

Fact Sheet: Vermont

Workplace Retirement Plans Will Help Workers Build Economic Security

David John and Gary Koenig
AARP Public Policy Institute

Access to an employer-based retirement plan is critical for building financial security later in life. Yet, about 45 percent of Vermont's private sector employees—roughly 104,000—work for an employer that does not offer a retirement plan. Significant numbers of workers at all levels of earnings and education do not have the ability to use payroll deductions to save for retirement.

Currently in Vermont, workers of larger employers are more likely to have a retirement plan than workers of smaller employers. The probability of having a workplace retirement plan also differs considerably by workers' earnings level, education, and race and ethnicity. The lack of ability to participate in an employer-provided retirement plan, however, spans all levels of education and earnings, and cuts across all groups.

Vermont's Situation by the Numbers

About 45 percent of Vermont workers ages 18 to 64 in the private sector work for businesses that do not offer a retirement plan.

- **Small-business employees are less likely to have a plan:** Workers in Vermont businesses with fewer than 100 employees are much less likely to have access to a plan (61 percent) than workers in larger businesses (29 percent). In raw numbers, about 69,000 small-business employees do not have access to a retirement plan compared with about 35,000 in businesses with 100 or more workers.
- **Workers at all education levels do not have a plan:** About 63 percent of workers who did not have a high school degree did not have an employer-provided retirement plan—a much higher percentage than workers with some college (44 percent) or a bachelor's degree or higher (38 percent). But in raw numbers, workers with at least some college who did not have access to an employer plan exceeded those workers without a high school degree who did not have access to an employer plan (57,000 versus 9,000).

- **Workers at all earnings levels do not have a plan:** More than 79,000 of Vermont employees with annual earnings of \$40,000 or less did not have access to a workplace plan. These workers represent about 76 percent of the 104,000 employees without an employer-provided retirement plan.
- **Access to a plan differs substantially by race and ethnicity:** About 56 percent of Hispanic workers and about 51 percent of African Americans lacked access to an employer-provided retirement plan. Minorities accounted for about 7 percent (7,000) of the roughly 104,000 employees without a workplace retirement plan.

Why Access to Payroll Deduction Retirement Savings Plans Is Important

- **Makes saving easier:** About 90 percent of households participating in a workplace retirement plan today report that payroll deductions are very important and make it easier to save.¹ Saving at work appears to be critical: Few households eligible to contribute to an Individual Retirement Account outside of their jobs regularly do so.²
- **Helps increase retirement income:** Social Security is essential to retirement security, but its



**Public Policy
Institute**

average retirement benefit is only \$1,300 a month. Most retirees will need additional resources. Providing workers with a convenient way to save is an important step to increase the amount of assets a person will have at retirement: A 2014 Employee Benefit Research Institute study found that about 62 percent of employees with access to a retirement plan had more than \$25,000 in total savings and investments, and 22 percent had \$100,000 or more. However, only 6 percent of those without access to such a plan had over \$25,000 saved, and only 3 percent had \$100,000 or more.³

- **Allows individuals to build their own economic security:** Retirement savings plans help workers achieve economic security through their own efforts. Greater access could also help improve economic mobility and reduce wealth disparity.

Vermont: Who is NOT Covered by a Workplace Retirement Plan?
(percentage and number of private wage and salary workers ages 18–64 whose employer does not offer a retirement plan)

Item	Group	%	Number
	ALL	ALL	
		44.5%	104,408
Age	18–34 years	55.0%	48,419
	35–44 years	38.5%	19,347
	45–54 years	36.7%	18,382
	55–64 years	39.4%	18,260
Race & Ethnicity*	Hispanic	56.2%	1,831
	Asian (non-Hispanic)	45.9%	2,107
	Black (non-Hispanic)	51.0%	1,410
	White (non-Hispanic)	44.0%	96,929
Education	Less than high school	63.0%	8,844
	High school	50.2%	38,984
	Some college	44.2%	29,627
	Bachelor's or higher	37.5%	26,953
Gender	Male	43.6%	51,398
	Female	45.3%	53,010
Employer Size	Under 10	77.7%	30,394
	10–49	59.5%	29,255
	50–99	39.0%	9,770
	100–499	33.3%	12,791
	500–999	29.1%	4,540
	1,000+	26.2%	17,657
Earnings Quintile	\$14,000 or less	70.7%	30,999
	\$14,001 to \$25,000	57.4%	27,167
	\$25,001 to \$40,000	40.9%	21,583
	\$40,001 to \$63,500	32.5%	17,375
	Over \$63,500	19.5%	7,284

Source: U.S. Census Bureau's Current Population Survey, March Supplements 2012–2014.

Note: The results are based on three-year averages from 2011–2013. The sample includes workers whose longest-held job was in the private sector. Earnings quintiles are based on all wages and salary earned by U.S. workers, whether or not they were covered by a retirement plan.

* Other non-Hispanic category is not shown, so sum of race & ethnicity categories may not sum to total

- 1 Jack VanDerhei, "The Impact of Modifying the Exclusion of Employee Contributions for Retirement Savings Plans from Taxable Income: Results from the 2011 Retirement Confidence Survey," Employee Benefit Research Institute (EBRI) Notes, March 2011. Available at http://www.ebri.org/pdf/notespdf/EBRI_Notes_03_Mar-11.K-Taxes_Acct-HP.pdf.
- 2 For workers earning between \$30,000 and \$50,000, about 72 percent participated in an employer-provided retirement savings plan when one was available, compared with less than 5 percent without an employer plan who contributed to an Individual Retirement Account. Unpublished estimates from EBRI of the 2004 Survey of Income and Program Participation Wave 7 Topical Module (2006 data).
- 3 2014 RCS Fact Sheet #6," EBRI. Available at <http://ebri.org/pdf/surveys/rcs/2014/RCS14.FS-6.Prep-Ret.Final.pdf>.

State Fact Sheet, August 2015

© AARP PUBLIC POLICY INSTITUTE
601 E Street, NW
Washington DC 20049

Follow us on Twitter @AARppolicy
on facebook.com/AARppolicy
www.aarp.org/ppi

For more reports from the Public Policy Institute, visit <http://www.aarp.org/ppi/>.

AARP[®]
Real Possibilities

**Public Policy
Institute**