



# Repairing the Damaged Nest Egg: How to Improve the Retirement Outlook of the Unemployed & Underemployed

14th Annual Transamerica Retirement Survey  
August 2013

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# About the Transamerica Center for Retirement Studies®

- The Transamerica Center for Retirement Studies® (TCRS) is a division of Transamerica Institute™ (The Institute), nonprofit, private foundation. TCRS is dedicated to educating the public on emerging trends surrounding retirement security in the United States. Its research emphasizes employer-sponsored retirement plans, including companies and their employees, unemployed and underemployed workers, and the implications of legislative and regulatory changes.
- The Institute is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties. For more information about TCRS, please refer to [www.transamericacenter.org](http://www.transamericacenter.org).
- TCRS and its representatives cannot give ERISA, tax, investment or legal advice. This material is provided for informational purposes only and should not be construed as ERISA, tax, investment or legal advice. Interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here.
- Although care has been taken in preparing this material and presenting it accurately, TCRS disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

# About the Survey

- Since 1998, the Transamerica Center for Retirement Studies® has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public.
- Harris Interactive was commissioned to conduct the 14th Annual Retirement Survey for Transamerica Center for Retirement Studies. Transamerica Center for Retirement Studies is not affiliated with Harris Interactive.
- This is the third year the study has assessed the retirement outlook among those who are unemployed or underemployed.
- The results yield valuable insights on how un/underemployed workers can better prepare for retirement as well as recommendations for the retirement services industry, media, employers/plan sponsors, and policymakers to work with the un/underemployed.

# About the Author

**Catherine Collinson** serves as President of the Transamerica Center for Retirement Studies®, and is a retirement and market trends expert and champion for Americans who are at risk of not achieving a financially secure retirement. Catherine oversees all research and outreach initiatives, including the Annual Transamerica Retirement Survey.

With over 15 years of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small business, which featured the need to raise awareness of the Saver's Credit among those who would benefit most from the important tax credit. Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: The Wall Street Journal, U.S. News & World Report, USA Today, Money, The New York Times, The Huffington Post, Kiplinger's, CBS MoneyWatch, Los Angeles Times, Chicago Tribune, Employee Benefits News and HR Magazine. She has also appeared on PBS' "Nightly Business Report," NPR's "Marketplace" and CBS affiliates throughout the country. Catherine speaks at major industry conferences each year, having appeared at events hosted by organizations including PSCA, LIMRA and PLANSPONSOR. She also authors articles published in leading industry journals, such as ASPPA, SPARK and PSCA.

Catherine also serves as the President of the Transamerica Institute™. She is currently employed by Transamerica Retirement Solutions Corporation and as Senior Vice President of Strategic Planning. Since joining the organization in 1995, she has been instrumental in identifying and evaluating short- and long-term strategic growth initiatives, developing business plans and building infrastructure to support the company's high-growth strategy.

# Methodology

- A 10-minute online survey was conducted between March 5 – 19, 2013 among a nationally representative sample of 610 unemployed (n=289) or underemployed (n=321) people using the Harris Interactive online panel. Respondents met the following criteria:
  - U.S. residents, age 18 or older.
  - People who were previously fully employed in a for-profit company employing 10 or more people and are currently unemployed or underemployed.
- Data were weighted as follows:
  - To ensure that each quota group is a representative sample based on the length of time people were unemployed or underemployed.
  - To account for differences between the population available via the Internet versus by telephone.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding. Significance is tested at a 95% confidence level. No estimates of theoretical sampling error can be calculated.
- This report focuses on unemployed and underemployed populations combined.
- See appendix for additional demographic information of the sample.

# Terminology

*This report uses the following terminology:*

- *Unemployed* includes:
  - Unemployed but looking for work
  - Unemployed and not looking for work because unable to find work
  - Retired and not looking for work because unable to find work
- *Underemployed* includes:
  - Working part-time, only because unable to find full-time employment
  - Working full-time, but self reporting that he or she considers himself or herself underemployed
- *Un/Underemployed* includes:
  - Unemployed as defined above
  - Underemployed as defined above
- *Married*: Married or in a civil union or domestic partnership
- *Single*: Single, never married or divorced/widowed/separated
- *HS or some college education*: Age 25+ and a high school graduate, some college education or trade school
- *College grad or more*: Age 25+ and a college graduate, some graduate school or graduate degree

# Foreword

Amid signs of economic recovery from what is commonly referred to as the Great Recession, the unemployment rate has fallen from its highest level of 9.6 percent in 2010 to 7.4 percent in July 2013. Forecasts indicate the employment market should continue to improve.

Yet the fact remains that as of July 31, 2013, the U.S. Bureau of Labor Statistics reported that 22.1 million Americans or 14.2 percent of the workforce are unemployed or underemployed including:

- 11.5 million who were unemployed
- 8.2 million who were working part-time for economic reasons (e.g., hours cut, unable to find full-time work)
- 2.4 million who were marginally attached to the labor force (i.e., not in the labor force but wanted and were available for work and had looked for a job sometime in the prior 12 months)

Another dimension of the unemployment story is the Labor Force Participation Rate (LFPR) which is defined as the percentage of working age Americans who are considered to be part of the workforce. The LFPR has declined from 64.7 percent in 2010 and 63.4 percent as of July 31, 2013. Correspondingly, the number of adult Americans defined as “not in labor force” has increased from 83.9 million in 2010 to 90.0 million as of July 31, 2013. Economists and experts have attributed this drop in the LFPR to reasons including discouraged job seekers dropping out of the workforce altogether and the aging of the population (i.e., Baby Boomers retiring).

Whether unemployed, underemployed, or recently reemployed, tens of millions of Americans are in need of repairing and rebuilding their retirement savings.

The 14th Annual Transamerica Retirement Survey conducted a survey among 610 displaced American workers who are either unemployed or underemployed (e.g., accepting a job requiring lesser skills and/or pay to generate income) to assess the current state of their retirement savings and identify ways to help them increase their retirement readiness.



# Key Highlights

*Repairing the Damaged Nest Egg: How to Improve the Retirement Outlook of the Unemployed and Underemployed*, as part of the 14<sup>th</sup> Annual Transamerica Retirement Survey, assesses the retirement readiness of the unemployed and underemployed and identifies opportunities to help improve their retirement outlook.

## A Portrait of the Unemployed and Underemployed

In 2013, the survey found the unemployed (54 percent) outnumber the underemployed (46 percent) among those who have been displaced for less than a year. For those displaced for more than a year, the underemployed (59 percent) outnumber the unemployed (41 percent). Alarming, nearly one in five (19 percent) who have been unemployed for more than one year indicated they had either dropped out of the workforce completely or retired early because they were unable to find work.

Displaced workers over the age of 40 have been hit particularly hard and represent nearly two-thirds (64 percent) of the un/underemployed. Worse, most have been un/underemployed for more than a year. A closer examination of the data reveals that those in their:

- Forties are more likely to be underemployed (57 percent) than unemployed (43 percent)
- Fifties are more likely to be unemployed (57 percent) than underemployed (43 percent)
- Sixties are at risk of being forced into retirement sooner than expected. Seventy-seven percent of them are unemployed and 76 percent have been un/underemployed for a year or more

Displaced workers in their Twenties and Thirties are more likely to be underemployed (74 percent) than unemployed (26 percent). Their greatest challenge is to find more meaningful employment so they can start building their retirement savings as soon as possible.

Among the un/underemployed, those with only a high school education or some college (60 percent) greatly outnumber those with a college degree (34 percent).

# Key Highlights

## The Damaged Nest Egg: Un/Underemployment Results in Withdrawals from Retirement Funds

A sizeable majority of the un/underemployed (62 percent) are not too/not at all confident that they will be able to retire comfortably. The lack of confidence is more pronounced among those who have been un/underemployed for a year or more (68 percent).

Un/underemployment often results in withdrawals from retirement accounts or “leakage.” Fifty-nine percent of the un/underemployed reported having retirement savings account(s). When asked about sources of funds used since becoming un/underemployed, more than one-third (36 percent) said that they have taken a withdrawal from their account(s), including:

- Thirty-five percent of the unemployed; 36 percent of the underemployed
- Twenty-three percent who have been un/underemployed less than one year; 42 percent who have been un/underemployed for a year or more

Moreover, among those who participated in a 401(k) or similar plan at their most recent employer, many (43 percent) have taken withdrawal, including:

- Fifty-three percent of the unemployed; 38 percent of the underemployed
- Thirty-five percent who have been un/underemployed for less than a year; 47 percent of have been un/underemployed for a year or more

In both scenarios, those who have been un/underemployed for a year or more are more likely to have taken a withdrawal, which further illustrates the negative effects of the passage of time.

Notably, this leakage from retirement accounts was more likely out of necessity versus a lack of awareness of the consequences: 80 percent of those with a retirement account said they were familiar with the taxes and penalties associated with taking an early withdrawal.

Other frequently cited sources of funds used by all un/underemployed include: personal savings (55 percent), unemployment benefits (43 percent), and credit cards (36 percent).

# Key Highlights

## A Retirement Savings Snapshot of the Unemployed and Underemployed

Among the un/underemployed workers, including those with or without retirement accounts of their own, the estimated median household savings in retirement accounts was approximately \$7,500, which breaks down as follows:

- \$5,800 among those in their Twenties/Thirties
- \$1,900 among those in their Forties (Note: Compared to other ages, respondents in their Forties reported the highest retirement account withdrawal activity.)
- \$16,400 among those in their Fifties
- \$93,000 among those in their Sixties

Un/underemployed workers who have a college education are far more likely to have larger retirement savings. The estimated median household savings in retirement accounts among those with a college degree was \$60,300 compared to only \$3,300 among those with a high school diploma or some college.

## Future Employment Opportunities and the Risk of Overlooking Retirement Benefits

Many of the un/underemployed may be overlooking the importance of retirement benefits when seeking out employment opportunities, which puts them at a disadvantage in terms of rebuilding their retirement savings. The majority of the un/underemployed job seekers (56 percent) said competitive pay is one of their top three most important job characteristics, followed by company stability (33 percent) and a convenient commute (31 percent). Only 17 percent cited generous retirement benefits.

When facing two hypothetical job offers, the majority of unemployed (52 percent) prefer a job with a higher salary versus excellent retirement benefits (48 percent). The underemployed are even more likely to prefer a higher salary (57 percent) versus excellent retirement benefits (43 percent).

\* Median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

# Key Highlights

## Repairing the Damaged Nest Egg: A Starting Point

While the economy is recovering and the job market is improving, gaining full-time employment continues to be quite difficult especially for those who have been unemployed for more than a year. The survey results show that being underemployed, while searching for the right job opportunity, can offer advantages over being unemployed, such as income, healthcare benefits, additional experience, as well as less dependence on credit cards or withdrawals from retirement accounts.

The following actions can help the unemployed and underemployed keep a positive outlook and prepare for retirement:

- Budget carefully. Identify ways to reduce or share the burden of living expenses. Move to a home that offers a lower rent or mortgage, or consider temporarily moving in with family.
- Look for new opportunities as early as possible, even if it means underemployment, to avoid the negative effects of time out of work.
- Take on a part-time job to help cover expenses while seeking full-time employment, which may alleviate the need to take on debt or pull from savings. Although it may not be the ideal career path, it will help bridge the gap between unemployment and gainful, full-time employment.
- Seek opportunities to update and improve professional skills to match the needs of potential employers. Look for free or affordable classes and trainings at local educational centers or community colleges. Pursue a practical area of interest that can help build on-the-job skills.
- Consider retirement benefits packages in addition to salary when evaluating new job opportunities.

When evaluating job offers, it is important to consider retirement benefits as part of the overall compensation package. The majority of the un/underemployed prefer a job with higher pay but poor retirement benefits. In making this trade-off, they are placing a higher priority on immediate financial goals but risk overlooking retirement benefits which can be a meaningful part of their compensation package that can help them build a more secure long-term financial future.

Once reemployed, start saving for retirement as soon as possible.

# Key Highlights

## How to Improve the Retirement Outlook of the Unemployed and Underemployed

Employers, along with their retirement plan advisors and providers, can help their employees by:

- Providing counseling and transition assistance to employees who are laid off to educate them on ways to avoid taking early withdrawals from retirement accounts
- Discouraging plan participants from taking loans and early withdrawals from their retirement accounts
- Offering competitive retirement benefits – and encouraging plan participation by adopting automatic enrollment and automatic escalation to facilitate workers’ rebuilding their savings as soon as possible

Policymakers should consider:

- Extending the 401(k) loan repayment period for terminated plan participants and exploring incentives for individuals to not withdraw retirement funds during periods of un/underemployment
- Pursuing legislative and regulatory initiatives to expand retirement plan coverage for workers including:
  - Expanding the tax credit for employers to start a plan
  - Facilitating the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans
  - Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing
- Implementing reforms to automatic features to increase employer adoption rates as well as plan participation and contribution rates

From a public policy perspective, it is important to recognize that our current retirement system is largely predicated on the assumption that workers have access to meaningful employment and that they are in a position to save and successfully self-fund a substantial portion of their retirement. In this structure, any setbacks in employment and retirement saving by un/underemployed workers, unless overcome, may lead to future generations of unprepared seniors running out of savings, adding further pressure on Social Security, Medicare, Medicaid and other social services programs for the elderly and needy.

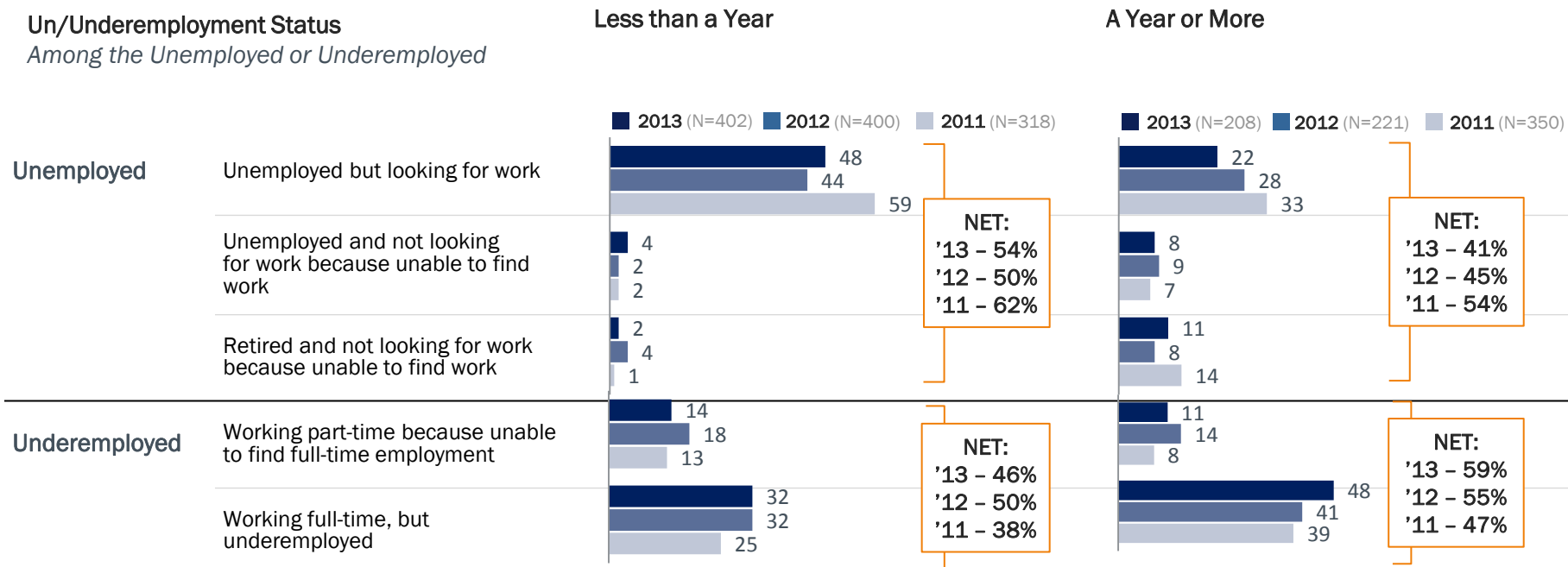
Please see page 34 for a full set of public policy recommendations.

*Repairing the Damaged Nest Egg:  
How to Improve the Retirement Outlook of the  
Unemployed & Underemployed*

*Detailed Findings*

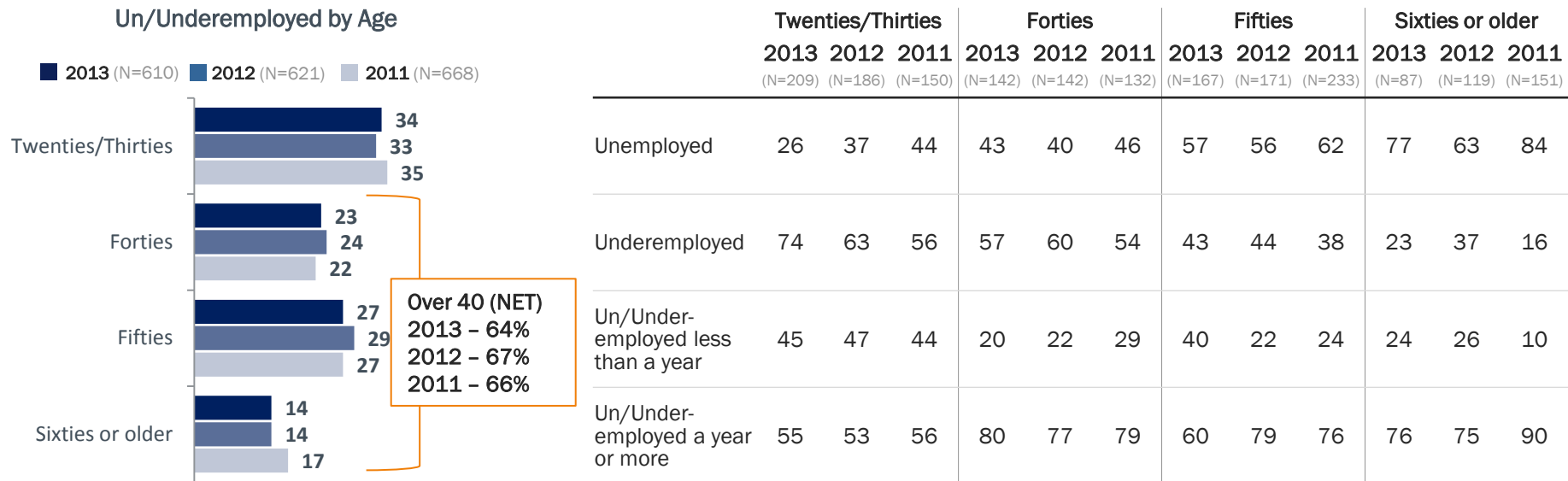
# Negative Effects of the Passage of Time Out of Work

In 2013, the unemployed (54 percent) outnumber the underemployed (46 percent) for those who have been displaced for less than a year. For those un/underemployed for more than a year, the underemployed (59 percent) outnumber the unemployed (41 percent). This passage of time suggests that many unemployed became underemployed because they could not find employment commensurate with their skills and experience. Alarming, nearly one in five (19 percent) who have been unemployed for more than one year indicated they had dropped out of the workforce or retired because they were unable to find work.



# A Portrait of the Unemployed and Underemployed

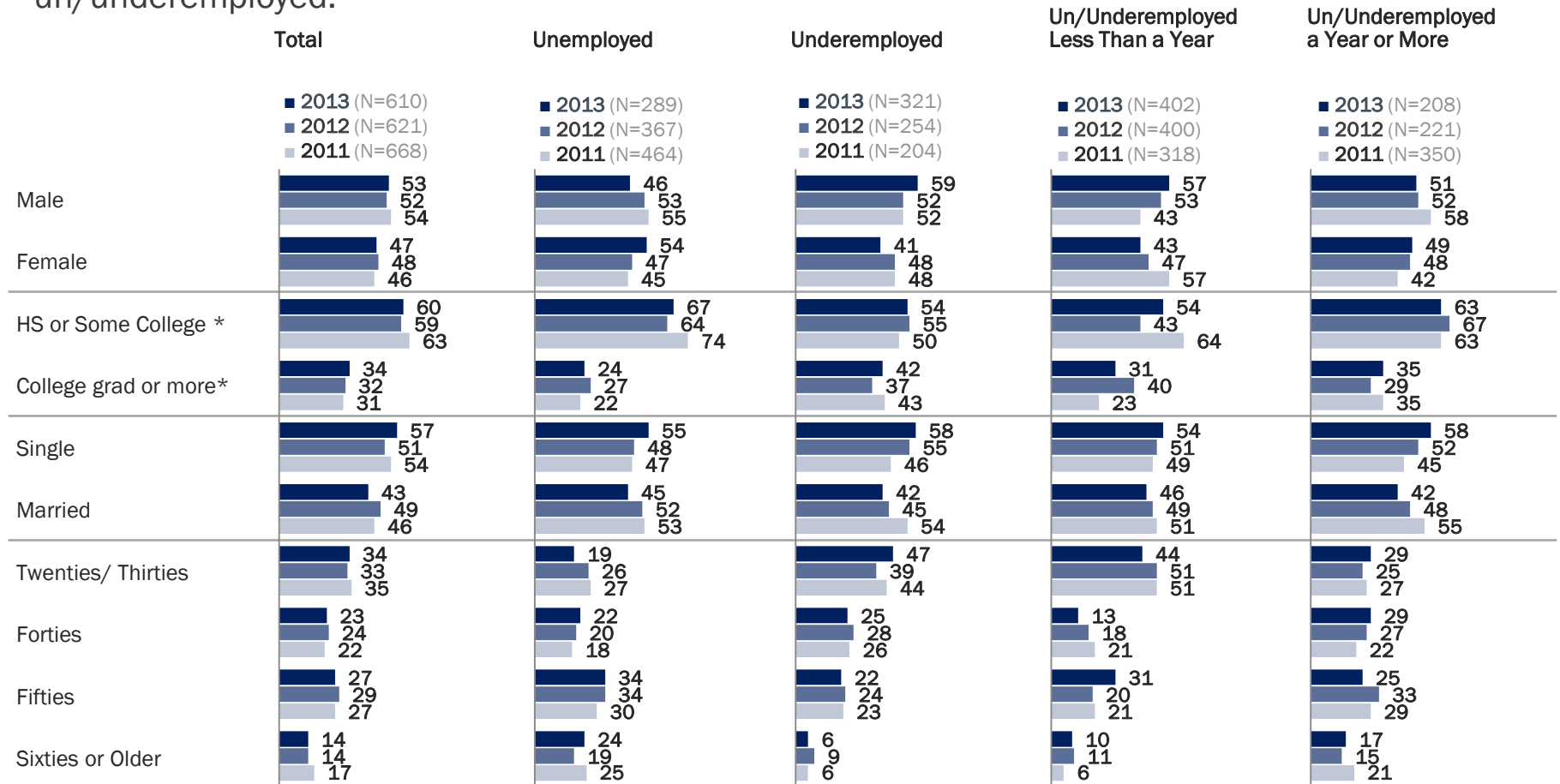
Workers over the age of 40 have been particularly hard hit and represent nearly two-thirds (64 percent) of those who are un/underemployed. Even more challenging for them, most have been un/underemployed for more than a year. Of note, those in their Forties are more likely to be underemployed (57 percent) than unemployed (43 percent). However, those in their Fifties are more likely to be unemployed (57 percent) than underemployed. Worse, those in their Sixties are at risk of being forced into retirement sooner than expected. Seventy-seven percent are unemployed and 76 percent have been un/underemployed for a year or more. Younger workers in their Twenties and Thirties are more likely to be underemployed (74 percent) than unemployed (26 percent). Their greatest challenge is to find more meaningful employment so they can start saving as much as possible for retirement as soon as possible.





# A Portrait of the Un/Underemployed

Those with only a high school diploma or some college education (60 percent) greatly outnumber college graduates (34 percent) among the un/underemployed. Additionally, singles (57 percent) and men (53 percent) are a somewhat higher proportion of the un/underemployed.

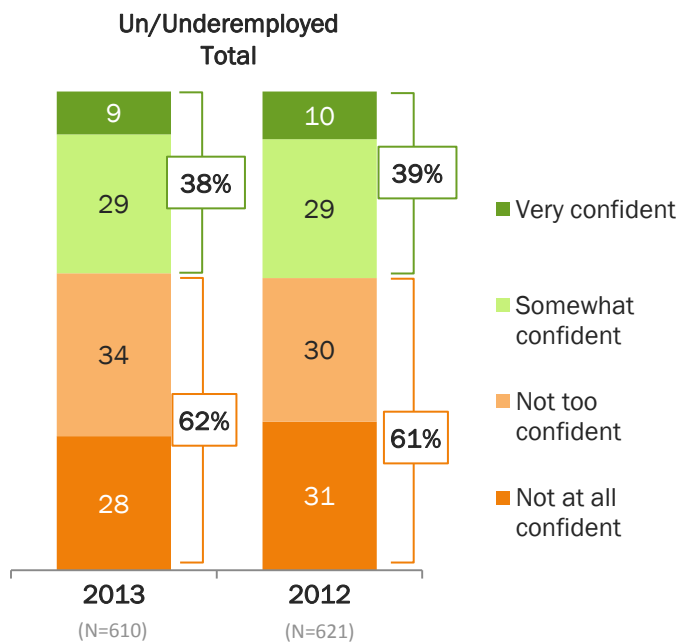


\*among respondents who are 25 years old or older  
 BASE: Unemployed or Underemployed

# Low Confidence in Ability to Retire Comfortably

Only 38 percent of the un/underemployed are somewhat/very confident that they will be able to retire comfortably. The majority (62 percent) are not too/not at all confident. Only nine percent of the un/underemployed are very confident. Confidence is lowest for those who have been un/underemployed for more than a year. As a point of comparison, TCRS found that 55 percent of employed workers are somewhat/very confident in its [survey of workers](#).

Level of Confidence Will Be Able to Fully Retire in a Comfortable Lifestyle (%)



	Unemployed		Under-employed		Un/Under-employed Less Than a Year		Un/Under-employed a Year or More	
	2013 (N=289)	2012 (N=367)	2013 (N=321)	2012 (N=254)	2013 (N=402)	2012 (N=400)	2013 (N=208)	2012 (N=221)
<b>Very/Somewhat confident (Net)</b>	<b>40</b>	<b>39</b>	<b>37</b>	<b>39</b>	<b>48</b>	<b>50</b>	<b>32</b>	<b>34</b>
Very confident	9	8	9	11	10	14	9	7
Somewhat confident	30	31	28	28	39	36	24	27
<b>Not too/Not at all confident (Net)</b>	<b>60</b>	<b>61</b>	<b>63</b>	<b>61</b>	<b>52</b>	<b>50</b>	<b>68</b>	<b>66</b>
Not too confident	31	29	36	31	33	31	34	30
Not at all confident	29	32	27	30	18	19	33	36

BASE: Unemployed or Underemployed  
Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?

# Leakage: Sources of Funds Include Retirement Accounts

Among the 59 percent who reported having a retirement savings account(s), more than one third (36 percent) said that they have taken a withdrawal from their account(s) when asked what funds they have been using since becoming un/underemployed. The response rate was highest among those in their Forties (55 percent). Other sources of funds cited among all respondents include personal savings (55 percent), unemployment benefits (43 percent), credit cards (36 percent), and income from a spouse or significant other (28 percent).

	2013 (N=610)			2012 (N=621)			2011 (N=668)			Unemployed			Under-employed			Un/Under-employed Less Than a Year			Un/Under-employed a Year or More		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Savings	55	51	50	50	45	49	58	56	51	59	51	52	52	51	49						
Unemployment benefits	43	37	50	51	42	61	37	33	36	46	45	48	42	34	50						
Credit cards	36	31	32	30	16	27	41	44	38	34	28	23	37	32	36						
Significant other's or spouse's income	28	32	32	35	37	35	22	28	28	28	34	30	28	31	33						
Withdrawal from a retirement account such as a 401(k), 403(b) or IRA*	36	35	28	35	37	35	36	33	21	23	30	16	42	37	32						
Loan from a friend or family member	20	24	19	17	20	16	23	26	23	16	25	16	23	23	20						
Severance pay	16	13	20	18	15	25	14	11	14	14	13	15	17	13	22						
Loan from a bank including home equity loan	9	5	5	8	3	3	11	8	7	5	4	2	12	6	6						
Social Security/Government Programs	6	8	5	11	14	9	1	3	1	4	4	4	7	10	6						

Note: Responses less than 5% are not shown.

\* Percentage reflects only those who reported having a retirement account of any kind

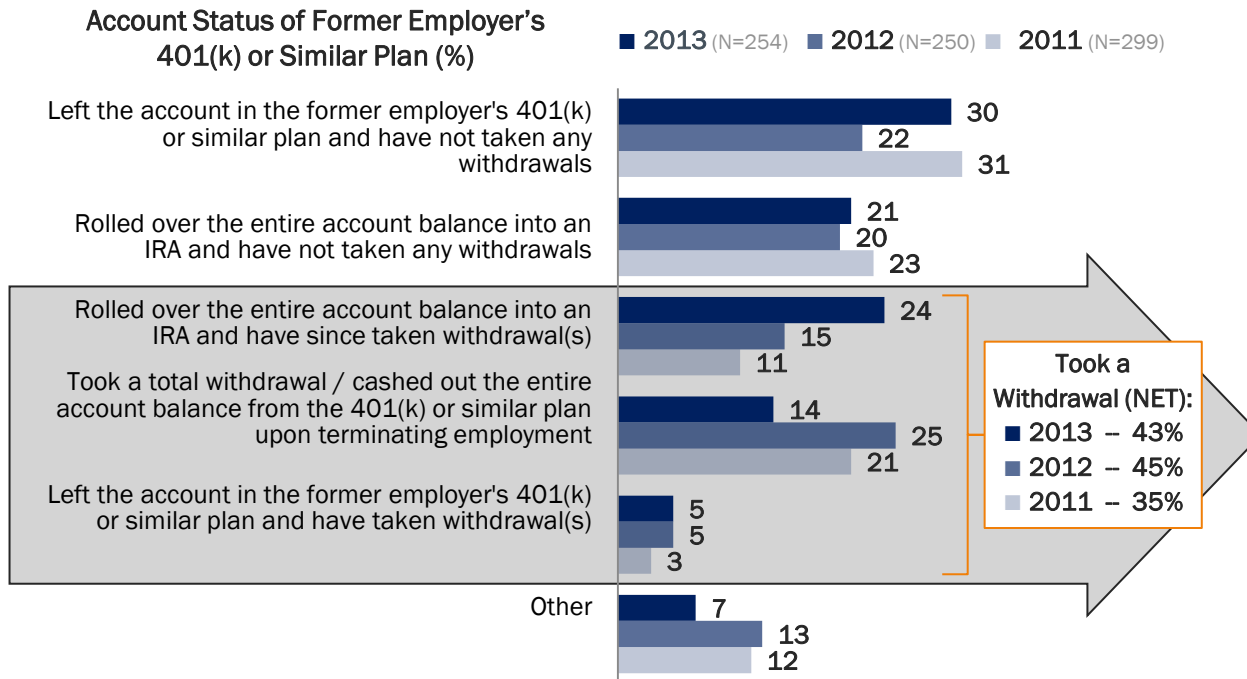
BASE: Unemployed or Underemployed

Q2130. Which of the following sources of funds have you used during the time you have been unemployed, retired, or employed less than full-time?

Select all that apply.

# Leakage: Prior Employer's 401(k) or Similar Plan Account

In 2013, among those who had a 401(k) or similar plan at their most recent employer, 43 percent of the un/underemployed have taken a cash withdrawal from their account. More than half of the unemployed (53 percent) and 38 percent of the underemployed have taken withdrawals, with those un/underemployed for more than a year more likely to do this. Single people (44 percent) are slightly more likely than married people (41 percent) to have taken a withdrawal.



**Took a Withdrawal from Previous Employer's Self-funded Plan (%)**

	2013	2012	2011
Unemployed	(N=100) 53	(N=128) 63	(N=208) 42
Underemployed	(N=154) 38	(N=122) 34	(N=91) 28
Un/Under-employed Less Than a Year	(N=166) 35	(N=158) 42	(N=123) 20
Un/Under-employed a Year or More	(N=88) 47	(N=92) 46	(N=176) 39
Single	(N=112) 44	(N=109) 47	(N=124) 41
Married	(N=142) 41	(N=141) 44	(N=175) 28

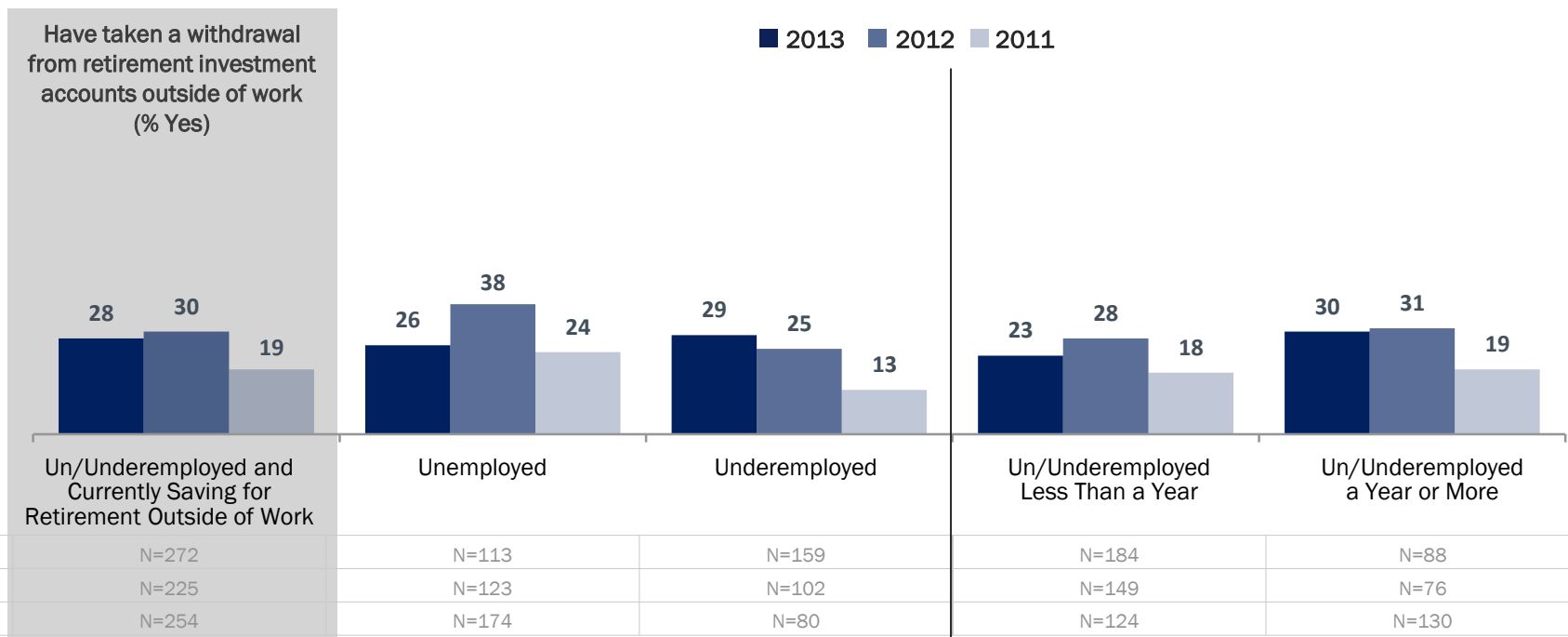
BASE: Those Who Participated in Their Previous Employer's Self-funded Plan

Q2140. What have you done with your account in your former employer's 401(k) or similar retirement savings plan since you left your most recent job?

# Leakage: Other Retirement Accounts

In 2013, among the 46 percent who have retirement savings accounts apart from their most recent employer, nearly three in ten (28 percent) have taken a withdrawal. The percentage is higher among those who have been un/underemployed for more than a year (30 percent) compared to those less than a year (23 percent). (See page 41 for details about their accounts).

Have taken a withdrawal from a retirement investment accounts outside of work (%)



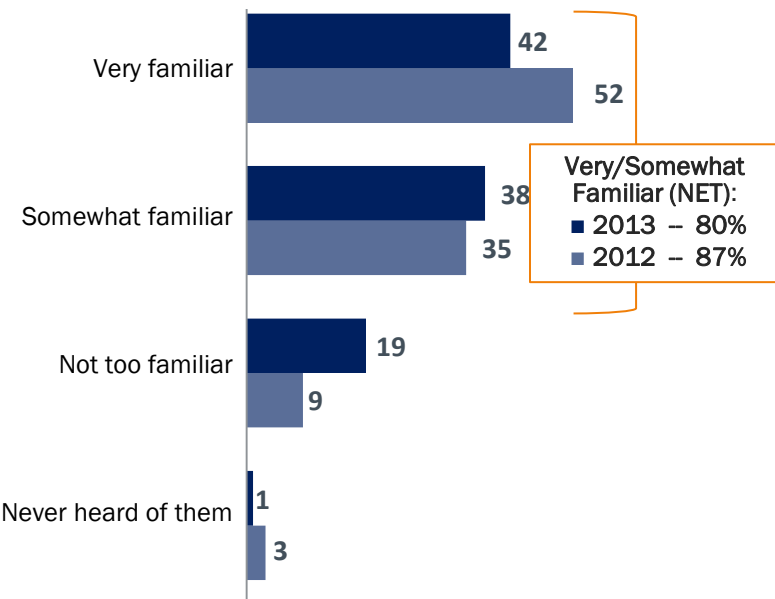
# Most Are Familiar with Taxes & Penalties for Early Withdrawals

Of the un/underemployed who have a retirement account, 80 percent are at least somewhat familiar with the taxes and penalties incurred when taking an early withdrawal from that account.

Level of Familiarity with the Taxes and Penalties That May Apply When Taking an Early Withdrawal (%)

## Un/Underemployed with a Retirement Plan

■ 2013 (N=349) ■ 2012 (N=341)



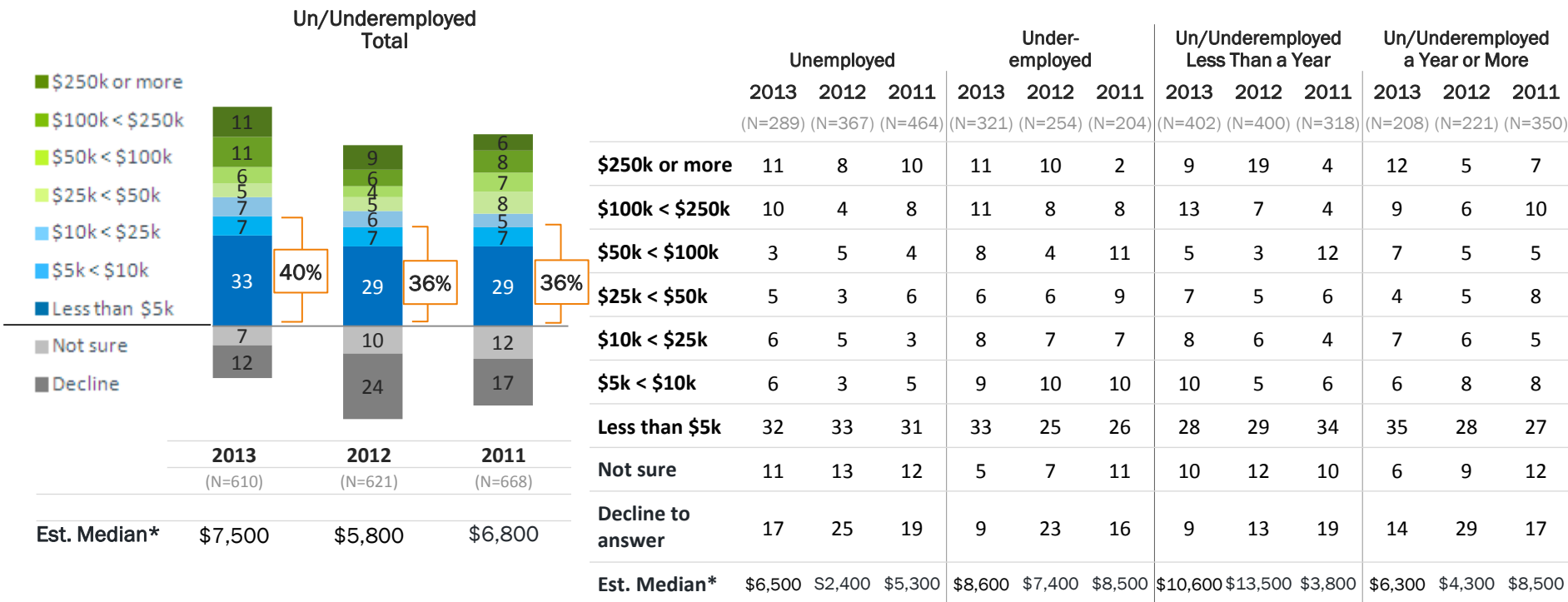
	Unemployed		Under-employed		Un/Under-employed Less Than a Year		Un/Under-employed a Year or More	
	2013 (N=146)	2012 (N=182)	2013 (N=203)	2012 (N=159)	2013 (N=228)	2012 (N=219)	2013 (N=121)	2012 (N=122)
<b>Very/Somewhat familiar (NET)</b>	<b>91</b>	<b>90</b>	<b>74</b>	<b>86</b>	<b>81</b>	<b>85</b>	<b>79</b>	<b>89</b>
Very familiar	53	53	36	51	44	53	41	52
Somewhat familiar	38	37	38	34	37	32	38	37
Not too familiar	9	5	24	11	17	12	20	8
Never heard of them	<1	4	2	3	1	3	2	4

BASE: Unemployed or Underemployed with an Employee-funded Retirement Plan (such as a 401(k) or similar plan) from most recent employer where they were fully employed or IRA, Roth IRA or Rollover IRA Q2156. How familiar are you with the taxes and penalties that may apply when taking an early withdrawal prior to age 59 ½ from a retirement account (e.g., 401(k) or similar plan, IRA)?

# Total Household Retirement Savings

In 2013, the estimated median total household retirement savings among the un/underemployed is \$7,500. The unemployed reported an estimated median total household retirement savings of \$6,500 while the underemployed have saved \$8,600. Forty percent of the un/underemployed have saved less than \$10,000 in total household retirement accounts.

## Total Household Retirement Savings (%)



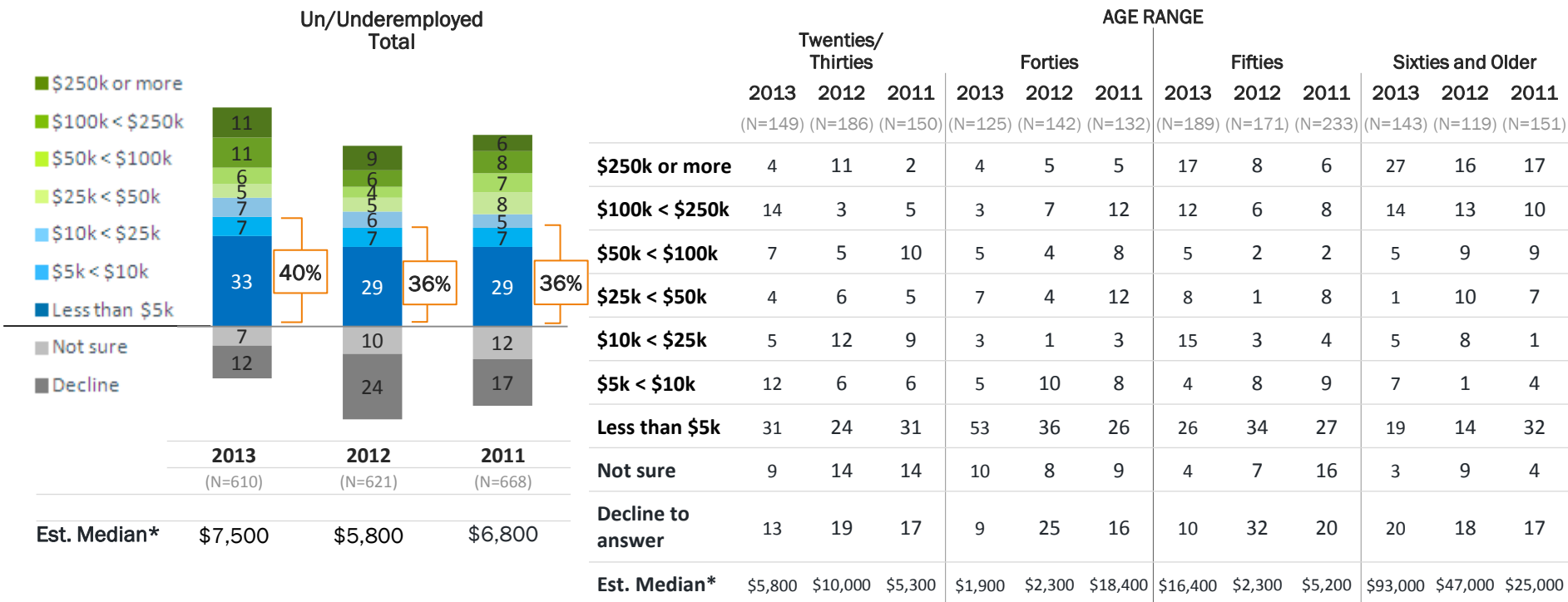
\* Median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

BASE: Unemployed or Underemployed Q1300. Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.

# Total Household Savings for Retirement by Age Range

The estimated median household savings in all retirement accounts among those in their Forties is only \$1,900 and fifty-eight percent of them have saved less than \$10,000. It's important to note that those in their Forties are more likely than other age ranges to have taken withdrawals from their retirement accounts. Savings rates are higher for those in their Fifties (\$16,400 estimated median) and highest for those in their Sixties (\$93,000 estimated median).

## Total Household Retirement Savings (%)



\* Median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

BASE: Unemployed or Underemployed

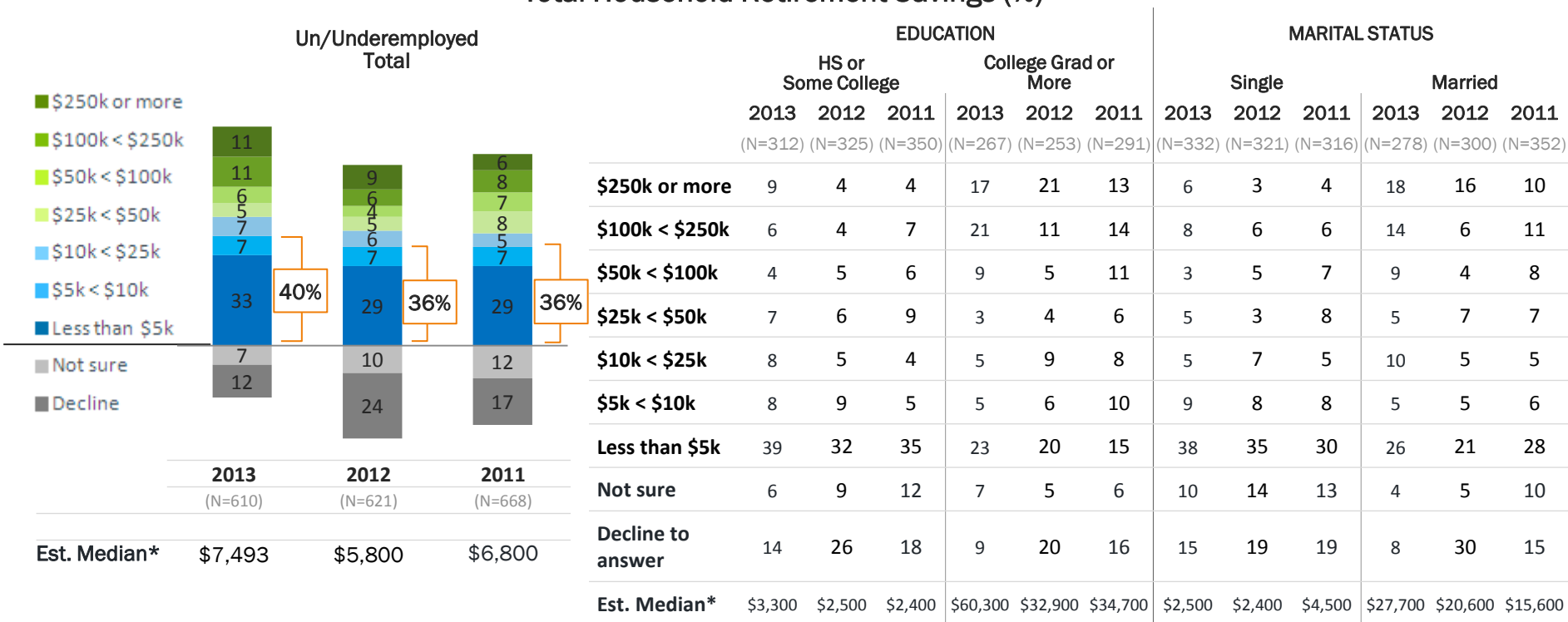
Q1300. Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.



# Total Household Savings for Retirement by Other Demographics

Demonstrating the value of a college education to retirement savings, among the un/underemployed, the estimated median retirement savings is a substantial \$60,300 for college graduates compared to \$3,300 for those with a high school diploma. The estimated median savings for married couples is approximately \$28,000 compared to only \$2,500 for singles, illustrating the financial safety net offered by a two-income household.

### Total Household Retirement Savings (%)





























\* Median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

BASE: Unemployed or Underemployed Q1300. Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.

# Health Insurance Coverage: A Benefit of Underemployment

Nearly three in ten of the un/underemployed do not have health insurance, including 36 percent of the unemployed and 22 percent of the underemployed. However, a substantial percentage of the underemployed (40 percent) do have health insurance through their employer.

	 2013 (N=610)  2012 (N=621)	Unemployed		Under-employed		Un/Under-employed Less Than a Year		Un/Under-employed a Year or More	
		2013	2012	2013	2012	2013	2012	2013	2012
		(N=289)	(N=367)	(N=321)	(N=254)	(N=402)	(N=400)	(N=208)	(N=221)
My employer*	 22  23	-	N/A	40	44	18	23	24	24
A government or military program (Medicare, Medicaid, Veteran's Administration, etc.)	 18  18	28	29	9	9	13	14	20	20
My spouse's employer**	 14  13	15	20	12	7	14	12	14	14
An individual policy	 8  10	8	12	7	8	10	10	7	10
Parents/Parents employer**	 5  1	6	1	4	1	6	3	4	<1
Former employer	 2  1	1	1	2	1	2	<1	2	1
COBRA coverage from my previous employer***	 2  1	4	2	<1	N/A	2	2	2	<1
My/Spouse's retirement plan**	 1  1	1	1	2	1	3	<1	-	1
An institution or organization that is not my or my spouse's employer (college, university, trade group, association, etc.)	 <1  1	-	<1	<1	1	<1	2	-	-
Pension	 <1  <1	-	<1	-	-	-	<1	-	-
Other	 1  <1	<1	<1	2	<1	2	<1	<1	<1
I do not have health insurance	 28  30	36	34	22	27	30	32	28	30

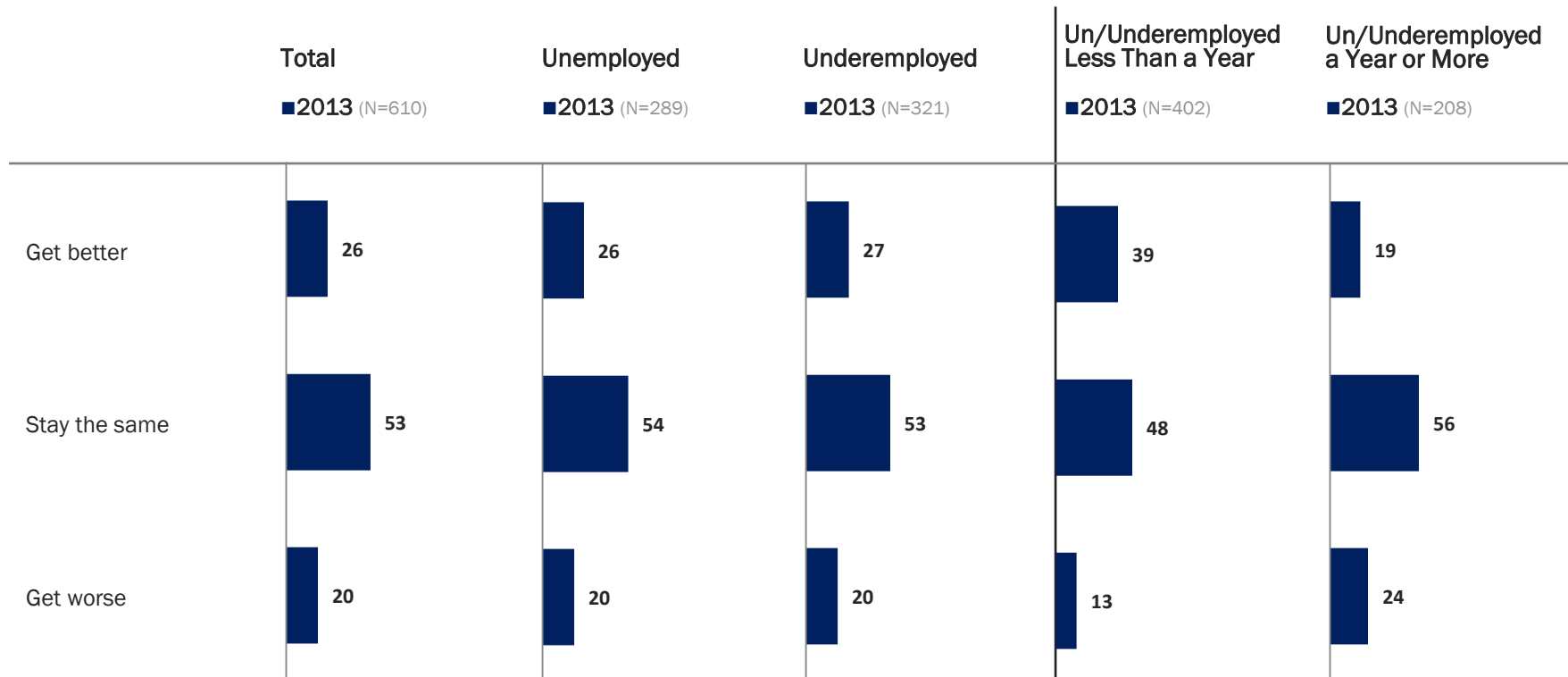
\*asked only of employed, \*\* added in 2013 as formal answer choices rather than from the specified "other" choices, \*\*\* asked only of those unemployed

BASE: Unemployed or Underemployed

Q900. Who currently provides your health insurance?

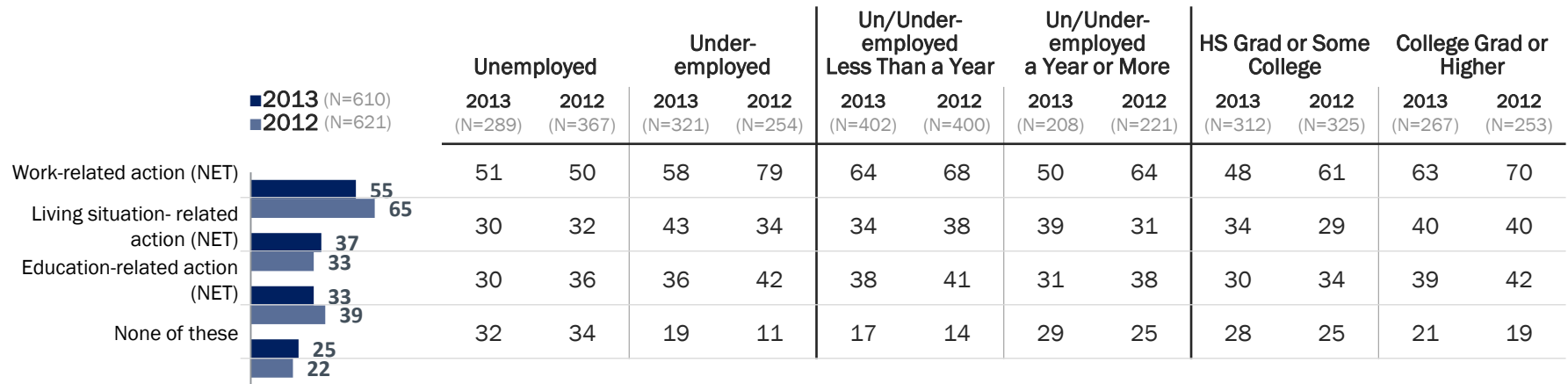
# Mixed Expectations About Future Job Prospects

Just over half (53 percent) of the un/underemployed believe their job prospects will remain unchanged in the next year, while 26 percent believe their prospects for a job that they want and for which they are qualified will improve. One in five (20 percent) of the un/underemployed believe their job prospects will worsen. Those who have been un/underemployed for less than a year are generally more optimistic than those who have been so for more than a year. Among those un/underemployed for a year or more, 24 percent believe that their job prospects will worsen.



# Future Actions Considered Since Un/Underemployment

When asked about career, education, and lifestyle changes they are considering since becoming un/underemployed, more than half (55 percent) are considering work in another field or taking on a second or third job. More than one-third (37 percent) are considering changes to living arrangements such as downsizing or moving in with family. One-third are considering additional education or vocational training. Alarming, 32 percent of the unemployed and 29 percent of those un/underemployed for a year or more would consider “none of these,” suggesting that many may be discouraged and/or overwhelmed.

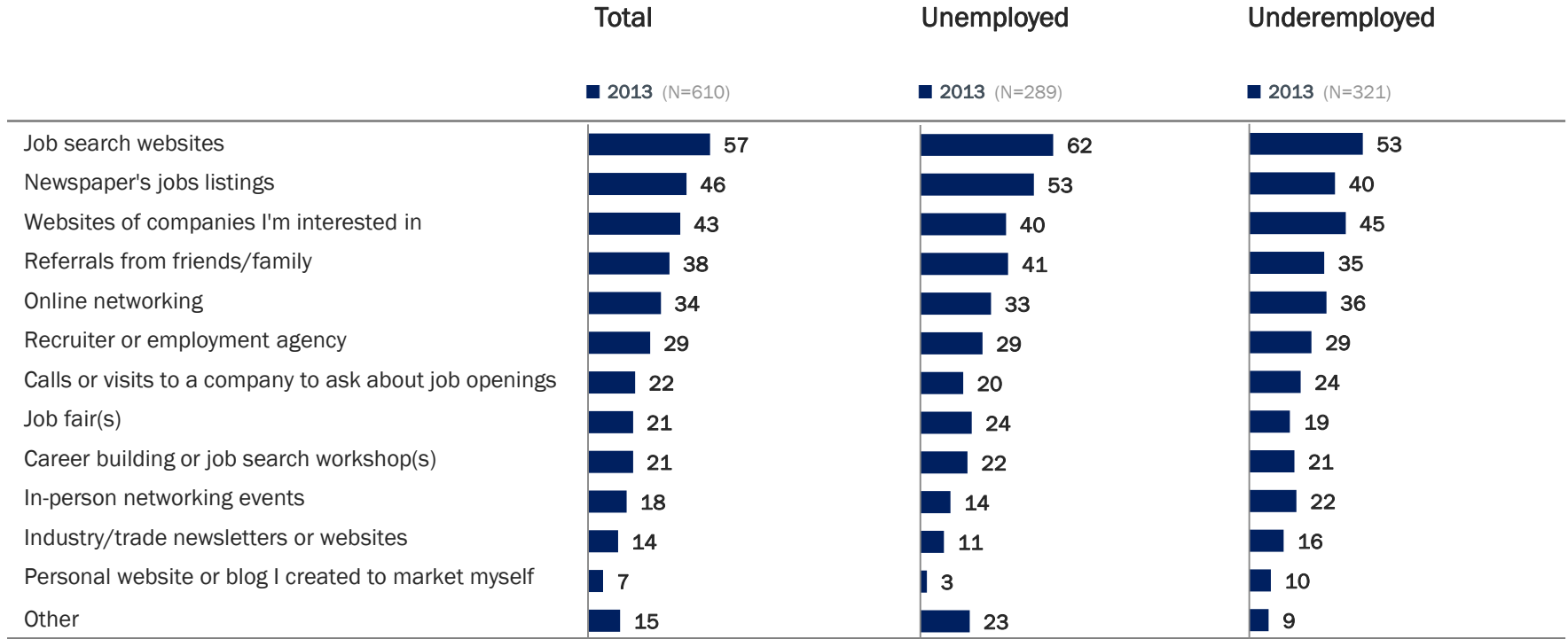


Work-related action (NET)	Seeking work in another field or industry from your current or most recent job/career
	Taking on a second or third job*
Education-related action (NET)	Pursuing additional college education to learn new skills for a new career
	Pursuing additional college education to improve your current skills for your current or most recent job/career
	Going to a vocational school to learn a new trade/skill
	Getting or completing your college education
Living situation- related action (NET)	Moving to a smaller home/apartment
	Moving to a less expensive city
	Moving in with family (parents, siblings, etc.)
	Taking on a roommate or adding additional roommates

\*asked only of employed  
BASE: Unemployed or Underemployed  
Q835. Since becoming unemployed or underemployed, are you considering any of the following?

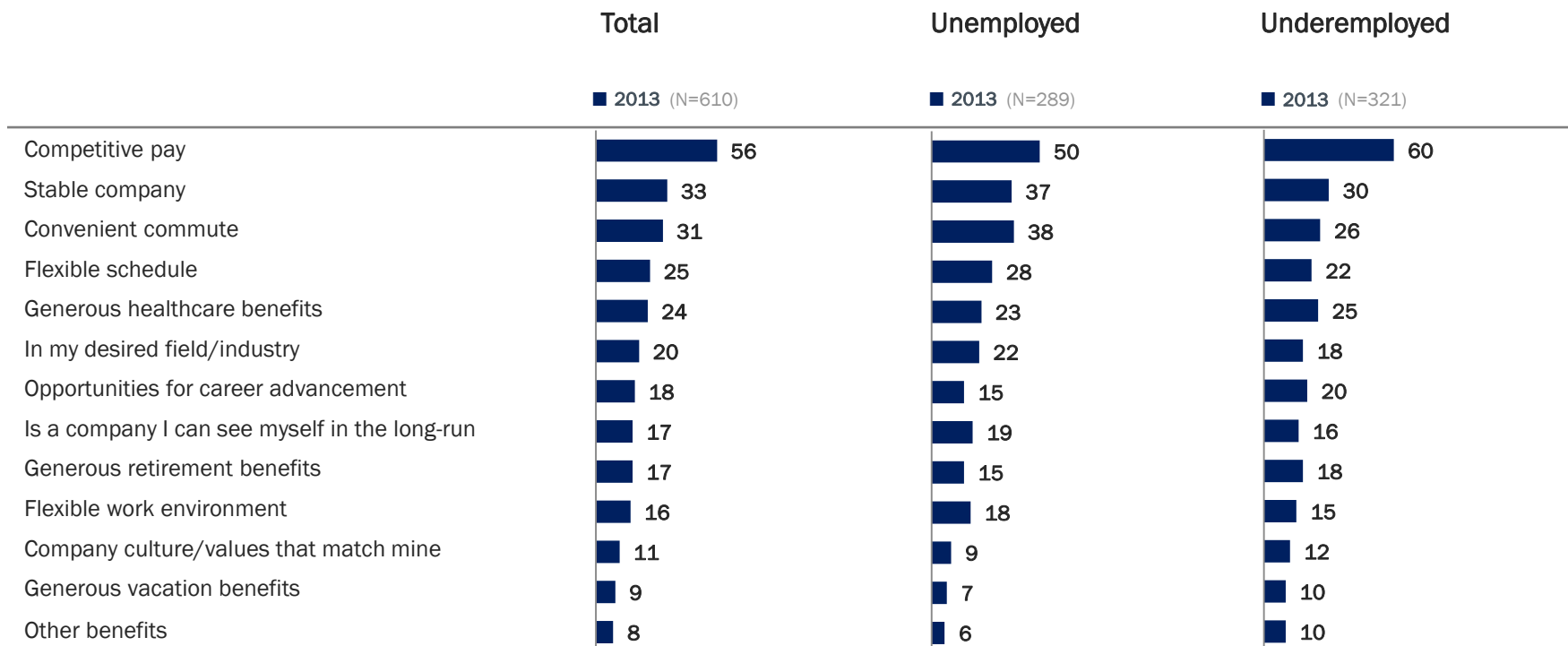
# Job Search Resources and Tools

Online resources (including job search websites, company websites and online networking) are often used by those looking for a job. Newspaper listings and referrals from family and friends are also popular tools and resources in the job search. The underemployed are more likely to use/have used a personal website or blog to market themselves in their most recent job search.



# Most Important Job Characteristics

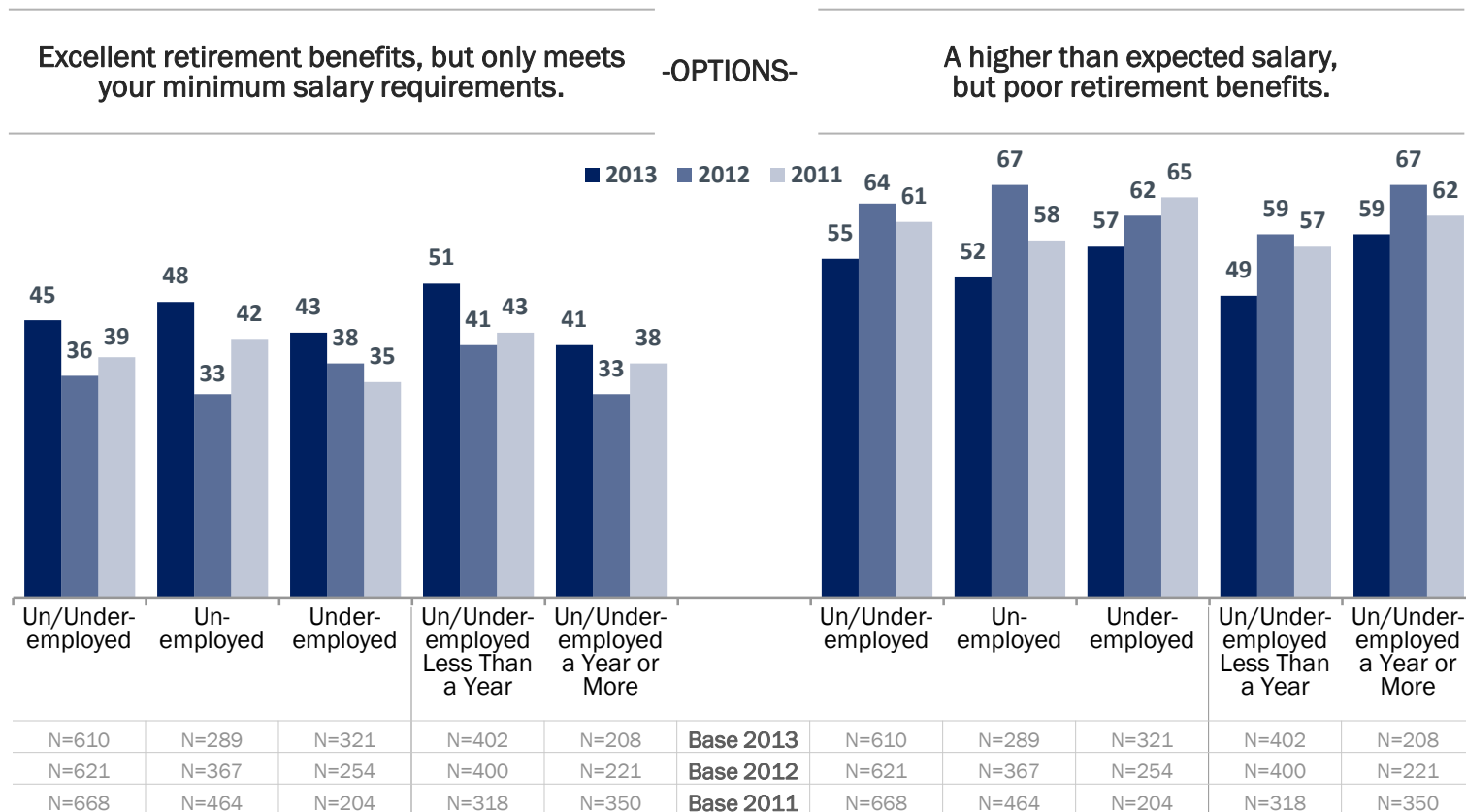
When looking at potential employers, most of the un/underemployed job seekers said competitive pay (56 percent) is one of their top three most important job characteristics, followed by company stability (33 percent) and a convenient commute (31 percent). Only 17 percent cited generous retirement benefits as one of their most important characteristics.



BASE: All Qualified Respondents  
 Q925 (NEW). The following are characteristics of a potential new job. Please select the three most important characteristics you are looking for in a potential new job.

# Comparing Job Offers: Salary vs. Retirement Benefits

When facing two hypothetical job offers, the un/underemployed are more likely to prefer a job with a higher than expected salary but poor retirement benefits (55 percent) versus a job with excellent retirement benefits (45 percent). The underemployed are even more likely to prefer a higher salary (57 percent) over excellent retirement benefits (43 percent). The preference for a higher salary is highest among those who have been un/underemployed for a year or more (59 percent).



BASE: Unemployed or Underemployed

Q830. Suppose that two job offers come your way. Which of the following job offers would you select?

# Recommendations for the Un/Underemployed

While the economy is recovering and the job market is improving, gaining full-time employment continues to be quite difficult especially for those who have been unemployed for more than a year. The survey results show that being underemployed, while searching for the right job opportunity, can offer advantages over being unemployed, such as income, healthcare benefits, additional experience, as well as less dependence on credit cards or withdrawals from retirement accounts.

The following actions can help the unemployed and underemployed keep a positive outlook and prepare for retirement:

- Budget carefully. Identify ways to reduce or share the burden of living expenses. Move to a home that offers a lower rent or mortgage, or consider temporarily moving in with family.
- Look for new opportunities as early as possible, even if it means underemployment, to avoid the negative effects of time out of work.
- Take on a part-time job to help cover expenses while seeking full-time employment, which may alleviate the need to take on debt or pull from savings. Although it may not be the ideal career path, it will help bridge the gap between unemployment and gainful, full-time employment.
- Seek opportunities to update and improve professional skills to match the needs of potential employers. Look for free or affordable classes and trainings at local educational centers or community colleges. Pursue a practical area of interest that can help build on-the-job skills.
- Consider retirement benefits packages in addition to salary when evaluating new job opportunities.

When evaluating job offers, it is important to consider retirement benefits as part of the overall compensation package. The majority of the un/underemployed prefer a job with higher pay but poor retirement benefits. In making this trade-off, they are placing a higher priority on immediate financial goals but risk overlooking retirement benefits which can be a meaningful part of their compensation package that can help them build a more secure long-term financial future.

Once reemployed, start saving for retirement as soon as possible.



# Recommendations for Employers & Retirement Plan Advisors

Employers along with their retirement plan advisors and providers can help their employees by:

- Providing counseling and transition assistance to employees who are laid off to educate them on ways to avoid taking early withdrawals from retirement accounts
- Discouraging plan participants from taking loans and early withdrawals from their retirement accounts
- Offering competitive retirement benefits and encouraging participation through automatic enrollment and automatic escalation features
- Encouraging employees to use the resources that their retirement plan providers offer
- Promoting awareness of tax incentives for retirement savings, including the Saver's Credit

# Recommendations for Policymakers

From a public policy perspective, it is important to recognize that our current retirement system is largely predicated on the assumption that workers have access to meaningful employment and that they are in a position to save and successfully self-fund a substantial portion of their retirement. In this structure, any setbacks in employment and retirement saving by un/underemployed workers, unless overcome, may lead to future generations of unprepared seniors running out of savings who add further pressure on Social Security, Medicare, Medicaid and other social services programs for the elderly and needy.

Policymakers should consider:

- Pursuing legislative and regulatory initiatives to expand retirement plan coverage for all workers including part-time workers:
  - Additional safe harbors for 401(k) and similar plans for purposes of non-discrimination testing
  - Expand the tax credit for employers to start a plan, so that the limit on the credit is increased from \$500 to as much as \$5,000
  - Facilitate the opportunity of employers to participate in existing plans by implementing reforms to multiple employer plans such as modifying rules so that a qualification violation by one or more participating employers does not necessarily disqualify the entire plan
- Implementing reforms to automatic features to increase employer adoption rates as well as plan participation and contribution rates:
  - Eliminate the 10% limit on auto escalation under the existing auto enrollment safe harbor
  - Create a new safe harbor under which employees are automatically enrolled at 6% in the first year, and escalated to 8% in the second year and 10% in subsequent years
- Extending the 401(k) loan repayment period for terminated plan participants and exploring incentives for individuals to not withdraw retirement funds during periods of un/underemployment
- Expanding current tax incentives for retirement savings, such as the Saver's Credit
- Offering tax incentives for job training and retraining

## ***APPENDIX:***

# ***Demographic Characteristics & Additional Insights***

# Key Demographic Characteristics

2013	Total	Length Of Un/Under-employment		Gender		Education (25 years or older)		Age			
		Less than a year	A year or more	Women	Men	HS or some college	College grad or more	20s/30s	40s	50s	60s/70s
	N=610	N=402	N=208	N=322	N=288	N=312	N=267	N=149	N=125	N=189	N=143
Unemployed (Q2115)	45%	54%	41%	52%	39%	51%	32%	26%	43%	57%	77%
Underemployed (Q2115)	55%	46%	59%	48%	61%	49%	68%	74%	57%	43%	23%
Participates in plan (Q1190)	78%	69%	83%	77%	78%	78%	81%	72%	82%	75%	91%
Prefer a higher salary (Q830)	55%	49%	59%	59%	51%	48%	66%	67%	51%	44%	55%
Expect U.S. economy to get better in next year (Q1101)	23%	25%	21%	22%	23%	23%	23%	20%	29%	22%	16%
Expect own financials to get better in next year (Q1102)	38%	52%	31%	42%	35%	39%	37%	39%	43%	42%	22%

# Retirement Benefits at Most Recent Employer

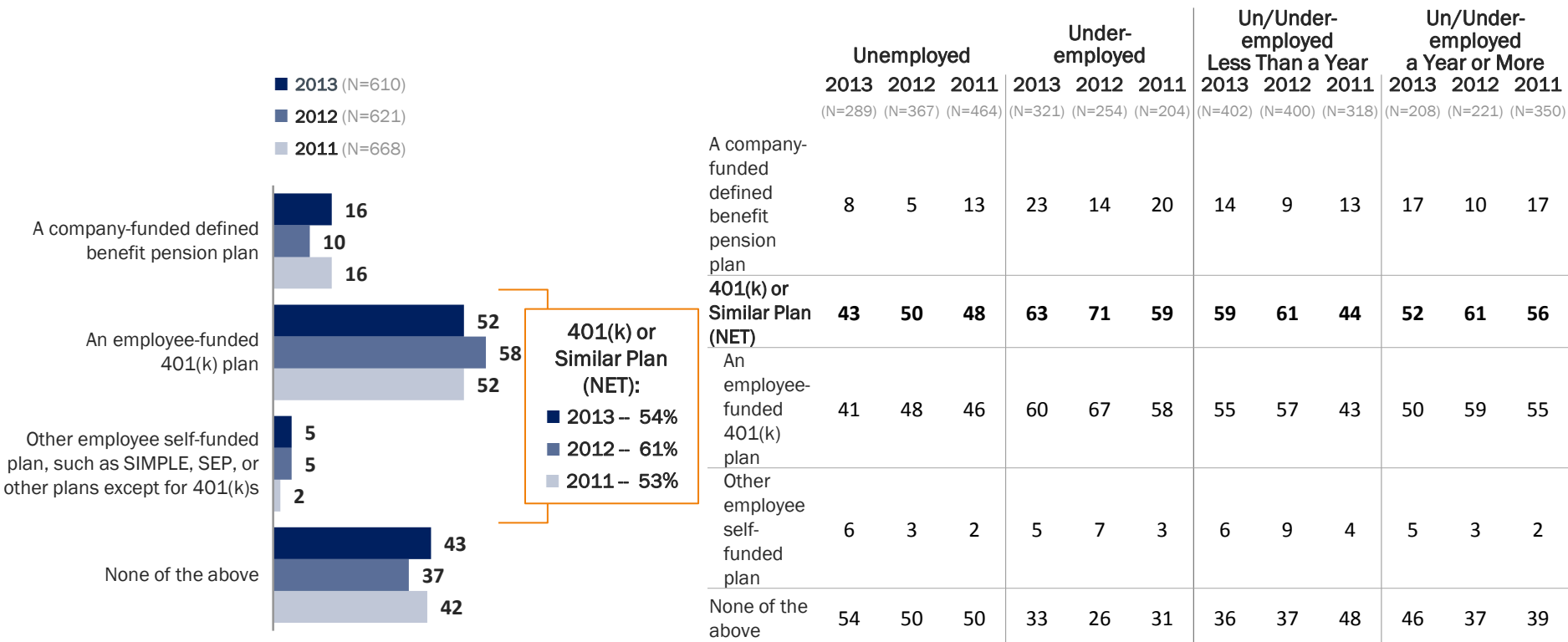
Just over half of those who are un/underemployed report having been offered a 401(k) or similar plan by their most recent employer. Men and those with a college education are more likely to have had access to an employee-funded plan than women or those with a lower level of education.

2013	Total	Length Of Un/Under-employment		Gender		Education (25 years or older)		Age			
		Less than a year	A year or more	Women	Men	HS or some college	College grad or more	20s/30s	40s	50s	60s/70s
	N=610	N=402	N=208	N=322	N=288	N=312	N=267	N=149	N=125	N=189	N=143
<b>NET</b> Employee-funded plan	54%	59%	52%	47%	60%	50%	64%	59%	51%	54%	49%
Employee-funded <b>401(k)</b> plan	52%	55%	50%	44%	58%	48%	60%	56%	48%	51%	48%
<b>Other</b> employee self-funded plan (ex. SIMPLE, SEP)	5%	6%	5%	5%	5%	6%	5%	5%	3%	7%	7%
Company-funded <b>defined benefit</b> pension plan	16%	14%	17%	16%	17%	12%	22%	22%	13%	12%	17%
<b>None</b> of the above	43%	36%	46%	48%	37%	48%	33%	37%	48%	43%	46%

# Retirement Benefits Offered by Most Recent Employer

In 2013, more than half (54 percent) of the un/underemployed were offered a 401(k) or similar plan at their most recent employer.

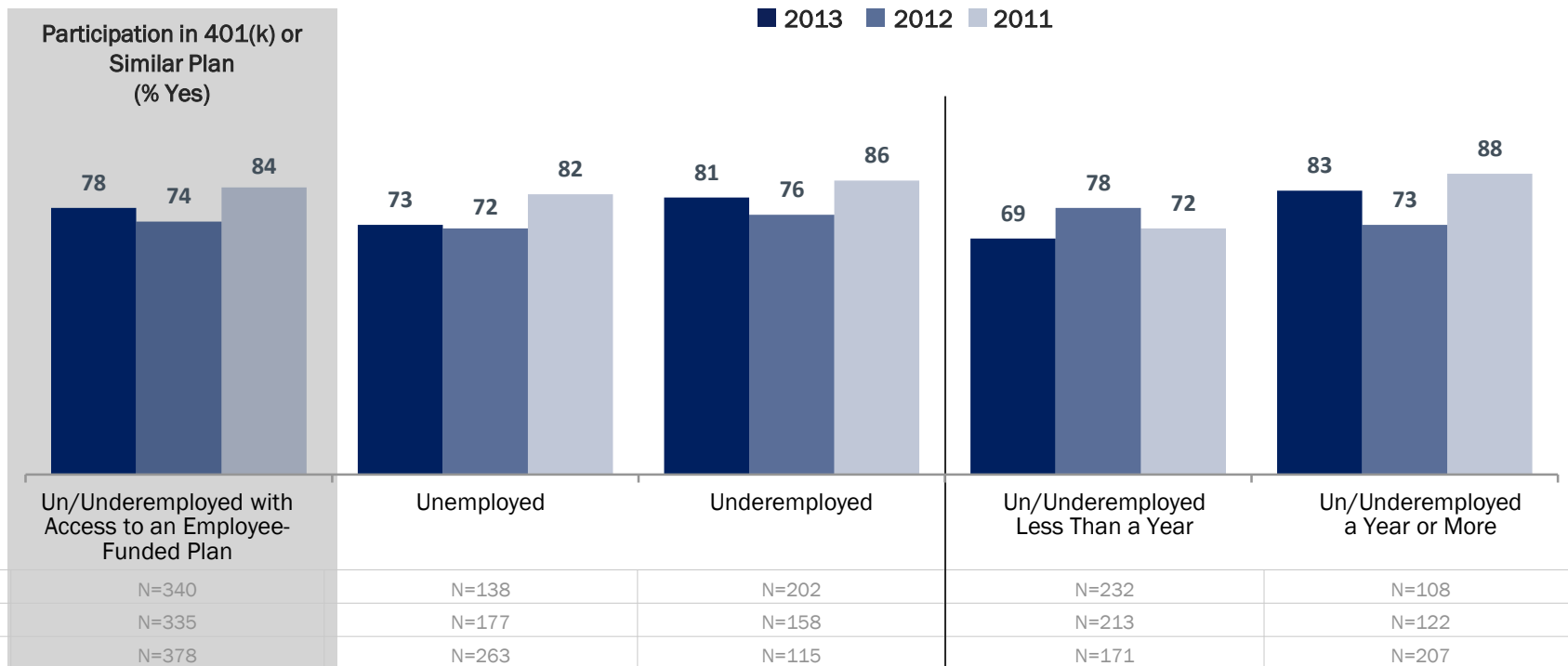
Retirement Benefits Offered at Most Recent Employer



BASE: Unemployed or Underemployed Q1180. Which of the following retirement benefits did the company offer to you, personally? Select all that apply.

# Participation in 401(k) or Similar Plan

Among those offered a 401(k) or similar plan at their most recent employer, 78 percent participated in the plan.



BASE: Those With Qualified Plans Offered To Them at Most Recent Employer

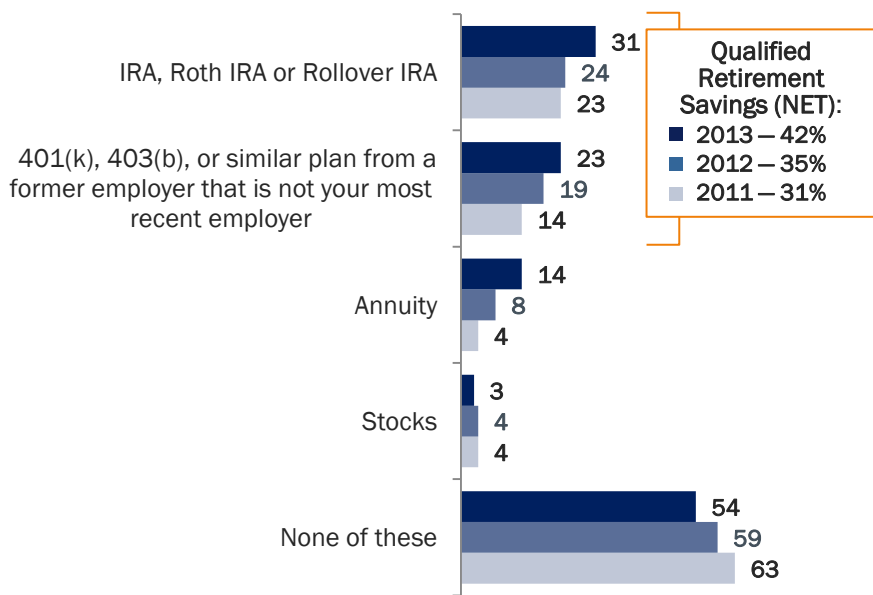
Q1190. Did you participate in, or have money invested in the company's employee-funded retirement savings plan such as a 401(k) or similar plan?

# Other Retirement Investment Accounts

Among the un/underemployed, 42 percent have retirement investments other than their most recent employer's 401(k) or similar plan, including 51 percent who are underemployed and 31 percent who are unemployed. IRAs are the most frequently cited type of retirement investment account (31 percent), followed by 401(k)s or similar plans (23 percent).

## Other Retirement Investment Accounts

■ 2013 (N=610) ■ 2012 (N=621) ■ 2011 (N=668)



	Unemployed			Under-employed			Un/Under-employed Less Than a Year			Un/Under-employed a Year or More		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
<b>Qualified Retirement Savings (NET)</b>	<b>31</b>	<b>27</b>	<b>31</b>	<b>51</b>	<b>42</b>	<b>31</b>	<b>41</b>	<b>33</b>	<b>31</b>	<b>42</b>	<b>36</b>	<b>31</b>
IRA, ROTH IRA or Rollover IRA	27	20	28	34	27	18	27	22	18	32	25	26
401(k), 403(b), or similar employee-funded plan from a former employer	10	11	8	33	26	21	21	19	20	23	19	11
Annuity	11	11	5	16	6	2	17	15	5	12	5	3
Stocks	3	2	4	3	5	5	2	2	2	3	4	6
None of these	64	68	63	46	50	64	51	59	64	55	59	63

\*responses less than 4% are not shown

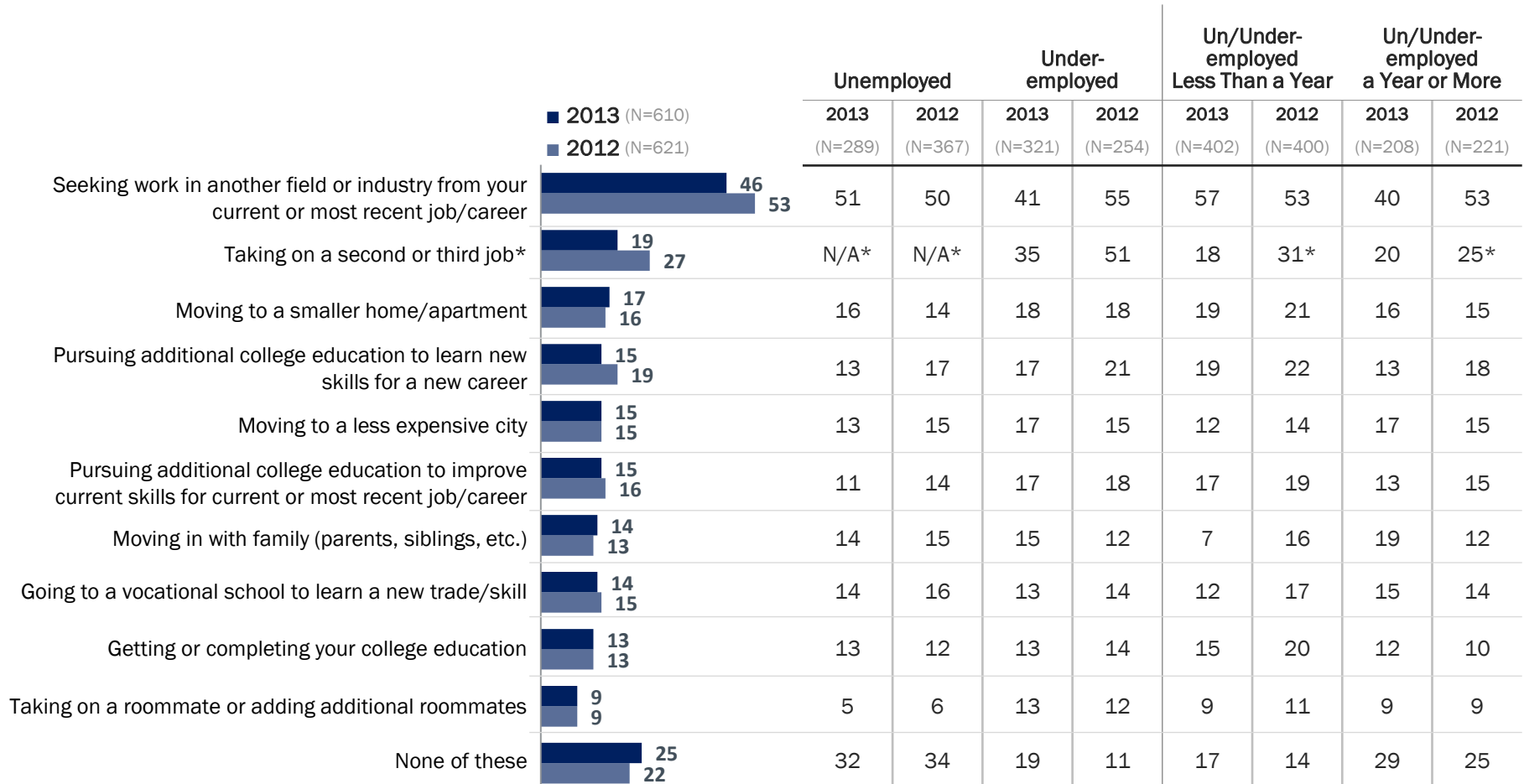
BASE: Unemployed or Underemployed

Q2150. Do you have any other retirement investment accounts? Do not include your most recent employer's 401(k) or similar account if you had one? Select all that apply.



# Future Actions Considered Since Un/Underemployment

Similar to last year, when asked if they are considering any changes which might help improve their outlook, respondents are most likely to say that they are considering a career change (46 percent). Among those underemployed, about one in three (35 percent) are considering taking on a second or third job (down from 51 percent in 2012).



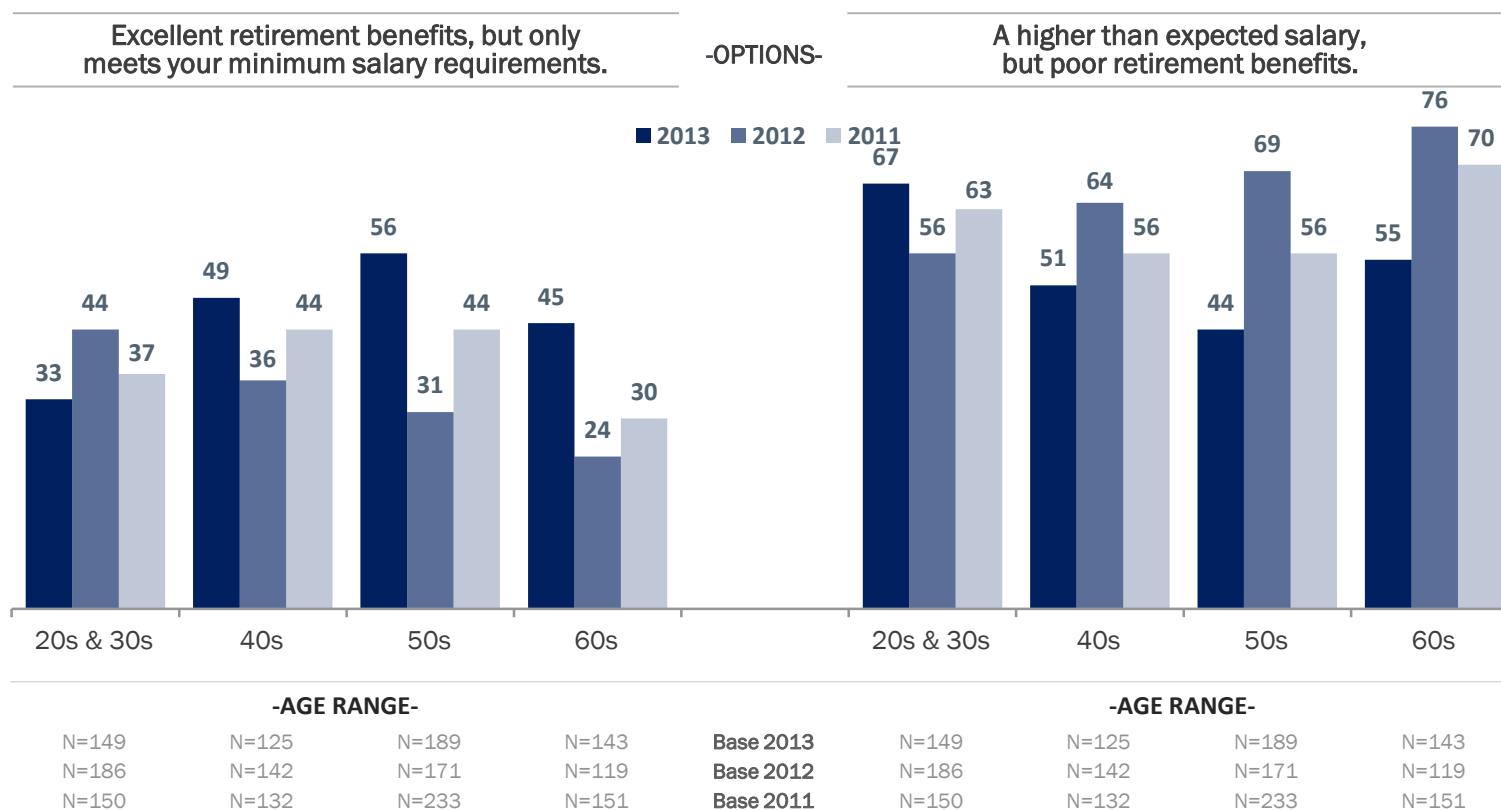
\*asked only of employed

BASE: Unemployed or Underemployed

Q835. Since becoming unemployed or underemployed, are you considering any of the following? Select all that apply.

# Comparing Job Offers: Salary vs. Retirement Benefits

Reflecting their ongoing concerns about retirement, un/underemployed workers in their Fifties are the most likely to choose the job with excellent retirement benefits over a higher than expected salary.



BASE: Unemployed or Underemployed  
 Q830. Suppose that two job offers come your way. Which of the following job offers would you select?

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