



# Traditional and Nontraditional Earnings: Demographic, Financial, and Beneficiary Patterns

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Employment in the United States spans colloquial and technical definitions. Employment broadly refers to the relationship in which a person sells their labor in exchange for compensation. Yet, employment is also a specific work arrangement in which the person selling labor is legally recognized as an “employee” of the employing firm. Nonemployee employment covers an array of work arrangements, from individuals who are self-employed in an incorporated business to independent contractors. In this paper, we first divide every work arrangement into traditional and nontraditional types. We then create a typology of workers based on their experience over a period time with traditional and nontraditional arrangements. Our goal is to understand more about the motivations for nontraditional work and any policy implications.

The two worker types driving our analysis are those that work exclusively in nontraditional arrangements over the course of a year, and those that work in both traditional and nontraditional, which we call straddlers. We examine these

two types among workers of any age, prime-age workers (ages 25 to 54), and older workers (55 and older) and use regressions to understand which worker characteristics are predictive of type. We regress belonging to a type on race, ethnicity, education, marital status, age, beneficiary status, income, and economic circumstances of the individual worker. Our regressions were not causal, but informative as to which workers have which patterns of work arrangements.

For prime-age workers, the difference between nontraditional and straddler types suggests that workers who exclusively work in nontraditional arrangements face barriers in the traditional labor market. We conclude this from the predictive power of having less than a high school education and being from a low-income household. Straddler workers, on the other hand, predictably have very high (more than college) education, and are therefore very successful in the traditional labor market. The former suggests constraints are at work, the latter, preferences. While this is not a new finding — that nontraditional work

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could be a product of constraints or preferences — it is a helpful one. Having any traditional work within a calendar year is a good proxy between those constraints and preferences and, therefore, should aid future research.

For workers of any age, Social Security reciprocity is a very strong predictor of having exclusively nontraditional earnings. Social Security is a lifetime, inflation-adjusted cash benefit. A beneficiary pursuing exclusively nontraditional work could suggest a combination of motivations. First, if earned income is used to supplement benefits, this may mean that benefits are insufficient. Older individuals tend to have high-cost expenditures (e.g., health spending) that grow in price faster than inflation. And older beneficiaries in a period of dissaving may experience an income shock that they have insufficient savings to meet, or they may experience an acute need for additional spending.

Second, nontraditional earnings can overlap with off-the-book earnings or underreported earnings. Nontraditional

work among Social Security recipients may mean that the program is structured in a way that discourages work among those who still want to work but do not want to hit tax penalties. Third, nontraditional work by Social Security beneficiaries could reflect labor market barriers that exist for older workers who wish to earn income. Fourth, nontraditional earnings among Social Security beneficiaries could reflect the desire to continue working as part of retirement. Retirement as a one-time, permanent transition from full-time work to no work is now the exception rather than the rule, and older workers may prefer the flexibility of nontraditional arrangements.

One of the greatest challenges in studying work arrangements is finding sufficient and accurate data. A key contribution of our analysis is that we conducted our study in a new data set — the redesigned Survey of Income and Program Participation — and documented our efforts, enabling follow-up work on the issues our research raises.



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**Sponsor information:** The research reported herein was performed pursuant to grant RDR18000002 from the U.S. Social Security Administration (SSA) through the Michigan Retirement and Disability Research Center

(MRDRC). The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the federal government, or the MRDRC.

**Regents of the University of Michigan:**

Jordan B. Acker, Huntington Woods; Michael J. Behm, Grand Blanc; Mark J. Bernstein, Ann Arbor; Paul W. Brown, Ann Arbor; Sarah Hubbard, Okemos; Denise Ilitch, Bingham Farms; Ron Weiser, Ann Arbor; Katherine E. White, Ann Arbor; Santa J. Ono, *ex officio*