Creating a New Retirement System in the Gig Economy

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As an increasing number of workers continue to join the gig economy, it is increasingly imperative for lawmakers and regulators to create a new retirement system that allows for freelancers and individuals working for multiple businesses to easily save for retirement. Although the American workforce is changing, the traditional retirement system does not yet present an option for the changing workforce. Gig workers are currently not entitled to enjoy a traditional employer-based retirement plan because such plan are only permitted to cover employees and not independent contractors.

The gig economy may not be able to reach its full potential without a private retirement system to address the needs of gig workers and ensure there are viable options available to allow workers to save for a secure retirement. And this is not a problem that appears likely to go away anytime soon. Intuit estimates that, while gig workers represent 34 percent of the current workforce, this number will grow to 43 percent by 2020.

Congress is attempting to address this issue by seeking to create a retirement system for gig workers via The Retirement Enhancement and Savings Act (RESA). Through this proposed legislation, a greater number of gig workers would have access to employer-sponsored retirement plans to help them save for their retirement.

The bill was passed on a bipartisan, unanimous basis by the Senate Finance Committee in 2016 and was re-introduced in the Senate in early March 2018. Additionally, a House version of the bill was also introduced in March and currently has bipartisan support.

RESA, if passed, would allow workers who may not currently be able to contribute to an employer-sponsored retirement plan to save for retirement. RESA creates incentives for small employers who do not sponsor their own retirement plans to join a multi-employer plan or "MEP." The creation of MEPs would allow smaller employers to share the costs associated with the administration of a retirement plan. Gig workers, via their sole proprietorships, could elect to join an open MEP. This would allow for gig workers to make 401(k) contributions to their own retirement plans and for businesses to make matching contributions.

Businesses that operate in the gig world should monitor the progress of RESA as it may create new opportunities to create incentives to recruit highly skilled freelancers. RESA would also make joining the gig economy more attractive to skilled workers who may be hesitant to leave their jobs joining the gig economy more attractive to skilled workers who may be hesitant to leave their jobs that provide access to an employer sponsored retirement plan. It is estimated that 10,000 Americans will turn 65 each day this year. If given the opportunity to create MEPs, businesses will be able to attract skilled experienced workers who are no longer interested in working full-time but may be interested in running their own businesses, choosing when to work, and carefully selecting which projects to accept.

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