

“Improving the Financial Security of Workers of Color through Employee Financial Wellness Programs”

**Pension Research Council Conference
March 31, 2023**

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All opinions I express are my own and do not necessarily reflect the views of any organizations with which I am affiliated.

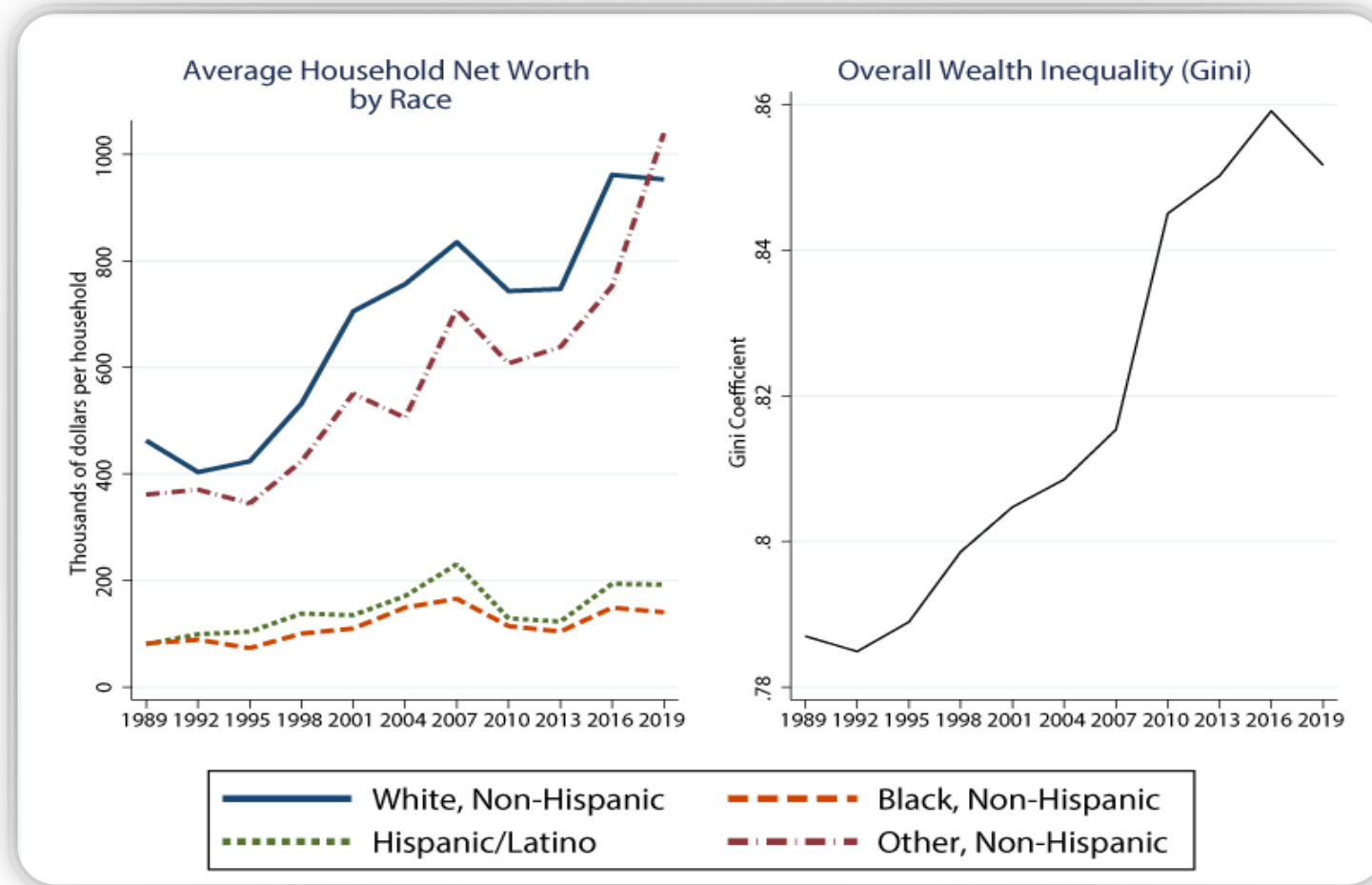
Conflicts of Interest

The author has no known conflicts of interest, financial, or otherwise, to disclose in relation to this article and the research on which it is based.

Summary

- Wealth disparity exists between Black and Latino families and their White counterparts in the US.
- New legislation and financial service solutions provide employers with the opportunities and means to use Employee Financial Wellness Programs (EFWP) to improve their workers' financial security.
- EFWPs that include asset building, risk management, and decision support are correlated with wealth.
- There is an employer and social business case for improving the financial health of workers and addressing racial disparities in wealth; financially secure workers are more satisfied with their employer, more engaged, more present, and more productive.
- EFWPs, whether delivered by private employers, public programs, or pooled solutions, are a necessary but not a sufficient solution to help close racial wealth disparity gaps and build a broader and stronger middle class for all Americans and their families.
- EFWPs are not sufficient to close the financial wealth disparity for all workers gap due to scope, coverage, features, and effectiveness.
- Employers can enhance their workers' financial security by adding retirement plan features such as lifetime income, student debt reduction, and emergency savings as recently enacted by the 2022 SECURE 2.0 Act.
- Policymakers and financial service providers should find additional public–private solutions to expand DC and PFML coverage and regulate AI-assisted benefits enrollment guidance.

Racial wealth disparity in the US is large and getting worse.



Source: Aladangady & Forde [“Wealth Inequality and the Racial Wealth Gap”](#) Federal Reserve, 2021

Employee financial wellness programs (EWFP) include

Asset Building

- Employee Ownership
- Pensions/401ks
- Health Savings Accounts
- Emergency Savings
- Student Loan Reduction

Risk Management

- Medical
- Dental/Vision
- Short- & Long-Term Disability
- Property & Casualty
- Paid Family Medical Leave

Decision Support

- Benefits Optimization
- Investing Advice
- Healthcare Exchange
- Job Change Advice

Benefits of EFWPs for workers with access

For Employers

- Workers have more wealth
- Workers more satisfied
- Workers more engaged
- Workers more present
- Workers more productive

For Employees

- Payroll Deduction
- Company Matches
- Default Choices
- Institutional Money Management
- Fiduciary Oversight
- Federal Consumer Protection
- Tax Incentives
- Pooled Risk
- Purchasing Power/Lower Fees
- Personalized Decision Support

Yet EFWPs are
not sufficient
to close racial
wealth
disparity

- **Insufficient Coverage**
 - No mandated minimum benefits for W2 workers
 - EWFP policy excludes independent 1099, part-time, and self-employed workers
- **Insufficient Scope:**
 - No direct impact on homeownership, entrepreneurship, access to capital
- **Lack “Autos”:** most risk management solutions are voluntary
- **Effectiveness:** mixed evidence for impact of decision-support
- **Current Wage Disparity**

Paid Family Medical Leave

Problem

- When sick, workers must choose between a paycheck and caring for themselves or loved ones
- More than half of Americans lack access to PFML - this is concentrated among the lowest quintile of net worth

Benefits Solution

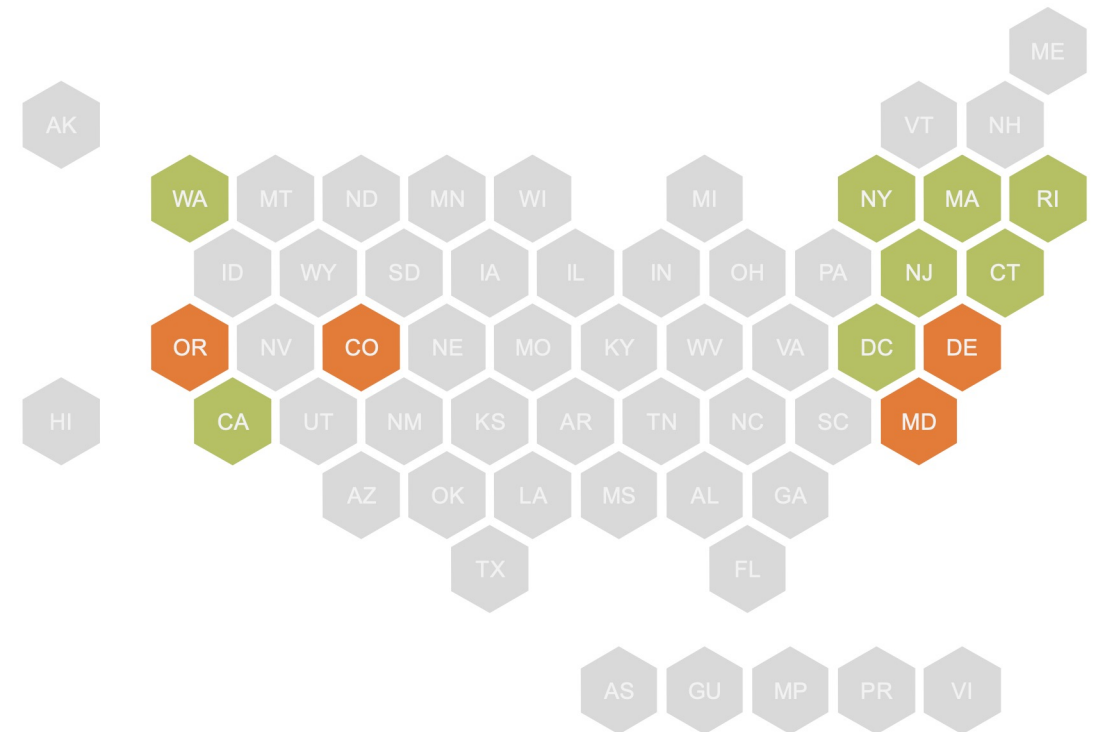
- Public-Private Partnership for Universal Paid Family Medical Leave
- Mandated for Employers
- Public Option

Benefits of Benefit

- 8-20 weeks of paid leave at 50-100% of wages
- Job guaranteed on return

Legislation

- Various States
- Build Back Better – Subtitle A “ Universal Paid Family Medical Leave”



As of June 2022

Source: [National Council of State Legislatures](#)

Student Loan Debt

Problem

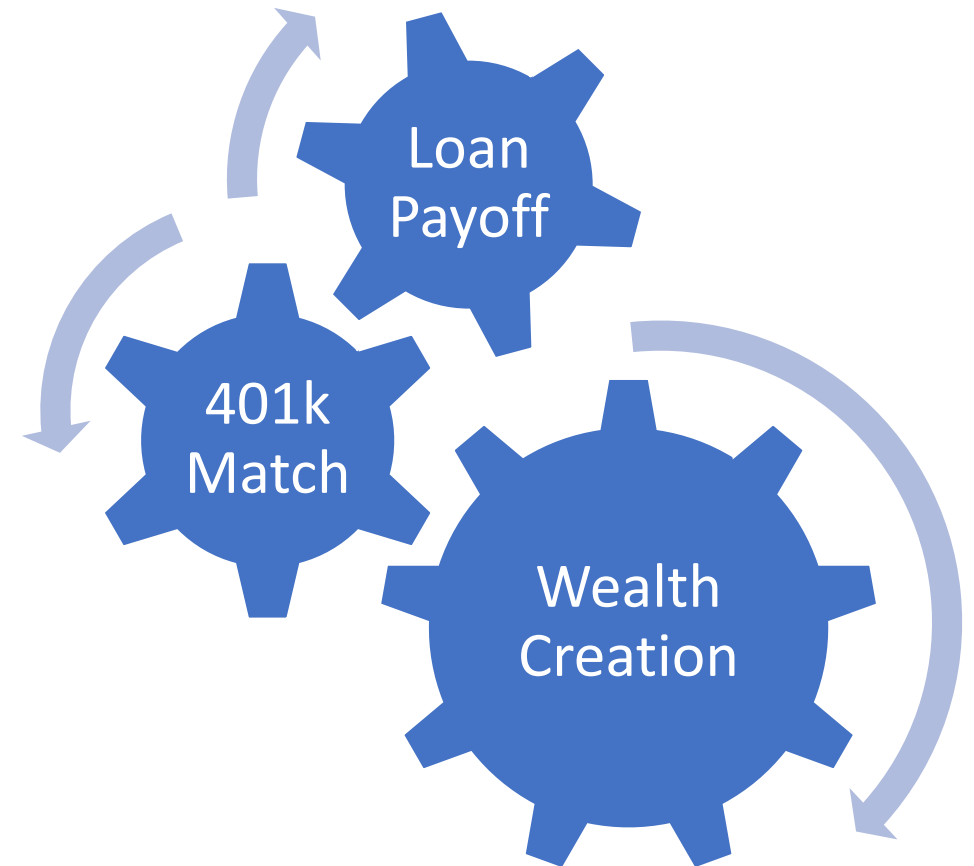
- 30.2% of Black families hold student loan debt, versus 20.0% of white and 14.3% of Hispanic families. (Survey of Consumer Finance)
- Black families owe a median of \$30k, compared with \$23k among white and \$17.6k among Hispanic families. (Survey of Consumer Finance)

Benefits Solution

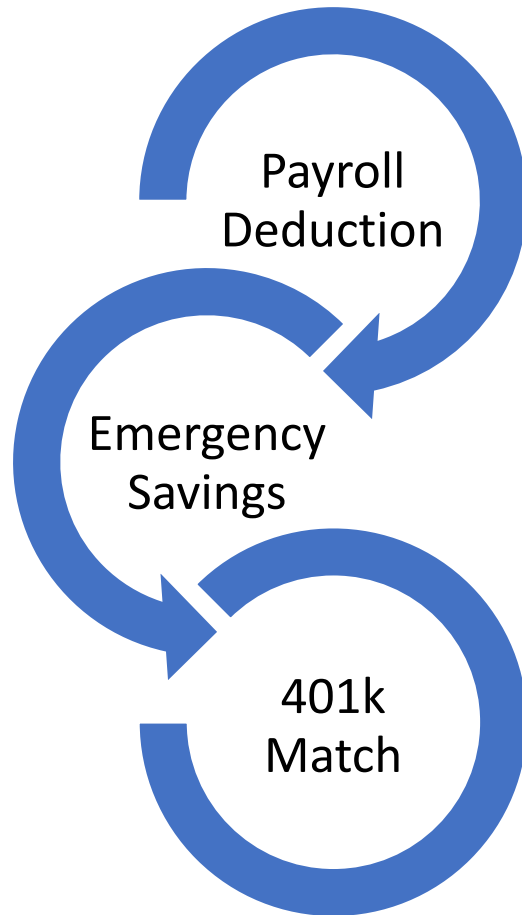
- Pay student loans from payroll
- Employer provides a match to 401k/403b
- When student loan paid; automatically starts contributions to DC

Benefits of Benefit

- Personal balance sheet improvement
- Creates habit of saving/investing



Emergency Savings



Problem

- More than half of US families live paycheck-to-paycheck

Benefits Solution

- An after-tax emergency fund linked to 401k
- Automatic enrollment and contributions through payroll
- Optional employer matching contribution
- Investment in a principal preservation fund

Benefits of Benefit

- Easy access to funds
- No tax penalty; No need for 401k loans
- Restarts savings automatically

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