

# The Future of Work



## Background

The nature of work is changing. Technology, digital platforms, and the growing desire for self-employment are leading workers to increasingly find jobs outside of traditional 9-to-5 employment. Whether earning a living as a self-employed lawyer or physician, freelance journalist, or driver for an online platform, many workers are enjoying the flexibility that careers in the modern workforce offer. 77% of independent workers are happier working independently than as a traditional employee.<sup>1</sup> Independent workers are becoming an increasingly important part of the economy and comprise approximately 27% of the U.S. labor force. The number is only growing: By 2050, self-employment could make up 50% of the workforce.<sup>2</sup>

## Labor and Benefits Policies Do Not Meet the Needs of the Current Workforce

While independent workers enjoy the flexibility of the modern workforce, they may experience difficulties managing their finances and navigating the often confusing benefits space. Independent workers may also face additional costs and compliance burdens when trying to obtain benefits typically provided by employers. For decades, Americans have relied on their employer for important benefits like retirement savings options and health care. Independent workers are left behind in this employer-sponsored benefit model and experience difficulties in the following areas:

- **Managing Finances:** Unlike employees at traditional companies, independent workers cannot rely on biweekly paychecks from their employer. Rather, they earn fragmented income from various jobs throughout the year and must strategically plan their finances around fluctuating incomes. This makes it difficult for these workers to sustain an emergency fund or reach other savings goals.
- **Saving For Retirement:** Independent workers are benefitting from rising incomes, yet struggle to save for retirement since they do not use automatic savings features or receive matching contributions from an employer. 28% percent of full-time independent workers earn more than \$75,000 per year, but 40% of them are not saving for retirement. Additionally, in 2015 only 8% of independent workers were able to contribute to a retirement account, compared to 45% of traditional employees with an employer-sponsored retirement plan.<sup>3</sup>
- **Taxes:** Unlike employers who pay taxes automatically through biweekly payroll, independent workers face burdensome quarterly tax obligations. 31% of independent workers find managing taxes challenging.<sup>4</sup>
- **Health care:** Independent workers struggle to obtain affordable health care coverage in the high-cost individual insurance market, whereas traditional employees are typically covered by an employer-sponsored health plan where the employer pays a significant percentage of premiums. 57% of independent workers say finding access to affordable health care is challenging, with 38% saying it's the most challenging part of working independently.<sup>5</sup>

As independent workers become a staple in the economy, they should not be forced to forfeit financial security for the opportunity of self-employment. These workers need more accessible benefits models that are not tied to a single employer. Without policy changes, independent workers will continue to experience difficulties managing their finances and saving for retirement. Together with the private sector, policymakers should be supporting a system that empowers all workers and encourages innovation and entrepreneurship as the workforce continues to evolve.

<sup>1</sup> MBO Partners, State of Independence in America report, 2017.

<sup>2</sup> McKinsey Global Institute, 2016: "Choice, Necessity and the Gig Economy."

<sup>3</sup> US Department of Treasury Office of Tax Analysis, Working Paper, "The Rise of Alternative Work Arrangements: Evidence and Implications for Tax Filing and Benefits Coverage," 2017.

<sup>4</sup> Fidelity Business Consulting, Nov/Dec 2016 Survey of Independent workers

<sup>5</sup> Ibid



## Changing Policy to Serve the Future Workforce

Fidelity urges policymakers address the future of work and the need for accessible and flexible benefits solutions. The current system is not sustainable and does not adequately support the needs of independent workers. Policies should be updated to reflect the traditional and modern workforce. Two important changes that policymakers should support are creating a portable benefits system and a new worker classification.

### ***Portable Benefits***

Policymakers should be working toward enabling a private system of portable benefits. Portable benefits could be provided outside of a traditional employment relationship, and workers would own their benefits and take them from job to job. Working with benefit providers, independent worker groups, and others, policymakers can develop federal policies that support public and private sector efforts to create streamlined portable benefits policy. The system should enable workers to facilitate compensation, taxes, health insurance, and retirement savings, but could be expanded to cover optional types of insurance.

Fidelity supports open multiple employer plans (MEPs)/Association Retirement Plans (ARPs) for retirement coverage. A MEP allows small business or gig workers to band together to achieve better pricing and reduce their administrative and fiduciary burden. Additionally, Fidelity supports alternative options for affordable health care and safety net programs. A portable benefits system would improve financial security for independent workers and could help both traditional and modern workforces to more easily

### ***Worker Classification***

Currently the federal government recognizes only two classifications of worker, "employee" and "independent contractor". These classifications are too broad and do not appropriately represent the needs, protections, and flexibility of independent workers. Workers classified as independent are ineligible for a number of benefits to which workers classified as employees are entitled. Policymakers should work to establish a new classification that will allow independent workers to access savings and benefits opportunities similar to those offered to their counterparts classified as employees.

## Fidelity Strives to Serve the Independent Workforce

Fidelity acknowledges the changing nature of work and is focused on developing solutions for the growing demographic of independent workers. We continually monitor policymakers' and regulators' initiatives around the future of work and efforts to create a new federal classification for independent workers. We encourage policymakers to address the future of work and the need for accessible and flexible benefits solutions that reside with the individual. As an employer with competitive employer-sponsored plans, we recognize the value quality that affordable benefits provide workers and their families. Fidelity is exploring health care policy changes that would be more affordable than the independent market, including allowing independent workers to band together to access the large market by tapping into economies of scale.

Fidelity also hears directly from independent workers and builds private sector solutions to help resolve the unique challenges of this workforce. Thousands of independent workers participated in qualitative and quantitative research that led to the creation of bSolo, incubated in Fidelity Labs, a recently launched a tax compliance product aimed at bridging the gap between independent workers, their tax obligations, and long term savings. The pilot automates savings and makes quarterly tax payments for independent workers based on their estimated income streams. The product simplifies independent workers' burdensome tax requirements.



Fidelity continues to learn more about the needs of and opportunities to serve this growing workforce and share our work via partnerships with national, non-partisan research groups. Most recently, Fidelity is partnering with the [Aspen Institute](#), a Washington-based think tank that publishes research and advocates for portable benefits solutions, hosting events focused on sharing the unique financial situation of independent workers and collaborating on research into tax simplification solutions for workers. We look forward to continuing to study best routes for improving benefits for all workers.

We will continue to advocate for policy changes that will benefit the independent workforce. Learn more about Fidelity's policy and advocacy efforts at <https://www.fidelity.com/about-fidelity/public-policy>

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