The Pew Charitable Trusts

Written Statement of John Scott, Director, Retirement Savings Project
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Thank you, Chairman Casey, Ranking Member Scott, and members of the Aging Committee, for the opportunity to testify on building a stronger retirement system for all Americans. My name is John Scott, and I am the director of the retirement savings project at The Pew Charitable Trusts (Pew). Pew is an independent nonpartisan, non-profit organization that applies a rigorous analytical approach to improve public policy. I want to commend the chair and the ranking member for holding this hearing on a topic of great importance to our country.

For most Americans, saving through a workplace retirement plan is the primary vehicle for ensuring financial security in old age, but coverage is not universal. Overall, at least one-third of private sector workers lack access to a retirement plan at their jobs, and some workers do not participate even when their employer offers a plan. Only 28% of full-time workers without access to employer-sponsored plans report having any other retirement savings through alternative approaches, such as an IRA or a 401(k) from a previous employer.

Workers without employer-provided retirement savings plans risk negative economic consequences in their retirement years. Without adequate savings, Americans may face impoverished retirements or may even be unable to retire. They may also be more likely to turn to social assistance programs such as Medicaid, straining government budgets. What is more, such workers may lack a buffer, in the form of any savings, during a financial crisis either before or in retirement.

Gaps in retirement plan coverage affects not just workers' retirement security. Federal, state, and local governments—as well as the larger economy—will likely face higher costs and reduced output when Americans do not have sufficient retirement savings.

A Pennsylvania study, for example, found that the commonwealth spent an estimated $702 million in public assistance costs and lost about $70 million in tax revenue in 2015 due to insufficient retirement savings by Pennsylvania residents. Net costs for inadequate retirement savings were projected to grow to $1.1 billion by 2030 and total a cumulative $14.3 billion from 2015-2030.

Employers also benefit from a workforce that is saving for retirement. In this tightening economy and labor market, helping employers offer retirement benefits will result in an engaged and productive labor force. In a 2017 Pew survey of small to mid-sized businesses, 31% of employers that sponsored a retirement plan said the main reason for offering retirement benefits was to help attract and retain employees.

This testimony will discuss the barriers facing workers and employers in increasing retirement savings, including a discussion of new research on nontraditional or contingent workers. I will then summarize career disruptions that hinder workers in trying to save such as caregiving. My testimony will conclude with a summary of Pew's research on promising policy innovations.

Barriers facing workers

There are a variety of barriers that prevent Americans from saving for retirement. In this section, I focus on working at small businesses, part-time work, nontraditional or contingent work.

Working at small firms

Workers at small businesses have especially low levels of access to a retirement plan. According to the Department of Labor, only 52 percent of employees at firms with less than 50 workers have a workplace retirement plan, compared to 85 percent of those at firms with more than 100 workers.

Because of this lack of access to retirement plans among small businesses, in 2017 Pew surveyed private sector workers at small to midsize businesses. Whether workers have access to employer-sponsored retirement plans differs by type of work and worker characteristics. Among the key findings, part-time workers, those with lower wages, and those who had experienced unemployment for an extended period are less likely than other employees to have access to a workplace plan. Only 52% of Hispanic full-time workers have access to plans as compared to 76% of white full-time workers, and only 30% of Hispanic full-time workers at small to medium firms participate.

Meanwhile, the industry is a factor in access as well. People working full-time in production, transportation, and material moving, and in management, professional, and related industries, are twice as likely to have access to a plan as those in wholesale and retail trade. Industry differences can be attributed at least in part to pay and benefit practices, unionization, and employer perceptions about what is likely to attract and retain workers in a particular industry.

Part time workers and lower hour industries

According to the Department of Labor, 78% of full-time workers have access to a retirement plan in the U.S. while only 41% of part time workers have access. To follow up on this finding, a separate Pew analysis of the Survey of Income and Program Participation took a deeper look at lower hour industries. A Bureau of Labor Statistics study shows that workers in “lower hour industries”—where part-time work is more prevalent, such as retail trade; arts, entertainment, and recreation; and hospitality and food service—are less likely to receive health insurance, paid time off, and, notably, access to employer-sponsored retirement plans.

Pew’s analysis found that workers in lower hour industries experience lower rates of access to employer-sponsored retirement plans than do those in higher hour industries. This discrepancy may be caused by the greater proportion of part-time workers in lower hour industries. However, full-time workers in lower hour industries also have significantly lower access rates than their counterparts in higher hour industries (39 and 29 percent, respectively). In contrast, part-time workers in higher and lower hour industries have nearly identical rates of access at approximately 44%.

More than 7 in 10 workers in lower hour industries don’t participate in an employer-sponsored retirement plan due to lack of access and barriers to taking advantage of the plan, or “take-up.” For both full- and part-time workers, lower hour industry workers take up employer-sponsored retirement plans less often. Just over 40 percent of part-time higher hour industry workers take up plans, almost twice the rate of lower hour industry part-time workers.

There are several reasons why employees might not participate in a plan: They may be ineligible under employer policies, lack disposable income, or are saving in ways that make joining an employer-sponsored plan unnecessary. Among all workers, 53 percent of those in lower hour industries cite eligibility as their reason for not participating, compared with 45 percent of higher hour industry workers. A significant majority of part-timers in both industry groups say eligibility keeps them from participating, while a slightly larger majority of full-time workers cited affordability. Twenty-seven percent of part-time employees in lower hour industries cited affordability as a reason for not participating versus 18 percent for workers in higher hour industries—perhaps because of better wages in higher hour industries. Although a small proportion of workers cited lack of need as their reason for not participating in a plan, higher hour industry workers were twice as likely to offer this as an explanation.

These differences are not confined to part-timers. Full-time employees in lower hour industries have lower participation rates and account balances than their counterparts in higher hour industries, possibly because of plan eligibility rules and less disposable income.

Among part-time workers with access to a retirement plan, differences in participation rates among various demographic groups are small. One exception is gender: Women working part time are much more likely than men to take part in a plan if one is available. No comparable gender differences exist among full-time workers.

Nontraditional workers

Lack of access to a workplace plan is the most significant barrier to retirement savings facing nontraditional workers, also known as contingent, gig, alternative, or independent workers. Nontraditional workers are different from workers in a traditional employer-employee relationship. They don't readily fall into simple labor categories, they may lack job security, their incomes may be volatile, and they generally do not enjoy employer-provided benefits such as health insurance or a retirement plan. Varying definitions of nontraditional work, and different datasets, give rise to a wide range of estimates, from 3.8% of America's workforce to as much as 40.4%.[1]

[1] For the 3.8% figure, see U.S. Bureau of Labor Statistics, "Contingent and Alternative Employment Arrangements—May 2017," news release, June 7, 2018, https://www.bls.gov/news.release/conemp.nr0.htm. For the 40.4% figure, see U.S. Government Accountability Office, "Contingent Workforce: Size, Characteristics, Earnings, and Benefits" (2015), https://www.gao.gov/products/GAO-15-168R. For an overview of various estimates of the size of the nontraditional workforce, see Gig Economy Data Hub, "How Many Gig Workers Are There?," The Aspen Institute and Cornell University, accessed April 13, 2021, https://www.gigeconomydata.org/basics/how-many-gigworkers-are-there.

In 2020 Pew surveyed 1,000 workers in nontraditional jobs. The survey examines their access to workplace retirement plans, the barriers they face in saving for retirement, and the types of programs—existing or new—that would work best for them.

Most nontraditional workers also hold other jobs, and some have access to a workplace plan through a second, traditional job. More than one-third (37.6%) of nontraditional workers held a single, nontraditional job. The other workers held multiple jobs: 40% of nontraditional workers had a mix of traditional and nontraditional jobs, and the remaining quarter (22.4%) had two or three nontraditional jobs but no traditional job.

Roughly half (46.3%) of all nontraditional workers had a job or an employer during the previous year that offered a defined benefit (DB), defined contribution (DC), or other type of retirement plan. Access to a plan was strongly tied to having at least one traditional job: Only 29.8% of nontraditional workers with no traditional job had access to a workplace retirement plan. By comparison, 69.7% of nontraditional workers who also had one or more traditional jobs had a workplace plan such as a DB, DC, or other plan.

Low participation by nontraditional workers in workplace retirement savings is due more to lack of access than to lack of demand. Over three-quarters (77.5%) of those who had access and were eligible for a workplace DC plan decided to participate in it. Combining access, eligibility, and participation, only 21.9% of all nontraditional workers participated in a workplace DC plan during the year leading up to the survey.

The finding that over three-quarters of eligible nontraditional workers took up a workplace plan—when offered and eligible for one—indicates strong demand among nontraditional workers for such plans. This result is consistent with a second survey question that asked nontraditional workers which workplace benefits they wanted, with multiple choices allowed: Two-thirds (66%) of nontraditional workers said they wanted retirement benefits, which was only behind health benefits (77%).

In a separate analysis of savings by nontraditional workers, individual retirement accounts (IRAs) are another tool for putting away money, but only 21.9% of nontraditional workers said they have IRA savings. There is some overlap among savings categories; for example, 18% of nontraditional workers said they have savings in both a workplace DC plan and an IRA.

When nontraditional workers do have retirement savings, average balances tend to be relatively low: 31.1% said they hold $50,000 or less in a workplace DC plan, and 14.3% hold $50,000 or less in an IRA. Higher balances are rare, with only 17.8% and 5% holding more than $100,000 in a DC plan or IRA, respectively. The survey found that nontraditional workers with no savings in a workplace plan tend to be under age 50, female, and have a high school education or less. In terms of the type of nontraditional work that serves as the primary job, 61.7% of those who did seasonal work had no workplace savings, as did 54.7% who were working as sole proprietors, 48.3% of temporary help agency workers, and 21.2% of freelancers.

Shocks and disruptions that impact savings

Apart from the structural characteristics of employment, events may suddenly disrupt the ability of workers to save for retirement or cause them to withdraw savings to deal with a crisis. Among these disruptions are unemployment, disability, caregiving, and nonretirement financial shocks.

Unemployment

Unemployment and layoffs can have multiple negative effects on retirement security. One is the disruption in savings as workers experience reduced income as well as a means to save. Another concern is the ability to find a new job with benefits, especially for laid off older workers. Finally, the financial effects of unemployment may cause laid off workers to drain their retirement savings to make up for the loss of income.

Returning to Pew's 2017 worker survey cited above, we found that shocks such as unemployment can impede retirement savings. Not surprisingly, full-time workers who have experienced unemployment (they had been out of work for at least four weeks in the past year) are less likely to have access to an employer-sponsored plan—and less likely to participate if they do—than those who have been consistently employed over the past two years. One explanation may be that the percentage of respondents who have been unemployed includes some who needed to take any job, even if the benefits were limited. Such jobs also may be more likely to have high employee turnover, which can discourage those businesses from offering retirement plans. In addition, workers who have been consistently employed may be more likely to meet plan eligibility requirements, such as a minimum number of hours on the job. Further, those more consistently employed may feel more financially secure and able to divert some income to saving for the future.

The effects of unemployment are not distributed evenly. For example, older workers who have been laid off may have a harder time finding a new job with benefits, shortening the window for saving up for retirement. According to the New School's Schwartz Center for Economic Policy Analysis, at least 1.7 million more older workers than expected retired due to the pandemic recession. But those who need to save the most are less likely to do so as vulnerable older workers retired sooner, while more economically secure workers delayed retirement. The share of retired workers among adults aged 55-64 rose 5% for those without a college education but fell 4% for those with a college degree. Black workers without a college degree experienced the highest increase in the share who are retired before age 65. This rate rose 1.5 percentage points, from 16.4% to 17.9%, between 2019 and 2021.

Disability

Like unemployment, disability may also affect a person's access to retirement benefits. In 2020, according to the Bureau of Labor Statistics, 18% of persons with a disability were employed, down from 19% in 2019. For persons without a disability, 62% were employed in 2020, down from 66% in the prior year. The unemployment rates for persons with and without a disability both increased from 2019 to 2020, to 13% and 8% percent, respectively.

Across all age and educational groups, persons with disabilities were more likely to be unemployed than those with no disabilities. And, in 2020, 29% of workers with a disability were employed part time, compared with 16% for those with no disability. Finally, employed persons with a disability were more likely to be self-employed or in nontraditional work than those with no disability.

Caregiving

In a 2021 survey sponsored by the Rosalynn Carter Institute for Caregivers, 20% of full-time workers provide care on a regular basis for a family member or friend with a serious illness, developmental disorder or disability. While providing care, 44% of family caregivers who were employed full-time said they had to go part-time because of caring for their loved one, and roughly one in five family caregivers who were employed full-time said they had to quit their job because of caregiving responsibilities.

According to the AARP, 21% surveyed caregivers report a decline in health, 40% state that caregiving is stressful, and 21% feel isolated. And caregiving exacts a financial toll as 27% reported that they stopped saving, 20% said they used up short-term savings, and 11 % used long-term savings such as retirement accounts to pay for other things.

Research by Weller and Tolson in 2018 suggest that caregiving negatively affects retirement savings through three channels. First, some caregivers, especially younger women, tend to have less labor force attachment and work fewer hours when they are working for pay and as caregivers. As noted in the discussion about part-timer workers above, this can reduce their access to DC plans at work. Second, many caregivers tend to have lower earnings than non-caregivers, which lowers the amount of retirement contributions. Third, greater income and employment instability for people providing unpaid care goes along with shorter financial planning horizons and a lower chance of being a saver, so that caregivers do not substitute lower retirement account savings at work with other savings.

Financial shocks and retirement withdrawals

Financial shocks also affect retirement savings. Pew defines financial shocks as large unplanned expenses, such as a major home or car repair, or income lost to unemployment, a pay cut, illness, injury, or death. A Pew survey of household finances and financial behavior found that 56 percent of workers ages 20-58 lived in a household that experienced a financial shock in the previous year. The median cost of the most expensive financial shock was $2,000 among households experiencing a shock. One-quarter of survey respondents had unexpected expenses of $700 or less, although another quarter faced expenses of $6,000 or more and 10 percent experienced a shock that cost at least $15,000.

Households were more likely to have withdrawn from their retirement accounts during years in which they experienced spells of unemployment, a pay cut, or a marital change such as divorce, separation, or the death of a spouse. Specifically, 13 percent of people with retirement accounts said they had drawn on these savings in the previous year and had experienced a financial shock in the same period; only 2 percent with an account made a withdrawal but reported no shock. As the number of financial shocks experienced increased, so did the likelihood that a household had drawn on its retirement account.

People with lower annual incomes were more likely than higher-income individuals or households to withdraw money from retirement accounts. As the cost of the shock rose relative to monthly income, so did the likelihood that an individual would draw on retirement account savings. People with lower levels of education were more likely to draw from their retirement accounts in response to a financial shock than were those with a college education or more. Among the factors contributing to this could be that those with more schooling tend to have higher incomes, more savings, greater access to affordable credit, and more opportunities to build financial know-how. African Americans were more likely than whites to turn to retirement accounts to respond to financial shocks. But African Americans have lower wealth on average than whites, which means many have smaller cushions against financial shocks.

Employer characteristics also matter

As noted above, employees at small businesses usually lack access to retirement benefits. Because we have a voluntary employer-provided retirement system, understanding why some small employers offer plans and others do not may help in crafting policies that increase retirement savings. In 2016, Pew conducted a survey of owners, top executives, and human resource managers at more than 1,600 private sector, small and midsize businesses nationwide. One focus of the survey was to identify the obstacles to, and motivations for, offering plans.

Reasons for offering a plan

First, the survey found that employers offered various reasons for providing retirement plans. Almost all—96 percent—cited a desire to help employees save for retirement, and 48 percent identified it as the main reason. In Pew focus groups conducted prior to the survey, small to midsize employers repeatedly said that offering a retirement plan helped them to attract quality employees. In the survey, 91 percent said they felt that offering a retirement plan had a positive impact on employee performance, while 89 percent said doing so helped attract and retain employees. Nearly a third—31 percent—said attracting and retaining workers was the main reason they offered a plan. Tax advantages for management and employees were cited much less often as main reasons (5 percent and 3 percent, respectively).

In terms of characteristics associated with plan sponsorship, firm financial stability emerged as a key factor. For example, employers that reported that earnings increased over the past 2 years were 41 percent more likely to offer a plan than if earnings had remained flat.

The type of business matters, too. Incorporated businesses are 1.8 times more likely to offer a plan than nonincorporated businesses, even when controlling for the number of employees. Corporate status may signal that a firm is growing or stable enough to support offering more benefits.

Not surprisingly, larger, older businesses are more likely to offer plans, but the relationship is not linear. Businesses are more likely to adopt plans in the early stages of growth, but that likelihood tapers off after a certain point. For example, a 3-year-old firm is 25 percent more likely to offer a retirement plan than a 1-year-old firm. That increase in probability diminishes as companies age. For example, one in business for 13 years is only 3 percent more likely than one in business for 11 years to offer one.

Size of the business also correlates with offering benefits. The probability that the average business with five employees offers a retirement plan is just 34 percent, while the probability for the average business with 55 employees to do so is a little more than twice that—72 percent. As with firm age, the probability continues to grow as staffing increases, but at a much lower rate.

These results suggest that businesses tend to adopt plans during a "middle" phase in their development, after startup and during a period of expansion and growth. At such a time, retirement benefits may be an attractive tool for hiring and retaining talented employees when an employer already has provided other benefits to workers, such as health insurance. When addressing barriers, such as limited knowledge and startup costs, public policies could specifically target younger, less established businesses.

And in line with the discussion of lower hour industries above, businesses with a higher percentage of full-time workers also are more likely to offer a plan than those with more part-time employees. On average, there is a 66 percent likelihood that a firm that employs all full-time workers will offer a plan compared with a 44 percent chance for a company with a workforce divided evenly between full- and part-time workers.

Plan features

Several plan features such as employer contributions can improve workers' financial security. Employers in the Pew survey were likely to contribute to workers' plans. Among those with defined contribution plans, 89 percent contributed to their plans, and 82 percent of those that contributed said they match worker contributions.

Automatic enrollment is another feature that can affect participation. When a worker is automatically enrolled in a plan, contributions are set at a default rate, such as 5 percent of his or her wages or salary, with the employee able to opt out of the plan or change the contribution level. Auto-enrollment serves to overcome a worker's inaction, since many workers are stymied by the complex or overwhelming information retirement plans provide. The Pension Protection Act of 2006 authorized employers to automatically enroll workers and, increasingly, private sector employers are automatically enrolling new hires into 401(k) plans.

According to 2020 client data from the mutual fund company Vanguard about the plans it manages, 54 percent of retirement plans use automatic enrollment, up from 20 percent in 2008, with the percentage varying greatly by company size: 72 percent of plans with 5,000 or more participants use auto-enrollment, but only 36 percent of plans with 500 or fewer participants do so. The effect is dramatic: Looking again at Vanguard's database, 92 percent of employees participated in auto-enrollment plans, with only a small percentage opting out, while 62 percent enrolled in voluntary plans.

Relatively small percentages of small business plan providers, however, use plan options such as automatic enrollment. In Pew's survey of small employers, about a third automatically enroll their workers, while about a sixth used automatic escalation, which increases employee contributions annually until a certain maximum percentage is met. About 48 percent of employers said they offered retirement benefits primarily to help their workers save. Still, those who said this was a reason were no more likely to use these pro-savings features than those who did not cite this as a reason they offer benefits.

When asked why they do not offer features that encourage participation and savings such as automatic enrollment or automatic escalation, executives were most likely to say their businesses were satisfied with their current setup (45 percent in response to automatic enrollment and 49 percent in response to automatic escalation). In addition, about 4 in 10 said that employees would not like automatic enrollment (41 percent) or automatic escalation (40 percent). Few cited legal or cost concerns.

Smaller business owners and their workers may not be as familiar with the workings and benefits of auto-enrollment and auto-escalation. Even if familiar with them, however, small employers may have concerns about how their employees would react to these features. Unlike larger corporations, these employers have more direct involvement with employees and are more aware of their attitudes and specific preferences.

<u>Small employers without retirement plans</u>

Many employers said they would like to offer retirement savings options but feel they face numerous barriers to doing so. Some business representatives in focus groups held as part of the survey cited limited demand for retirement benefits because their workers earned low wages or were working short term, in addition to the costs and resources required to start and maintain a plan. The survey data generally support all these focus group findings regarding barriers. Policies that take a multipronged approach can help to address the range of possible barriers.

Most commonly, employers without plans said that starting a retirement plan is too expensive to set up (37 percent). Another 22 percent cited a lack of administrative resources. In focus groups, some business representatives said their mix of workers—especially if they included low-wage or short-term employees—translated into limited employee interest in or demand for retirement benefits. But in the survey, only 17 percent cited lack of employee interest as the main reason they did not offer a plan.

Lack of familiarity with retirement plan options also can prove to be a barrier to providing one. In the survey, 11 percent of employers said they were not familiar with 401(k) plans, SEPs, and SIMPLE plans. Just 13 percent said they were at least somewhat familiar with all options, while 34 percent said they were only familiar with the 401(k). Leaders of small and midsize businesses were much less familiar with the other three alternatives, even though SEPs and SIMPLE programs are specifically intended to appeal to smaller employers because they are cheaper to establish and administer.

When businesses without a retirement plan were asked which circumstances were most likely to motivate them to begin one, the most common responses were a change in their financial situation or government incentives. Some 67 percent said increased business profits would make them somewhat or much more likely to start a retirement plan. Similarly, 60 percent said they would be somewhat or much more likely to start a plan if there were increased business tax credits for doing so. On the other hand, majorities said that availability of easy-to-understand information (58 percent), tax advantages for key executives (55 percent), or reduced administrative requirements (53 percent) would make them no more likely to offer plans.

Policy innovations

The research has several implications for policy, and there are many promising ideas and initiatives being worked on today. Let me note that Pew does not endorse or oppose any particular initiative.

Pooled employer plans

As noted above, many small business owners are not familiar with plan options that are designed for small firms. In addition, the perceived high cost of starting a plan is deterring small employers from offering retirement benefits. Policy initiatives that reduce plan startup costs and improving awareness of SIMPLE and SEP plans could be useful in encouraging new plans.

And our research has found that executives of small to midsize businesses also saw benefits to the idea of group plans such as a pooled employer plan (PEP), which allows employers to combine to offer a single plan that achieves economies of scale and lower costs. Despite covering multiple businesses, PEPs are structured similarly to a traditional plan, meaning employers can make matching contributions. Under a PEP, service providers take on much of the fiduciary responsibility, which reduces, but does not eliminate, an employer's own fiduciary duties. Because employers take a more active role in a PEP, states cannot require participation—unlike a state-sponsored auto-IRA where employer responsibilities are more limited.

Pew's survey of small business executives found that 85 percent of employers said they would find a PEP-like option somewhat or very helpful. Most businesses without a plan strongly or somewhat supported each of the individual elements of the PEP. Ninety-two percent liked the idea that the plan would allow employees to have choices in how their contributions are invested. But although employers said they would find such a plan helpful, it is unclear how many would voluntarily adopt one if offered. Some 61 percent of employers without plans said they would be or might be interested in participating in such a program.

State auto-IRA programs

Expanding the use of auto-enrollment could boost participation, as noted above. At the state level, ten states–California, Colorado, Connecticut, Illinois, Maine, Maryland, New Jersey, New York, Oregon, and Virginia–are in various stages of implementing an automatic enrollment payroll deduction IRA program for private sector state residents who do not have a retirement plan at their work. To date, the use of auto-enrollment at the state level is encouraging: For example, in the State of Oregon, 17,021 employers have registered to facilitate OregonSaves for their employees. In total, 125,918 employees (68 percent of those eligible) have enrolled in the program. On average, employees contribute about $143 per month, and assets in the program now exceed $133 million. The average savings rate is currently 5.5 percent.

Several indicators demonstrate significant receptivity among employers. In 2017, Pew surveyed small-business owners across the country, asking their opinion of a hypothetical auto-IRA program. Overall, 87% of those without their own company plan either somewhat or strongly supported such an initiative, with 27% stating that they would be very supportive.

That 2017 survey coincided with the start of the first state auto-IRA, OregonSaves, which now covers all private sector employers in the state that do not provide their own plans. Pew surveyed participating employers in 2019 and 2020 to assess how they experienced the initial registration and ongoing payroll contribution processes. Nearly 3 in 4 (73%) said they were either satisfied or neutral about the program.

OregonSaves does not charge businesses any participation fees, and 79 percent said that they have not experienced any related out-of-pocket costs. Those that have faced additional costs said office supplies and payroll processing time were the most common. Eighty percent also said that they are hearing only "a little" or "no questions at all" from their employees about OregonSaves. One reason for that may be that workers are helped directly from the program's client service team.

This positive reaction among employers to a no-cost retirement benefit can also be seen in California, where the Legislature approved an auto-IRA program known as CalSavers in 2016. The state had set a Sept. 30, 2020, deadline for larger employers—those with at least 100 employees—to register for CalSavers if they did not have a retirement plan of their own. As of Aug. 31, 2020, at least a month before the program's first enrollment deadline, 2,249 firms employing nearly 100,000 workers had enrolled.

Why the demand? According to Pew's 2017 survey, many employers want to offer retirement benefits to their workers but say they cannot because of high startup costs and limited administrative capacity. Some said they see offering retirement benefits to attract and retain workers, but 67% of those who supported auto-IRAs said they felt such a program simply "would help my employees."

In the more recent survey, responses to an open-ended question reflect similar sentiments about OregonSaves. Among the answers were:

- "It has been an easy and transparent method for our employees to begin saving for their future. As a very small business it has been so appreciated as other options seemed out of reach for us."
- "It is great having a free option for savings for our employees. We eventually want to offer our own program, but this is nice for the time being."

- "I do appreciate the program overall. It helps younger staff start saving early. From a small business that can't afford to have a retirement plan it is a nice option for our team."

Of course, business owners aren't monolithic in their attitudes, and views on auto-IRAs run the gamut from strong backing to firm opposition. But it's clear from the work of Pew and others that there is significant small business support for a public-private partnership that can help employers facilitate a benefit at no cost that helps workers build a secure retirement.

Conclusion

In summary, while improving retirement plan coverage among small employers remains difficult, we have a better sense from research of what improvements could be effective in increasing coverage and participation. Thank you again for the opportunity to testify, and I would be pleased to answer your questions.