

Employer Input Research

Colorado Secure Savings Plan Board



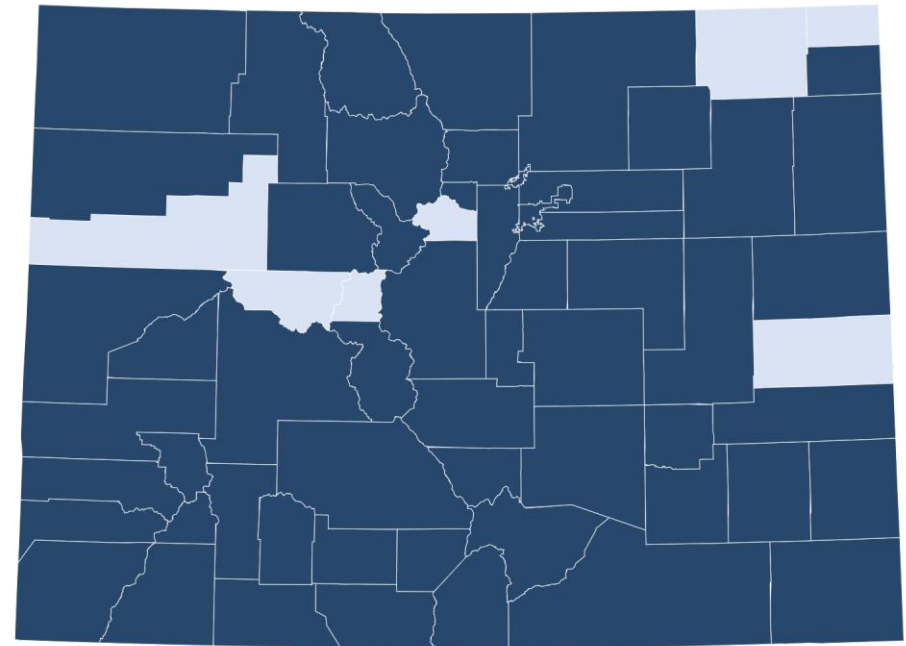
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Work Scope

- ➔ Corona Insights conducted 58 interviews with Colorado business owners that were not currently offering retirement benefits. Business owners in 57 different Colorado counties participated.
- ➔ When possible, Corona targeted businesses with five or more full time employees (All but five interviews met this qualification, and all businesses had paid full-time employees).
- ➔ While Corona aimed to capture the geographic and industrial diversity of the state's employers, the purpose of this research was to collect in-depth feedback from business owners rather than conduct a representative survey.



■ Completed Interview ■ No Interview

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Participant Profile

	Full Time Employees	Years in Business
Median	7.5	15.5
Mean	12.5	23.3
Minimum	2	1
Maximum	40	100

Sector	Count
Private	52
Nonprofit	5
Public	1**

2-Digit NAICS* Code	Count
Accommodation and Food Services	9
Agriculture, Forestry, Fishing and Hunting	2
Arts, Entertainment, and Recreation	5
Construction	5
Educational Services	1
Health Care and Social Assistance	6
Information	1
Manufacturing	2
Mining, Quarrying, and Oil and Gas Extraction	1
Other Services (except Public Administration)	7
Professional, Scientific, and Technical Services	5
Real Estate and Rental and Leasing	2
Retail Trade	7
Transportation and Warehousing	3
Wholesale Trade	2

Executive Summary: Owner Perceptions

- More owners expressed a positive response toward the concept of a state-administered retirement program than a negative response.
 - > Supporters hoped the program would motivate them to offer retirement benefits by reducing administrative time and cost.
 - > Opponents were concerned about mandatory participation, potential for excessive regulation, and any repercussions of a failed program if it doesn't last, though most also acknowledged that the program in concept seemed like it would be simple to implement.
- Since the program was discussed only in concept, many employers reserved final judgment until they could evaluate the program in its entirety.
- The most significant and pervasive reason employers provided for not offering retirement benefits was a perceived lack of demand or interest from their employees. Most owners thought their staff lacked the means and/or desire to take advantage of a retirement account. As such, many owners liked the idea of offering retirement to their employees but did not feel like the effort and cost of starting their own retirement program was worth the return to their business.

Executive Summary: The Owner Mindset

Owners are not offering retirement benefits because ...

- > They believe there is little demand or interest from their employees
- > They worry about the time commitment to start and administer a program
- > They cannot afford to start their own plan
- > They prioritize healthcare as a potential benefit.
- > They have high amounts of turnover
- > It's not expected in their field.

Owners would offer retirement benefits if ...

- > It would help them recruit and retain qualified employees
- > It allowed them to take care of their employees
- > There was little financial or administrative burden
- > It provided them with a tax incentive
- > They employed individuals in “professional” or “career” positions where plans are the norm

Owners want a state program that is ...

- > Streamlined and simple
- > Compatible with payroll software
- > Stable and long lasting
- > Portable across jobs
- > Customizable based on business characteristics and employee desires
- > Able to provide employees with a significant return
- > Not mandatory



Suggested Messaging Strategies

Messaging: Build Demand and Interest

- ➔ **Finding:** Currently, many employers do not hear about demand or interest from their employees. As we saw in our general population research, retirement savings is easy to procrastinate for many reasons.
 - > Owners will not offer retirement benefits, or could even roll-back or remove current offerings, if they do not feel a pressing need from current employees and future prospects.
 - > A risk to the reputation of the program would be employers offering the program and getting little or no participation from employees.
- ➔ **Recommendation:** Success for a future state-administered program, in addition to existing private programs, starts with employees expressing interest in retirement benefits. In order to get employers to feel that the program is worthwhile, the state needs to raise the visibility of, and interest in, retirement savings among the population at large.

Messaging: Build Demand and Interest (continued)

- ➔ **Finding:** There appears to be a norm in some industries, fields, and positions that retirement benefits are not to be expected.
- ➔ **Recommendation:** The state should work to promote the idea of “retirement is for everyone”, regardless of one’s industry or profession.

Messaging: Foster Relationships

- ➔ **Finding:** Owners have self-interested and altruistic motivations to invest in their employees and maintain long-term relationships with their staff.
 - > Employers often feel an affection or kinship to their employees. Helping employees improve their lives is a significant reason for providing retirement programs.
 - > Many owners think that their employees need to be saving more, or at all, for retirement.
- ➔ **Recommendation:** Communicate that...
 - > Offering a state-administered program is a way to get employees on the right track for their future.
 - > This is a low-cost and portable system for employee retirement saving..
 - > Participating in a state-administered program is a small step to making a large impact in their employees' lives.

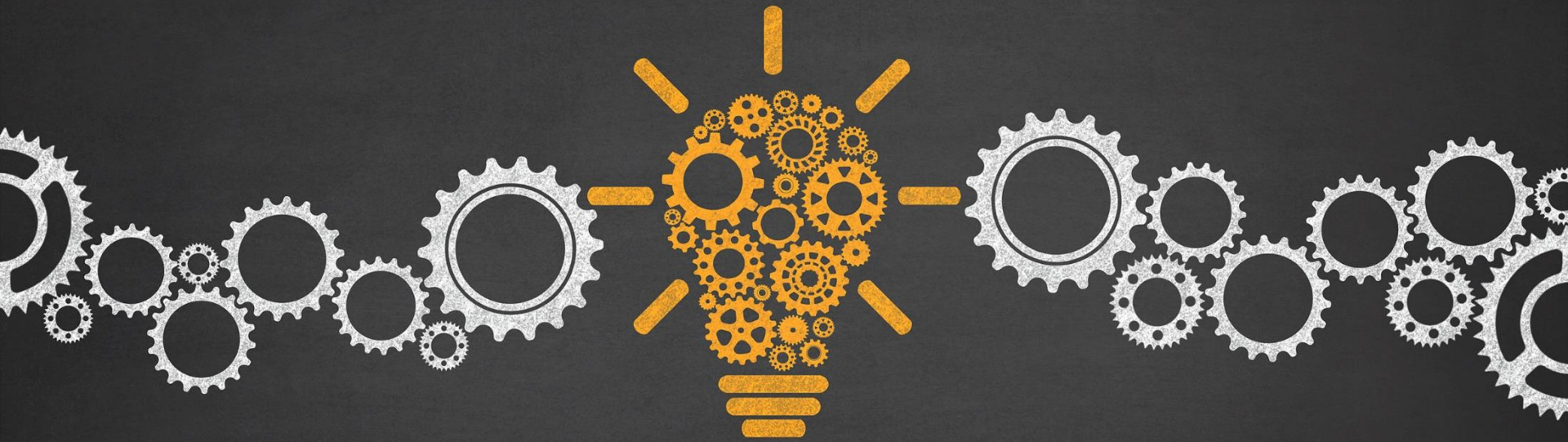
Messaging: Address Practical Concerns

- ➔ **Finding:** Many business owners worry about the administrative and cost burden of a state-administered program and will have numerous questions about program structure and requirements.
- ➔ **Recommendation:** Communicate the following types of details (depending on the eventual program structure)...
 - > The basic features of a future program, especially estimated administrative time and financial commitment, to owners.
 - > Make the process as simple as possible and then communicate that simplicity. Consider pilot tests to identify complications and estimate time requirements.
 - > Recognizing owners' natural reluctance to mandatory requirements, the ease of compliance should be highlighted.
 - > Provide and highlight choice whenever possible. Owners want options that are customizable to their business and by their individual employees.
 - > Communicate features that ensure the longevity and stability of the program. Many employers worry about consistent funding for the program or that other forces might cause their employees to lose their savings.

Messaging: Address Concerns (Continued)

➔ **Recommendation:** Communicate the following...

- > Owners and employees will likely use previous negative associations and experiences with Social Security, the Affordable Care Act, and other public programs as a frame of reference when evaluating a new program. Recognize this possibility and clearly communicate what makes this program different.
- > If portability is a feature of the program, communicate that the employer is merely a conduit for an employee owned account. In the face of high turnover, many owners would be more receptive to a state-administered account if they had minimal responsibility when hiring and firing beyond payroll redirection.
- > Note that matching contributions will not be allowed. Owners have varying responses toward this prospect. Some will need to be reassured that the program will still be worthwhile for their employees. Others will be encouraged that a major financial obligation is not an issue.
- > Explain what happens to employee contributions and who holds the money. Some employers expressed concern for these accounts being tapped for public projects.
- > Allay concerns related to employer risk and exposure. A few owners expressed concerns about responsibility for financial losses and some worried that honest mistakes in paperwork could result in punitive responses.



Detailed Findings

Most employers genuinely want to help their employees thrive, and retirement benefits are a way to do it

➔ Many owners articulated a familial like connection to their employees and a desire to offer retirement benefits in support of their staff.

“ I think it'd be a good thing because it gives the people the chance wherever they're working, and if they offer it, to start saving. To get that in their head for later on in life. .

– *Food Service Owner*

“ The benefit would just be feeling like I'm taking care of my staff or just doing my due diligence and to making sure that we're just all more stable in the future.

– **Pharmacy Owner**

“ I've just always believed that... In my family, there's small business people in my family that, you gotta do right by your staff.

– **Nonprofit Executive**

Most employers recognize retirement benefits as a tool to recruit and retain quality employees

- ➔ Many owners acknowledged that offering retirement benefits would make their business a more attractive and competitive place to work.
- ➔ Owners of small and young firms often said retirement benefits were a way that larger and more established companies recruited top talent.

“ From a small business perspective, if we can offer a benefit as a large organization, I mean honestly that's a big win for us because most small businesses can't compete with benefit packages of large corporations.

– *Software Company Owner*

“ I never had an issue with potential employees saying, “if you don't offer retirement, I'll go somewhere else,” but in attracting high-quality hires, they are asking those kind of questions – what retirement do you have to offer me?

– *Car Dealership Owner*

Owners who do not offer retirement benefits saw little demand from their employees

- ➔ Most employers said their employees had immediate needs and wants that outweighed retirement.
 - > Many owners pointed to high cost of living and low wages as a barriers to saving, often describing their employees as living paycheck to paycheck.
 - > Some employers (especially in mountain communities) suggested employees were more interested in instant gratification and lifestyle choices than long-term stability.
 - > Most owners prioritized healthcare benefits over retirement.

“ As owners we're interested, but I don't really hear very much of other employees speaking about it or trying to save up for anything
– **Food Service Owner**

“ This is a different socioeconomic crowd, they are high school graduates at best. They don't plan ahead. Some of them ask for cash instead of the health insurance we offer. They need the money too dang bad.
– *Lumber Yard Owner*

A few employers noted that they had offered retirement programs in the past, but abandoned them due to lack of participation

“ When we had it (a retirement plan) before we had probably, I'd say 20 employees at the time, but only two out of the 20 wanted to do that, that kind of just tells you right there that nobody's really interested in any of that stuff at all. And I've talked a little bit about that back there with them, but they never really had an interest at all.

– *Flooring Company Owner*

“ I think it was the cost of healthcare (that caused the business to stop offering retirement benefits), and then I think there was a bunch of employees that decided to opt out of it too.

– *Construction Company Owner*

“ I talked to some of my guys after I got some information on them and a lot of the employees were not very keen on putting additional money into their own plan and it was just more of a cash flow... “Man, I don't want to take an extra \$200 a check now to put it towards retirement.”

– *Property Management Owner*

“ We've done that before (offered a 401k), but with the shop being family owned, you had to have a certain percentage of your employees participating in that. And there were quite a few employees that weren't interested so then we stopped fighting that.

– *Auto Repair Shop Owner*

There is variation in perceptions of what retirement looks like for different jobs and different communities

- ➔ Some owners have the mindset that their employees hold positions where retirement benefits are not expected to be offered.
 - > Owners noted that younger employees are especially unlikely to expect or desire these benefits.
 - > Employers in food service, low-skilled trades, and similar industries saw too much turnover in their staff to invest in retirement benefits.
 - > Some owners and employees consider retirement to be a luxury.
- ➔ Some owners in rural areas thought that saving for retirement may look different in their community.
 - > Investments in land and the community were mentioned.

“ Employees don’t think to ask about retirement because working here (farm and feed store) isn’t a career. If they were lawyers or doctors they would get benefits, but there is not a lot of money in this job and not many people expect benefits out here. I might consider offering benefits to a manager, but not just to someone working as a laborer.

– *Farm and Feed Owner*

“ The problem (in offering retirement) is that they are mechanics. I had one guy stick around 20 years, but for the most part they stick around four or five years and then they think its better somewhere else. They have no clue about retirement.

- *Tire and Car Shop Owner*

Many employers had positive perceptions of a state-administered plan

➔ Owners who were positive often saw the state as a logical partner.

- > Many employers saw the possibility of reduced administration time.
- > A few owners noted that they were already familiar with interacting with the state and expected an efficient process.
- > Some employers noted the benefits of small/medium businesses pooling resources with the state.
- > A few said a state program would provide a needed push to start.
- > There was often resistance to the concept of a mandatory program, even with approval of the concept.

“ State involvement would make offering retirement benefits easier, because I know what’s going on with the state and their programs because I deal with the state so much. They have simplified things on their websites. If you could go to a website and sign up and bang! If it were a big pool, then it doesn’t have to be just us (offering retirement benefits).

– *Recreation Firm Owner*

“ I think it's a good thing as long as you don't lose your individual choice to do it. It's an opportunity probably for more education and it's a very simple ... I'm assuming a very simple way to begin participating in your savings.

– *Agricultural Firm Owner*

Many employers viewed the process of starting a retirement program to be simple, but easy to put off.

- ➔ When walking through the steps of starting a plan, many employers saw the process as being simple.
 - > Many had networks that they could use for training or learning.
- ➔ As noted earlier, many were inhibited by a perceived lack of interest by employees that made it a lower priority than other business obligations.
- ➔ A state plan was seen as desirable if some steps were already done, such as vetting a money management firm and having portability.

“ What I like about that (a state-administered program) is the state's doing the due diligence on which firm to use.

– *Nonprofit Chief Executive*

“ There's reluctance when you start dealing with money managers and how is it, is it like a shyster situation? How legit is it? I'm heavy understanding the analytical portion of my business, but I'm not at all equipped to understand any of the financials...

– *Scientific Services Firm Owner*

Some owners worried about cost and administration

- ➔ Employers were split on cost and administration.
 - > Employers often articulated that the time and burden of administering retirement benefits would be more of a barrier than cost.
 - > Employers who administer payroll manually, smaller businesses, and those with high turnover were more wary of the time commitment.
 - > Other employers viewed the process as being simple and easy once it was set up.
- ➔ Some saw bonuses as simple alternatives to retirement benefits.

“ (The biggest barrier to offering retirement) is the administrative piece of it is just too much for me right now and would probably put me over with the new business.

– *Urgent Care Chief Executive*

“ The process (of starting a retirement benefits) would be easy, we would just meet with our financial advisor in town. But its hard to find the time with all we have to manage as owners, and we can't afford the cost.

– *HVAC Owner*

A few owners were opposed to a state-administered program and state government intervention at large

- ➔ The most widespread concern with a state-administrated program was that owners feared their participation would be mandatory.
- ➔ Some worried the program would be “one-size-fits-all.” Employers worried a state program would lack choice and may fail to accommodate their business’ specific traits or situation.
- ➔ Some said private options would be more effective and were concerned that the state would mismanage the program.

“ I trust nothing with anybody who is in the government of the state of Colorado. I’m concerned about a botched program that overpromises and underdelivers.

– *Car Dealership Owner*

“ I’m not much of a big government guy, I don’t think the state would do as good of a job as the private sector. But it might push me into getting something because I’m lazy.

– *Farm and Ranch Supply Owner*

Many owners reserved final judgement until specific concerns were addressed, specifically asking:

- > What will be the time commitment of registration and administration?
- > What ensures longevity and stability of the program?
- > How integrated will the program be with payroll software?
- > How portable will accounts be across jobs in the face of high turnover?
- > What investment options will be offered, what kind of return?
- > What tax benefits will be available?
- > What happens if I make a mistake?
Are there fines or penalties for errors?

“ If the administration is going to be hard, that is going to turn people away from this. If it is very streamlined, you set it up once, and it works like direct deposit. I think simplicity is important.

– *Real Estate Firm Owner*

“ A lot of state funded things go away. What policies will be put in place to ensure the longevity of this program?

– *Farm and Feed Owner*

“ I worry about the legal logistics of it all. Trying to make sure that you're doing it all right, you're not doing anything wrong or unfair or that kind of stuff.

– *Auto Repair Shop Owner*

Employers had varying opinions toward the inability to match contributions

- ➔ Some owners saw this as a cost saving measure that insulated them from financial burden and employee expectations.
- ➔ A few owners thought not being able to match would be a significant barrier to participation.
- ➔ Some owners saw easy alternatives to matching (bonuses and raises).

“ You can offer bonus programs, increase those. I’m going to give them (employees) extra money to put to retirement. There are ways to match without a matching program

– *Recreation Firm Owner*

“ I think the whole idea of having a retirement program is that there is an incentive that they get a piece of the profit pie from the business they are working in, it would make a difference, I’d probably go with a private program.

– *Farm and Ranch Supply Owner*

Owners often noted that the specific geographic and economic contexts shaped their approach to thinking about retirement

Important context to consider

Mountain towns are defined by high cost of living, high turnover, and people holding seasonal and/or multiple part-time jobs.

Businesses in rural areas are often reluctant to embrace intervention from the state government and prioritize general economic development over benefit programs.

Industries with many entry-level positions, especially accommodation and food services and resource-intensive industries, feel the effects of increased minimum wage.

Some industries do not lend themselves to retirement, and many owners and employees may believe it is simply not for them.

Negative attitudes toward, and experiences with, the Affordable Care Act shape some owners' perceptions of any future public benefits program.

Some owners are wary of providing financial guidance to their employees due to lack of knowledge or fear of offering bad advice.



Appendix

Appendix: Methodology

Recruiting. Participants were recruited via several different means. An invitation letter was mailed out to a sample of 3,000 businesses, inviting them to fill out an online screener. A link to the online screener was shared with members of two business organizations. Corona employees went out into the field to find business owners willing to be interviewed face-to-face. Corona employees also called businesses to find business owners willing to be interviewed on the phone. To qualify for interviews, businesses could not currently be offering a retirement savings plan or program to employees. Additionally, businesses with 5 or more full time employees were targeted where possible. The research team sought to identify employers across a wide range of industries, and across as many Colorado counties as possible.

Guide Design. The interview guides were constructed in collaboration between Corona Insights and the Colorado Secure Savings Plan Board.

Execution. This research engagement was conducted in January 2020 in person and over the phone. Interviews lasted approximately 20 minutes.

Analysis. Transcripts from the interviews were analyzed using specialized qualitative data software.

About Corona Insights

Our founder named the company Corona because the word means “light.” It’s the knowledge that surrounds and illuminates an issue; exactly what we provide. Our firm’s mission is to provide accurate and unbiased information and counsel to decision makers. We provide market research, evaluation, and strategic consulting for organizations both small and large.

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