

## Employment-Based Retirement Plan Access & Participation: By the Numbers (2022)

**Definitions:** Access, or coverage, refers to employees who work for employers that offer retirement plans to them or provide them the opportunity to build assets for retirement, regardless of the employees taking advantage of the opportunity. Participation refers to employees actively contributing to the offered employment-based retirement plans and/or their employers making contributions to the plan. In other words, these are employees who are actively building up assets for retirement. The take-up rate is the percentage of employees who are offered a retirement plan who are participating.

**Issue:** Access to defined contribution (DC) plans can have a significant impact on reducing the savings shortfalls that workers could face in retirement. The average retirement shortfall of individuals ages 35–39 who do not have access to DC plans over their entire career is \$78,046, compared with \$14,638 for those with access to DC plans for 20 or more years.<sup>1</sup>

**Data:** There are various government surveys in which estimates can be calculated of the percentage of workers with access to employment-based plans and of the percentage of workers who participate in them. However, these surveys use different methodologies to collect the data, and the analysis of the data also differs between studies, but similar statistics and trends emerge on access and participation from these sources.<sup>2</sup>

### Summary Statistics

**Access** (*workers who are offered a retirement plan — either a defined contribution (DC) or defined benefit (DB) plan*)

- Employer survey: Ninety-two percent of state and local government employees have access to an employment-based retirement plan, compared with 68 percent of private industry workers.<sup>3</sup>
- Among private industry workers, 15 percent have access to a DB plan, and 66 percent have access to a DC plan.<sup>4</sup>
- Individual survey: 52.3 percent of U.S. workers are covered by a workplace retirement plan or 47.7 percent U.S. workers are not covered.<sup>5</sup>

**Participation** (*workers who are actively contributing to a retirement plan or whose employers are*

<sup>1</sup> VanDerhei, Jack, "Retirement Savings Shortfalls: Evidence From EBRI's 2019 Retirement Security Projection Model<sup>®</sup>," *EBRI Issue Brief*, no. 475 (Employee Benefit Research Institute, March 7, 2019).

<sup>2</sup> The government survey data used for this study include the Current Population Survey (CPS), IRS' Statistics of Income (SOI), the Survey of Consumer Finances (SCF), and the National Compensation Survey (NCS).

<sup>3</sup> Bureau of Labor Statistics, "Employee Benefits in the United States – March 2022." <http://www.bls.gov/news.release/pdf/ebs2.pdf>. This survey excludes federal, agricultural, and private household workers.

<sup>4</sup> Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2022." September 2022, <https://www.bls.gov/ncs/ebs/benefits/2022/home.htm>. This survey excludes federal, agricultural, and

<sup>5</sup> Sabelhaus, John (2022). The Current State of US Workplace Retirement Plan Coverage. *Wharton Pension Research Council Working Paper*, (2022-07).

*making the contributions, regardless of whether the worker is offered a plan)*

- **Employer survey:** Eighty-two percent of state and local government employees participate in an employment-based retirement plan compared with 52 percent of private industry workers.<sup>6</sup>
- Among private industry workers, 11 percent participate in a DB plan, and 48 percent participate in a DC plan.<sup>7</sup>
- **Individual survey:** Forty-eight percent of all workers participate in an employment-based retirement plan, meaning 52 percent of workers are not participating.<sup>8</sup>
- Among public-sector wage and salary workers ages 21–64, 75 percent participate in an employment-based retirement plan, compared with 48 percent of private-sector wage and salary workers ages 21–64.
- Among private-sector wage and salary workers, 41 percent participate in only a DC plan, 1 percent participate in only a DB plan, and 8 percent participate in both plan types. This compares with 7 percent, 28 percent, and 10 percent, respectively, in 1979.<sup>9</sup>

**Take-Up** (*ratio of workers participating to workers with access*)

- **Employer survey:** Ninety percent of state and local government workers who have access to a retirement plan participate in the plan, compared with 75 percent among private industry workers.<sup>10</sup> Among private industry workers, the take-up rate for DC plans is 73 percent.<sup>11</sup>
- **Individual survey:** Seventy-nine percent of family heads offered a DC plan participated in the plan.<sup>12</sup>

## Worker Demographics and Participation<sup>13</sup>

<sup>6</sup> Bureau of Labor Statistics, "Employee Benefits in the United States – March 2022." <http://www.bls.gov/news.release/pdf/ebs2.pdf>. This survey excludes federal, agricultural, and private household workers.

<sup>7</sup> Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2022." September 2022, <https://www.bls.gov/ncs/ebs/benefits/2022/home.htm>. This survey excludes federal, agricultural, and private household workers.

<sup>8</sup> Copeland, Craig, "Retirement Plan Participation and the Current Population Survey: The Impact of New Income Questions on These Estimates," *EBRI Issue Brief*, no. 499 (Employee Benefit Research Institute, January 30, 2020). Brady, Peter J., and Steven Bass. 2019. "Who Participates in Retirement Plans, 2016." *ICI Research Perspective* 25, no. 6 (August). Available at [www.ici.org/pdf/per25-06.pdf](http://www.ici.org/pdf/per25-06.pdf). This research shows that CPS data have consistently underreported the percentage of workers who participate in an employment-based retirement plan using Internal Revenue Service (IRS) Statistics of Income (SOI) data. The numbers particularly diverged starting in 2014 after a CPS redesign. However, CPS went through another redesign in 2019, so the estimates from Copeland (2020) are closer to those found in other data sources.

<sup>9</sup> Employee Benefit Research Institute, "Putting Numbers to the Shifting Private-Sector Retirement Landscape," *EBRI Fast Facts*, February 25, 2021, no.385 <https://www.ebri.org/docs/default-source/fast-facts/ff-385-dcplans-25feb21.pdf>.

<sup>10</sup> Bureau of Labor Statistics, "Employee Benefits in the United States – March 2022." <http://www.bls.gov/news.release/pdf/ebs2.pdf>. This survey excludes federal, agricultural, and private household workers.

<sup>11</sup> Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2022." September 2022, <https://www.bls.gov/ncs/ebs/benefits/2022/home.htm>. This survey excludes federal, agricultural, and private household workers.

<sup>12</sup> Copeland, Craig, "The Status of American Families' Accumulations in Individual Account Retirement Plans and Differences by Race/Ethnicity: An Analysis of the 2019 Survey of Consumer Finances," *EBRI Issue Brief*, no. 527 (Employee Benefit Research Institute, March 11, 2021).

<sup>13</sup> All statistics in this section are from Copeland, Craig, "Retirement Plan Participation and the Current Population Survey: The Impact of New Income Questions on These Estimates," *EBRI Issue Brief*, no. 499 (Employee Benefit Research Institute, January 30, 2020).

## **Age**

- Participation in retirement plans increases with the age of the worker. For example, among workers ages 21–24, the percentage participating is 49 percent of the percentage participating among those ages 55–64. This percentage is 80 percent for those ages 25–34.

## **Gender**

- Participation differences by gender are minor, as the percentage of males participating in an employment-based plan is 97 percent of the percentage of females.

## **Race**

- Minority workers are much less likely to participate in a plan than are White workers. Specifically, the percentage of Black workers participating in a plan is 79 percent of the percentage of White workers, while the percentage of Hispanic workers is 60 percent of the White-worker percentage.

## **Education**

- As educational attainment increases, the likelihood of participating in an employment-based retirement increases. The percentage of workers without a high school diploma who participate in a plan is 32 percent of the percentage of workers with a graduate or professional degree. For those with a high school diploma, the percentage participating is 60 percent of the percentage of those with a graduate or professional degree, and for those with a college degree, it is 91 percent of the graduate degree percentage.

## **Income**

- Participation increases with the annual earnings of workers. For instance, the percentage participating among those with annual earnings of less than \$20,000 is 20 percent of the percentage of those with annual earnings of \$75,000 or more. Workers with earnings of \$40,000–\$49,999 have a likelihood of participating in a plan that is 73 percent of the level for workers with earnings of \$75,000 or more.

## **Employer Size**

- As the size, measured by number of employees, of the worker's employer increases, so does the likelihood of the worker participating in a retirement plan. In fact, the likelihood of an employee who participates in a retirement plan working for an employer with fewer than 10 employees is 36 percent of the likelihood of an employee working for an employer with 1,000 or more employees. The relative differences for workers at employers with 10–49 employees and 50–99 employees to those at employers of 1,000 or more employees are 56 percent and 73 percent, respectively.

## **Defined Contribution Plan Eligibility (Access) and Balances by Race/Ethnicity<sup>14</sup>**

- The percentage of families with family heads of different races and ethnicities eligible for or offered a DC plan is substantial. This is also true for the median balances of those with DC plans.
- Sixty percent of families with working White family heads are eligible to participate in a DC plan compared with 48 percent of families with working Black/African American family heads and 32 percent of families with working Hispanic family heads.
- The median DC plan balances of families having this plan type with a White family head is \$55,000, compared with a median balance of \$30,000 for families with either Black or Hispanic family heads.

## **Private Industry Employers Offering Retirement Plans<sup>15</sup>**

- Fifty percent of establishments in the private industry offer retirement benefit plans. By plan type, 10 percent offer DB plans and 45 percent offer DC plans. However, this offering varies significantly by characteristics of the establishments.
- Establishment size, measured by the number of employees, is one of the most significant factors in the offering of a retirement plan. Specifically, 46 percent of establishments with 1–49 workers offer retirement benefit plans, compared with 78 percent of establishments with 50–99 workers, 88 percent of establishments with 100–499 workers, and 94 percent of establishments with 500 or more workers.
- Offering retirement benefits plans also varies by the industry of the establishments. For instance, 92 percent of establishments in the utility industry offer retirement benefit plans, whereas only 27 percent of establishments in the leisure and hospitality industry do so. Finance and insurance industry establishments also have a high offer rate at 73 percent, compared with only 30 percent of establishments in the “other” services industry.

## **Motivations for and Barriers to Offering Retirement Benefits<sup>16</sup>**

- The most likely cited main reasons for small and mid-sized businesses to offer a retirement plan are helping workers save for retirement (48 percent) and helping to attract and retain workers (31 percent).
- The most often cited reasons for not offering a plan are that they are too expensive to set up (37 percent), the organization does not have the resources (22 percent), and employees are not interested (17 percent).

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<sup>14</sup> Copeland, Craig, “The Status of American Families’ Accumulations in Individual Account Retirement Plans and Differences by Race/Ethnicity: An Analysis of the 2019 Survey of Consumer Finances,” *EBRI Issue Brief*, no. 527 (Employee Benefit Research Institute, March 11, 2021).

<sup>15</sup> Bureau of Labor Statistics, “National Compensation Survey: Employee Benefits in the United States, March 2020.” September 2020, <https://www.bls.gov/ncs/ebs/benefits/2020/employee-benefits-in-the-united-states-march-2020.pdf>.

<sup>16</sup> Pew Charitable Trusts, “Employer Barriers to and Motivations for Offering Retirement Benefits - Insights from Pew’s national survey of small businesses,” June 2017, <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/06/employer-barriers-to-and-motivations-for-offering-retirement-benefits>.