

Contact: John MacDonald, EBRI, (202) 775-6349, macdonald@ebri.org

Retirement Plan Participation: Firm Size Differences—An Update

WASHINGTON—How does the size of the firm where a worker is employed affect the likelihood that he or she is a participant in an employment-based retirement plan?

The November 2009 *EBRI Issue Brief*, published by the nonpartisan Employee Benefit Research Institute (EBRI, www.ebri.org), provides answers to these and other questions. Here are some of the key findings concerning differences in employment-based retirement plan participation in 2008 by firm size:

Size matters: Workers at firms with fewer employees are significantly less likely to participate in a retirement plan than are workers at large firms.

Participation levels by firm size. Participation in a retirement plan also is affected by the employer's size, with participation increasing for full-time, full-year private-sector wage and salary workers ages 21–64 as firm size grows. Workers in this category are considered to have the strongest connection to the work force.

Percentage of Full-Time, Full-Year Private-Sector Wage and Salary Workers Participating in an Employment-Based Retirement Plan, Employer Size, 2008

Employees:	Under 10	10–24	25–99	100–499	500–999	1,000 or more
Percentage Participating:	20.2%	30.4%	44.1%	54.4%	58.6%	66.4%

Source: Employee Benefit Research Institute estimates from March 2009 Current Population Survey.

Discussion of trend: One potential explanation for the lower participation levels at smaller firms could be that these firms hire workers with characteristics associated with lower participation, such as being younger or lower paid. However, when controlling for age, workers at small employers still had a persistently lower level of participation across the age groups. The *EBRI Issue Brief* makes these additional points:

- Across various earnings levels, workers at small employers were less likely to participate in an employment-based retirement plan.
- Even among workers making \$50,000 or more, a considerable disparity exists—31 percent of those working for the smallest employers participated in a plan, compared with 88 percent of those working for employers with 1,000 or more employees.
- Among public sector full-time, full-year workers, 82.7 percent participated in a retirement plan in 2008.

Overall, the *Issue Brief* reported that among full-time, full-year wage and salary workers age 21–64, just under 55 percent participated in a retirement plan in 2008. This was virtually unchanged from just over 55 percent in 2007. Full details appear in the November 2009 *EBRI Issue Brief*, available at www.ebri.org

Fast Facts from EBRI is issued by the nonpartisan Employee Benefit Research Institute to highlight benefits information that may be of current interest. Established in 1978, EBRI is an independent nonprofit organization committed exclusively to data dissemination, policy research, and education on economic security and employee benefits. EBRI does not take policy positions and does not lobby.