

Select Small Businesses in Oregon and Their Decisions Concerning Employee Retirement Savings Plans

by Margaret B. Neal, Sarah Dys, Serena Hasworth, & Gabrielle King



Overview

Portland State University Institute on Aging conducted a qualitative research study with support from AARP Oregon to learn about small business owners' experiences and decision making with respect to offering their employees retirement savings plans. The findings from the interviews with selected small businesses will help to inform a new retirement savings program in Oregon called OregonSaves. Interviews were conducted with a quota sample of 28 small business owners or benefits decision makers in Oregon, including (a) those offering no retirement savings plan (n=11), (b) those offering a private plan (n=8), and (c) those participating in the OregonSaves retirement savings program (n=9).

The OregonSaves program, created through state legislation passed in 2015, is intended to provide a simple and convenient way for workers to save for retirement and for business owners to facilitate this without having to operate or pay setup or maintenance costs; business owners simply set up a payroll deduction for employees. Employees are automatically enrolled, although participation is voluntary, and employees are in complete control of their savings. Contributions are through payroll deductions, and employees' Roth Individual Retirement Accounts (Roth IRA) stay with them from job to job. OregonSaves is also expected to help taxpayers, because more people saving for retirement will mean less strain on our social services programs.

Key Findings

- **The selected small business owners interviewed agreed that the lack of retirement savings among Oregonians and the U.S. as a whole is problematic,** and they expressed considerable concern about the negative impacts on individuals and society.
- **The results were mixed concerning the impact of the lack of retirement savings on business:** business owners whose clientele consisted of a sizeable proportion of older adults were very concerned, while businesses that did not target older adults were less concerned.
- **Most business owners felt it was important to offer some type of retirement savings plan, including those who were not presently offering such a plan.** Most who did offer such a plan generally wished they could offer even better plans, with employer match or more employer match. Financial limitations were the primary constraint to offering a plan at all or to offering employer match. For small businesses having private plans, the time to set up and maintain the plans was sometimes a barrier. In general, though, both the **owners with private plans and those in OregonSaves reported positive experiences with respect to costs and ease of set up and maintenance of their retirement savings plan or program.**

- **Study participants agreed that Oregon’s lawmakers and governor did the right thing in supporting the OregonSaves program.** All eight of the small business owners offering a private plan for their employees strongly agreed, and most of those with no retirement savings plan (8 of 11) either strongly agreed (n=3) or somewhat agreed (n=5). **More information about the OregonSaves program is needed, however,** as some participants with no retirement savings plan for their employees had not heard of the program or had misunderstandings about it.
- **The majority of business owners in each of the three groups strongly agreed that a voluntary and portable retirement option offers a competitive edge and increases employee retention.** Small business owners in the private plan group were most likely to strongly agree. The primary reason that some respondents did not agree was that they viewed plan portability as taking away this competitive advantage.

Most business owners (18 of 28) believed that a lot more should be done to help encourage Oregon residents to save for retirement. Over half of the business owners who do not offer a retirement savings plan and those who are enrolled in the OregonSaves program believed a lot more should be done, while the preponderance (7 of 8) of the private plan business owners held this opinion. Among the minority of business owners who did not feel that more should be done, there was criticism over the State being involved in retirement savings planning.

- **Among the small business owners in the OregonSaves program, six of the nine interviewed were very satisfied with their experience, and all nine encouraged other businesses to pursue OregonSaves as an option** if they do not currently have retirement benefits in place.
 - Participants felt the program was important, was the right thing for employers to do, and was well supported. They liked that it had no cost to employers and low fees for employees, and that set up and maintenance were easy.
 - The primary concerns had to do with the State’s direct involvement, the mandate that employers participate (a voluntary program was preferable), and concerns about how the program will evolve over time.
 - Suggestions for improvement included addressing system glitches that made processing deadlines hard to meet and providing more direction and navigation regarding the investment choices. Also, some participants were interested in increasing the amount that could be contributed, and others wished for more variety in the investment options offered.

Study Uses and Limitations

The sample for the study was small and not representative, so the results cannot be generalized to small businesses across the state of Oregon. Nonetheless, the findings help in understanding the factors that drive small business owners’ decisions with respect to offering, or not offering, retirement savings plans for their employees. They also are useful in identifying suggestions for improvement in the OregonSaves program and similar programs being proposed and implemented in other states. Finally, the findings can help to raise awareness among Oregon workers and employers alike concerning the State’s new, ultimately mandatory, program for businesses not already offering retirement savings plans to their employees.