

## Fact Sheet: Minnesota

# Payroll Deduction Retirement Programs Build Economic Security

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*Access to an employer-based retirement plan is critical for building financial security later in life. Yet, about 32 percent of Minnesota's private sector employees—roughly 718,000<sup>1</sup>—work for an employer that does not offer either a traditional pension or a retirement savings plan. That 32 percent includes workers at all levels of earnings, education, and backgrounds. All of them would benefit from the ability to use payroll deduction to save for retirement.*

### Minnesota's Situation by the Numbers

About 32 percent of Minnesota private sector workers ages 18 to 64 in 2020 were employed by businesses that do not offer any type of retirement plan.

- **Small business employees are less likely to have a plan.** The smaller the employer, the less likely its workers are to have access to a retirement plan. Over 63 percent of workers at Minnesota firms with under 10 employees, and about 49 percent at companies with between 10 and 24 employees lack a plan. In businesses with under 100 employees, 403,000 workers do not have access to a retirement plan, compared with about 315,000 workers in businesses with 100 or more employees.
- **Workers at all education levels lack a plan.** About 58 percent of Minnesota workers who do not have a high school degree do not have access to an employer-provided retirement plan—compared with 37 percent of Minnesota workers with some college and 18 percent with a bachelor's degree or higher. Looking at the actual numbers of workers without access to an employer plan, those with at least some college exceeded those workers without a high school degree (434,000 versus 77,000).
- **Employees at all earnings levels do not have access to a plan.** Nearly 581,000 Minnesota workers with annual earnings of \$50,000 or less (81 percent of the 718,000 total) do not have access to an employer-provided retirement plan. In addition, almost 137,000 employees earning more than \$50,000 do not have access to a workplace plan.
- **Access to a plan differs substantially by race, ethnicity, and gender.** About 46 percent of Hispanic workers, 43 percent of Black workers, and 35 percent of Asian American workers in Minnesota lack access to an employer-provided retirement plan. Together, they accounted for about 23 percent (167,000) of the roughly 718,000 employees without a workplace retirement plan. In addition, 30 percent of all men and 34 percent of all women do not have access to an employer-provided plan.

State-facilitated retirement savings programs are providing a growing number of workers with a way to build financial security at work using payroll deduction. As of August 2022, six states had “Work & Save” programs open to savers and ten additional states are implementing programs. Soon millions more workers will be able to start saving through them. For more information, see AARP's State Retirement Resource Center at: <https://www.aarp.org/ppi/state-retirement-plans/>.

## Access to Payroll Deduction Retirement Savings Plans Is Important

- Makes saving easier:** About 96 percent of American voters over the age of 25 say that having a workplace retirement savings plan is important in helping them save for retirement.<sup>2</sup> Saving at work appears to be critical: Few households eligible to contribute to an individual retirement account outside of their job regularly do so.<sup>3</sup>
- Helps increase retirement income:** Social Security is essential to retirement security, but its average retirement benefit is only about \$1,600 a month. Most retirees will need additional resources. Providing workers with a convenient way to save is an important step toward increasing the amount of assets a person will have at retirement: A 2021 Employee Benefit Research Institute study found that about 82 percent of employees with access to a retirement plan had more than \$25,000 in total savings and investments, and 63 percent had \$100,000 or more. However, only 28 percent of those without access to such a plan had over \$25,000 saved, and only 9 percent had \$100,000 or more.<sup>4</sup>
- Allows individuals to build their own economic security:** Retirement savings plans help workers build their own economic security. Greater access could also improve economic mobility and reduce wealth disparity.

## MINNESOTA: WHO IS NOT COVERED BY A WORKPLACE RETIREMENT PLAN?

Item	Group	%	Number
<b>ALL</b>	ALL	32.0%	718,125
<b>Age</b>	18–34 years	38.3%	340,237
	35–44 years	28.9%	145,338
	45–54 years	25.0%	118,682
	55–64 years	30.1%	113,867
<b>Race &amp; Ethnicity</b>	Hispanic	45.7%	52,887
	Asian (Non-Hispanic)	34.9%	53,723
	Black (Non-Hispanic)	43.0%	60,510
	White (Non-Hispanic)	29.8%	534,554
<b>Education</b>	Less than High School	57.7%	76,932
	High School	42.7%	207,319
	Some College	36.9%	273,411
	Bachelor's or Higher	18.1%	160,462
<b>Gender</b>	Male	29.8%	356,058
	Female	34.4%	362,066
<b>Employer Size</b>	Under 10	63.1%	147,092
	10–24	49.0%	201,863
	25–99	35.2%	53,710
	100–499	25.4%	93,007
	500–999	22.2%	25,511
	1,000 +	20.4%	196,942
<b>Earnings Quintile</b>	\$18,000 or less	69.3%	252,990
	\$18,001 to \$31,000	50.9%	174,202
	\$31,001 to \$50,000	27.5%	153,802
	\$50,001 to \$78,000	17.1%	77,691
	Over \$78,000	11.4%	59,439

1 For the methodology see: Sabelhaus, John, “The Current State of U.S. Retirement Plan Coverage,” Wharton Pension Research Council Working Paper WP2022-07, March 2022. [https://repository.upenn.edu/prc\\_papers/726/](https://repository.upenn.edu/prc_papers/726/).

2 AARP Research, “Saving for Retirement at Work: Views of Voters Ages 25+,” October 2021, [https://www.aarp.org/content/dam/aarp/research/surveys\\_statistics/econ/2021/retirement-savings-work.doi.10.26419/res.00500.001.pdf](https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2021/retirement-savings-work.doi.10.26419/res.00500.001.pdf).

3 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 the Employee Benefit Research Institute (EBRI) of the 2004 Survey of Income and Program Participation Wave 7 Topical Module (2006 data).

4 EBRI, “2021 RCS Fact Sheet #6,” [https://www.ebri.org/docs/default-source/rcs/2021-rcs/rcs\\_21-fs-6\\_wsp.pdf?sfvrsn=7ad83a2f\\_4](https://www.ebri.org/docs/default-source/rcs/2021-rcs/rcs_21-fs-6_wsp.pdf?sfvrsn=7ad83a2f_4).

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