclusive funded pension system. In particular, regulation should ensure non-discriminatory access to retirement savings plans by avoiding the use of criteria based on salary, working hours, length of employment and type of contract. Vesting periods should be minimised to allow workers to accrue entitlements as early as possible. Finally, regulators and policy makers should facilitate the portability of pension rights and assets.

In addition, the experience of different OECD and non-OECD countries suggests that other approaches could be put in place to encourage non-standard workers to save for retirement. This chapter offers a range of options for non-standard workers to be able to join and regularly contribute to retirement savings plans that countries with mandatory, voluntary, occupational or personal retirement savings systems could implement.

Options to encourage non-standard workers to join retirement savings plans include applying the same enrolment rules as for full-time permanent employees; facilitating access to retirement savings plans in the workplace; and offering dedicated retirement savings products for non-standard workers. Depending on the current structure of the funded pension system, different approaches may be more appropriate for different countries. In particular, while enrolment rules tend to be inclusive of all types of workers in personal retirement savings systems, this is not always the case for occupational systems. In voluntary occupational retirement systems, employers could play a greater role in offering their employees access to retirement savings plans, either by joining forces to establish multiple employer plans, or by offering access to personal plans. In countries mostly organised through occupational retirement schemes, dedicated retirement savings products for the self-employed could help these workers to build retirement savings. Dedicated retirement savings products may also be necessary for informal workers in countries with a large informal sector.

Options to encourage non-standard workers to make regular contributions include allowing workers to keep the same plan upon job changes; allowing flexible contributions; offering hybrid products combining different savings motives; simplifying the contribution process; and using nudges.

However, a one-size-fits-all approach across workers may not be appropriate, given the heterogeneity of workers in non-standard forms of work. Some workers in non-standard forms of work have stable and high income and may be able to use already existing retirement savings arrangements, such as licensed professionals (e.g. doctos or lawyers). However, some other workers may have a more limited access to retirement savings plans and a reduced capacity to save due to their working arrangement. Understanding the constraints that these workers face when saving for retirement sheds light on which approaches may be more successful for different categories of non-standard workers. Figure 3.2 summarises which approaches may be more appropriate for different categories of workers given the constraints they face.

**Part-time permanent employees** could benefit from the same enrolment rules into occupational plans as full-time permanent employees by avoiding eligibility criteria based on earnings or hours of work. In particular, automatic enrolment harnesses the power of inertia to increase the take-up of voluntary retirement savings plans. Employers not willing to offer an occupational pension plan, or excluding part-time employees from the eligible population of that plan, could provide access to workplace personal retirement savings plans with fewer restrictions on participation. Given that part-time workers have lower earnings, framing contributions in small, frequent amounts may reduce the feeling of loss and increase the feeling of affordability.

**Figure 3.2. Approaches for each category of workers given the constraints they face**

| Category of workers | Constraint | Approach |
|---|---|---|
| Part-time employees | May not prioritise retirement savings | • Avoid eligibility criteria based on earnings or hours of work in mandatory and automatic enrolment schemes |
| | Do not meet eligibility criteria of an occupational plan | • Allow employers to offer access to a personal plan to entire workforce |
| | Reduced capacity to save | • Frame contributions in low frequent amounts |
| Temporary employees | May not prioritise retirement savings | • Avoid eligibility criteria based on contract length or type in mandatory and automatic enrolment schemes<br>• Offer hybrid products + send reminders |
| | Need portability | • Encourage multiple employer plans<br>• Encourage collective agreements in occupational plans<br>• Allow employers to contribute to personal plans |
| | Need flexibility | • Allow flexible contributions + send reminders |
| | Reduced capacity to save | • Frame contributions in low frequent amounts |
| Self-employed workers | Do not have an employer to set-up a plan and contribute to it | • Offer dedicated products<br>• Encourage platform providers to offer personal plans to their contractors |
| | May not prioritise retirement savings | • Offer hybrid products + send reminders |
| | Need portability | • Allow contributions into the occupational plan of a former employer |
| | Need flexibility | • Allow flexible contributions + send reminders |
| | Do not benefit from automatic payroll deductions | • Set automatic savings mechanisms using digital services and platforms already used to run the business |
| | Reduced capacity to save | • Frame contributions in low frequent amounts |
| Informal workers | Not covered by mandatory schemes | • Offer dedicated products |
| | Need portability | • Allow employers to contribute to personal plans |
| | Need flexibility | • Allow flexible contributions + send reminders |
| | May not prioritise retirement savings | • Set automatic savings mechanisms through consumption<br>• Increase the number of contribution channels |
| | Reduced capacity to save | • Frame contributions in low frequent amounts |

**Temporary employees** could also benefit from the same enrolment rules into occupational plans as full-time permanent employees by avoiding eligibility criteria based on contract length or type. Given that temporary workers are likely to change employers frequently, allowing them to save in the same plan upon job changes would help them to have continuity in retirement saving. This can be achieved through the promotion of multiple employer plans (e.g. industry-wide or sector-wide pension plans). Alternatively, temporary workers could save in personal retirement savings plans that could accept contributions from any employer. Temporary workers face volatility in their earnings due to potential career breaks between contracts. They may therefore value flexible contributions and hybrid retirement savings products mixing an emergency savings account with a retirement savings account. However, these approaches may raise adequacy concerns as workers may stop contributing or withdraw emergency funds frequently. Sending reminders emphasizing the importance of retirement savings is therefore an important complement to increase the chances that workers keep contributing, whenever their situation permits. Finally, as temporary work generates lower earnings, workers may react more positively to contributions framed in small, frequent amounts.

Using the same enrolment rules for **self-employed workers** as for employees may be a challenge. In particular, automatic enrolment may require other stakeholders to enrol workers in the absence of employers. Chambers of commerce, tax and social security institutions, or providers of retirement savings plans (e.g. pension funds) may play that role. Many self-employed workers have been employees at some point in their career and could be offered the possibility to keep contributing into the same plan when moving into self-employment. Alternatively, dedicated retirement savings plans could be developed that self-employed workers could join collectively or individually. Platform workers could have access to personal plans through their platform provider. Given that some self-employed workers have volatile earnings, they may value flexible contributions and hybrid pension products mixing an emergency savings account with a retirement savings account. However, these approaches raise adequacy issues and need to be complemented by reminders. To replace automatic payroll deductions, the self-employed could benefit from automatic savings mechanisms, using digital services and platforms they already use to run their business.

Finally, usual enrolment rules are not easy to implement for **informal workers**. Dedicated retirement savings plans, or personal retirement savings plans that workers can keep saving into during their whole career, even when switching between formality and informality, could improve their access to retirement savings schemes. These workers may value flexible contributions given their tendency to have fluctuating earnings. Informal workers could also be offered the possibility to save small amounts automatically, for example through consumption, to reduce the impact of inertia and procrastination. Policy makers could make use of new technologies and easily accessible points of contact (e.g. convenience stores) to simplify the contribution process for people in remote areas.

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## Notes

[1] In some cases, certain employers may deliberately misclassify workers as independent contractors in an attempt to avoid employment regulation, tax obligations and workers' representation, as well as to shift risks onto workers and/or gain a competitive advantage; and others may do so by mistake (OECD, 2019[28]). Ensuring the correct classification of workers is therefore a key first step to extend labour and social protection rights to as many workers as possible.

[2] For a full analysis of how globalisation, technological progress and demographic change are impacting OECD labour markets, and their implications on skills and social policies, OECD (2019[28]) provides a thorough diagnosis of the challenges, as well as a detailed set of policy options for maximising opportunities to create better jobs for all.

[3] Temporary agency work may fall under permanent or temporary employment. Under permanent employment, a private employment agency sends a worker to perform work for a user firm for a limited duration or for a specific project or task. The worker is a permanent employee of the agency, while there is no employment relationship between the worker and the user firm.

[4] Dependent self-employment may also result from the misclassification of workers. False self-employment refers to a situation where an employer wrongfully treats a worker as self-employed and hides their true status as a wage employee in order to reduce labour costs by avoiding employment regulation, fiscal obligations, and workers' representation. Ensuring the correct classification of workers is therefore a key first step to extend labour and social protection rights to as many workers as possible (OECD, 2019[28]).

[5] Platform workers are typically classified as self-employed workers but may also be classified as employees (Drahokoupil and Piasna, 2019[29]).

[6] The self-employed may not consider their business as their most important source of retirement income, however. In the United Kingdom, only 9% of surveyed self-employed workers plan to sell their business to help fund their retirement (Nest Insight, 2019[18]).

[7] Specific categories of temporary workers are excluded from mandatory pension schemes in only three OECD countries.

[8] https://data.consilium.europa.eu/doc/document/ST-12753-2019-INIT/en/pdf

[9] The earnings threshold in Finland of EUR 58.27 per month is so low that one can consider that this does not discriminate against part-time employees.

[10] A contract may be considered "wholly or principally for labour" if: more than half the value of the contract is for the worker's personal labour and skills; the worker performs the contract work personally; and is paid for hours worked, rather than to achieve a result.

[11] Indeed, the self-employed in Israel value life insurance policies and provident funds more than pension funds for their long-term savings. In addition, non-complying self-employed workers have enjoyed a grace period so far and enforcement of the obligation to pay pension contributions only started in 2020.

[12] However, data from Nest suggest that the self-employed are less likely to opt in voluntarily than employees under the income threshold.

[13] A pooled plan provider (PPP) has to administer these plans as the named fiduciary. PPPs will be subject to audit and examination by the Internal Revenue Service and the Department of Labor.

[14] The federal tax credit is available for up to three years.

[15] Other IRA-based workplace arrangements are available in the United States, such as Simplified Employee Pension (SEP) plans and Savings Incentive Match Plans for Employees (SIMPLE) IRAs. However, they are usually offered to eligible employees only (with criteria linked to age, tenure, and earnings) because the employer is required to contribute.

[16] The purpose of POZ plans is to reduce differences between regular self-employed workers and self-employed managers, as one of the differences between VAPZ and IPT/CPT plans is the limit on contributions in the former but not in the latter.

[17] In France, according to the PACTE Law, plans dedicated to the self-employed (*Madelin* contracts) will be closed from 1 October 2020. New individual retirement savings plan available to any individual as of 1 October 2019 share most of the features of the *Madelin* contract for those joining the plan as self-employed workers.

[18] The SEP plans must generally be offered to all employees who are at least aged 21, have been employed by the employer for 3 of the last 5 years and received a compensation of USD 600 in the latest year.

[19] The FOR only applies to individuals having the fiscal status of entrepreneur, working a minimum number of hours in their company and younger than the state pension age.

[20] A group of independent professionals, an insurer or a pension fund manager can promote such new schemes.

[21] For example, self-employed workers may be mandatorily covered by a profession-wide pension plan that is subject to the same legal requirements as industry-wide pension plans for employees.

[22] At the time of writing this chapter, 60% of municipalities were covered.

[23] The member's monthly contribution varies from INR 55 when entering the scheme at the age of 18 to INR 200 when entering the scheme at the age of 40.

[24] Platform usage among self-employed workers responding to a face-to-face interview (rather than online) was significantly lower, with 47% not using any digital platform.

[25] Trials to test the role of an intervention to facilitate savings via invoicing or payment systems are in development and aiming for launch in mid-2020 (Department for Work and Pensions, 2018[27]).

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