

Employers Play a Critical Role in Improving Workers' Retirement Security

New research finds employers should do more to help employees financially prepare for older age

LOS ANGELES – October 2, 2019 – Only 17 percent of employers are very confident that their employees will be able to achieve a financially secure retirement, an alarming statistic given the societal role they play in helping workers financially prepare for older age, according to a new research report released today, ***Employers: The Retirement Security Challenge*** by nonprofit Transamerica Center for Retirement Studies® (TCRS).

As part of its 19th Annual Retirement Survey, TCRS surveyed more than 1,800 employers of for-profit companies with five or more employees to examine their business practices and benefit offerings that enable people to work, save, and transition into retirement.

Facilitating Longer Working Lives, Work-Life Balance, and Flexible Retirement

“As people live longer, we need to rethink the amount of time spent in the workforce and in retirement. Mathematically, it is challenging for workers to spend 30 to 40 years in the workforce and save enough for a retirement that could easily last 20, 30 or more years,” said Catherine Collinson, CEO and president of Transamerica Institute® and TCRS. “Most workers want and need to extend their working lives into older age with the flexibility to transition into retirement. However, their ability to do so is highly dependent on their employers.”

The survey finds that employers are aware of the need among employees to work beyond traditional retirement age, but few have updated their business practices to support them. Key findings include:

- **Most recognize that workers want to continue working in retirement but few offer phased retirement.** Seventy-six percent of employers believe that many employees plan to continue working either full time or part time in retirement. But only 18 percent of employers have a formal phased retirement program.
- **Most consider themselves “aging friendly” but few have incorporated age into a diversity and inclusion policy statement.** Seventy-five percent of employers find themselves “aging friendly” by offering opportunities, work arrangements, and training and tools needed for employees of all ages to be successful. However, only 26 percent have adopted a formal diversity and inclusion policy statement that specifically references age among other common demographic characteristics.
- **Most say they support work-life balance but few offer support specific to caregiving employees.** Eighty-six percent of employers say they help support their employees to achieve work-life balance, but few have programs for employees who are family caregivers. Only 19 percent of employers provide an employee assistance program, and even fewer offer backup care or training to teach managers how to handle situations with caregiving employees (both 16 percent). Caregiving for an aging parent or loved one can negatively affect workers’ employment and derail their retirement preparations.

“By modernizing their business practices, employers can help their employees extend their working years, while they are saving and investing for retirement,” said Collinson.

The Current State of 401(k)s and Other Employee Benefit Offerings

“Employer-sponsored retirement plans, including 401(k) and similar employee-funded plans, are essential for employers to attract and retain talent,” said Collinson. “They have also proven to be one of the most effective ways to facilitate long-term savings among workers. Unfortunately, not all workers have access to these benefits.”

The survey findings outline employers’ current retirement benefit offerings and identify opportunities for expanding coverage and enhancing plan features. Key findings include:

- **Retirement Plan Sponsorship Rates Are Lower Among Small Companies.** Sixty-five percent of employers provide a 401(k) or similar plan to their employees. These employee-funded plans are more commonly offered by large companies with 500 or more employees (88 percent) and medium companies with 100 to 499 employees (85 percent), compared with small companies with fewer than 100 employees (60 percent) where the opportunity for expanding retirement plan coverage among workers is most significant.
- **Multiple Employer Plans Show Promise for Expanding Coverage.** Among employers that do not offer a 401(k) or similar plan, only 31 percent say they are likely to begin sponsoring a plan in the next two years. There may be cause for optimism, however, as 23 percent of those not likely to offer a plan say they would consider joining a multiple employer plan (MEP) offered by a reputable vendor that handles many of the fiduciary and administrative duties at a reasonable cost.
- **Extending Eligibility to Part-Time Employees Is Key to Expanding Coverage.** Among employers that offer a 401(k) or similar plan to their employees, only 46 percent extend eligibility to part-time workers.
- **Automatic Enrollment Is an Underutilized Feature That Can Make It More Convenient to Save.** Automatic enrollment is a plan feature that eliminates the decision-making and action steps usually necessary for employees to enroll in and start contributing to the plan. Instead, it automatically enrolls employees into their plan with the ability for them to opt out and stop contributing. Twenty-one percent of plan sponsors have adopted automatic enrollment.
- **Plan Sponsors Should Do More to Assist With Retirement Transition.** Workers nearing retirement face a myriad of complex decisions, and plan sponsors have a significant opportunity to work with their retirement plan providers to assist them. However, few plan sponsors provide things such as: educational resources (30 percent), information about distribution options (28 percent), and retirement planning materials (25 percent). Only 17 percent offer an income annuity as a payout option in their retirement plan.
- **Other Employee Benefits Can Help Improve Financial Security.** In addition to retirement benefits, health and welfare benefits such as health insurance, life insurance, disability insurance, employee assistance programs, workplace wellness programs, and other types of insurance can enhance workers’ financial situation. These benefits may mitigate out-of-pocket expenses and provide additional resources to help address financial shocks. Relatively few employers provide this full range of benefits, which can help their employees protect their nest eggs while saving for retirement.

“Most employers are already helping their employees prepare for retirement, but they can and should be doing even more, especially given their low levels of retirement confidence,” said Collinson. “Whether it be providing a retirement plan, extending benefits to part-time workers, becoming aging friendly, or implementing phased retirement, employers can update their business practices and enhance their benefits offerings, thereby improving retirement security among American workers.”

Employers: The Retirement Security Challenge presents findings from TCRS’ survey of more than 1,800 employers and provides comparisons with relevant findings from its survey of workers.

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About Transamerica Center for Retirement Studies

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About the 19th Annual Transamerica Retirement Survey of Employers

The analysis contained in *Employers: The Retirement Security Challenge* was prepared internally by the research team at TCRS. A 20-minute online survey was conducted by The Harris Poll on behalf of TCRS between November 9 and December 7, 2018 among a nationally representative sample of 1,825 employers. Potential respondents were targeted based on job title at for-profit companies that employ five or more employees across all locations. Respondents were business executives with specific titles who make decisions about employee benefits at their company. Quotas were set for company size. Results were statistically weighted as needed by using targets from the Dun & Bradstreet database to ensure each quota group was a representative sample based on the number of companies in each employee size range. In order to ensure that the sample was fully representative of the targeted universe of employers, results were weighted by industry and region.

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