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Boosting Financial Resiliency for U.S. Workers: Advancing Solutions

According to a recent Prudential survey, 7 in 10 American workers are worried about their financial security—and for good reason. Far too many lack the tools and financial capability to ensure that they are appropriately planning for the future. Solutions to this challenge require coordination and collaboration among policymakers, employers, and workers.

At the end of 2020, we convened thought leaders together to gain insight into the current state of workplace financial security and opportunities for progress. Our discussion elevated solutions—some of which have been offered in past years—with a fresh sense of urgency in light of the pandemic and its economic impacts. From our conversation, a few big ideas emerged as critical to the future financial resiliency of American workers, workplace wellness, and employee retention and reskilling.

Enhancing Retirement Savings

A remarkable share of workers lack adequate retirement savings. More than 40% of households where the head of household is between ages 35 and 64 are projected to run short of money in retirement. Roughly one third of workers do not even have access to a retirement savings plan through payroll deduction. The workplace has long been an important venue for Americans to save for retirement, but with the waning of defined benefit pensions, it is more essential than ever to ensure that retirement savings plans are widely available and effective.

- **Auto-enrollment and auto-escalation**: On the federal level, bipartisan legislation has been introduced, the *Securing a Strong Retirement Act of 2020* (or "SECURE 2.0"), to require that most new workplace retirement plans—including 401(k), 403(b) and SIMPLE plans—use automatic enrollment. There is ample evidence that auto-enrollment boosts participation while still allowing employees to opt out. In addition, the legislation requires new plans to begin auto-escalating contributions at 3% or more, moving up gradually to 10%.
- **Access**: State-administered IRA programs are public-private partnerships that expand access for workers to enroll and save through workplace retirement plans. These state-based solutions have provided a saving opportunity to hundreds of thousands of employees who previously lacked access to savings vehicles through their employer. The programs also allow self-employed workers and those who do not work for a participating employer to self-enroll. As more states offer these plans, it could dramatically shrink the access gap.
- **Portability**: A portable retirement benefits system is an idea that could cater to today's dynamic workforce, including the increase in independent and gig workers and the frequency of job changes. Such an approach would tie retirement benefits to the individual rather than to a single employer or job. This could potentially expand coverage, encourage participation, and make it easier for workers to track and manage their retirement savings.

Advancing Financial Wellness and Expanding Benefits

The workplace is a critical source for financial information, trusted guidance, and financial wellness solutions. Employers are increasingly looking to offer their workers holistic programs and incentives, addressing everything from student loan debt to emergency liquidity needs to workforce training to budgeting and financial resources. Both the private sector and policymakers have clear opportunities to improve the financial resiliency of American workers.

- **Private sector**:
  - **Emergency savings**: Employers can offer emergency savings accounts to their workers, empowering employees to put away money they can access at any time for financial emergencies or an unexpected expense. These accounts are becoming more prevalent and with good reason—lack of emergency savings is a pervasive challenge.
  - **Financial education**: Employers can provide financial education resources for employees. There is ample evidence of an acute need for businesses to invest in their workers' financial health.
  - **Worker reskilling**: Many large companies, in particular during COVID-19, have reprioritized reskilling their workforce to meet the new needs of their business. For example, Prudential has been working on soft and hard skill development for employees and supporting external organizations leading this work.
  - **Paid family leave:** Only 21% of American workers have access to a defined paid family leave benefit. Recent federal legislation provided this benefit for public sector employees, yet in the private sector, there is room for innovation and expanded benefits.

- **Policymakers**:
  - **Emergency savings**: Federal legislation has been introduced to make it easier for employers to help their workers save for emergencies. The *Strengthening Financial Security Through Short-Term Savings Act* would remove regulatory barriers to automatic enrollment into emergency savings accounts. Another proposal, the *Refund to Rainy Day Savings Act*, would help families build emergency savings during tax season by allowing tax filers to save a portion of their refund for a "rainy day" later in the year.
  - **Student loan debt:** *SECURE 2.0* includes a provision that would permit employers to allow their employees' student loan payments to count towards a retirement match. This could help workers pay down debt while simultaneously saving for the future.
  - **Workforce training:** A new piece of bipartisan legislation focuses on expanding apprenticeship opportunities and enhancing investments in workforce training over the next five years. This legislation would increase students' access to valuable real-world experiences, and its passage could build momentum around a broader piece of workforce legislation—*The Workforce Investment and Opportunity Act*—that Congress is set to take up later this year.
  - **Paid family leave:** Preceding the pandemic, there had already been growing bipartisan interest in expanding access to paid family leave. COVID-19 put paid leave at the forefront, as the *Families First Coronavirus Response Act* provided workers at businesses with fewer than 500 employees with two weeks of COVID-related paid sick leave and 10 weeks of paid leave for parents affected by school or child care center closures. The recently enacted American Rescue Plan extends the tax credit for certain employers providing paid leave until September. Moving forward, lawmakers will likely redirect their attention from emergency measures to developing permanent solutions.