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New Research from EBRI:

Economic Pressure Forces More American Workers Out of Work-Based Retirement Plans

WASHINGTON—New analysis by the nonpartisan Employee Benefit Research Institute shows the employment-based retirement system, while still critical to Americans' retirement income security, continues to feel the pressure of the recent economic downturn: The number of American workers participating in a retirement plan continued to decrease last year, adding to the trend that began with the recession of 2008 and reaching its lowest level in a decade.

The EBRI analysis, based on latest U.S. Census Bureau data, shows that among *all workers* (including those not offered a retirement plan at work), 39.6 percent participated in a retirement plan in 2009, about a percentage point less than 2008 and down almost 5 percentage points from the high of 44.4 percent registered in 2000.

Among those *most likely to have benefits*—full-time, full-year wage and salary workers ages 21–64—just over half (54.4 percent) participated in a retirement plan in 2009, down 6 percentage points from the high of 60.4 percent registered in 1999.

The rate of employers *sponsoring* retirement plans also dropped in 2009 to 61.8 percent for full-time, full-year wage and salary workers, down almost 8 percentage points from the high of 69.4 percent measured in 1999.

EBRI notes that the downward trend in retirement plan participation is likely to continue in 2010, since the unemployment rate this year has remained higher than the rate before the economic downturn in 2008, and because many large private-sector employers have frozen their traditional defined benefit pension plans.

“This trend has important implications for workers, since having more opportunities to participate in an employment-based retirement plan greatly increases the amount of money a retiree is likely to have in retirement,” says Craig Copeland, senior research associate at EBRI and author of the study.

According to the EBRI report, a key factor in whether this trend turns around is how employers and workers will respond to the automatic enrollment provisions for 401(k) retirement plans, which were encouraged by the Pension Protection Act of 2006 that went into effect during the economic downturn of 2008.

((more))

EBRI's report, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2009," is based on the Census Bureau's March 2010 Current Population Survey, the most recent data available (for 2009). The full report is published as the October *EBRI Issue Brief* and is available online at www.ebri.org

Among the report's key findings:

- **Sponsorship Rate:** Among *full-time, full-year wage and salary workers* ages 21–64 (those with the strongest connection to the work force), 61.8 percent worked for an employer or union that sponsored a plan. This is down almost a percentage point from 2008 and is almost 8 percentage points lower than the sponsorship high point of 69.4 percent measured in 1999.

Among *all workers*, 49.3 percent worked for an employer that sponsored a retirement plan in 2009—the first time since 1990 the sponsorship rate has dropped below 50 percent.

- **Participation Level:** Among *full-time, full-year wage and salary workers* ages 21–64, 54.4 percent participated in a retirement plan in 2009.
 - **Trend:** While the 2009 participation level for this *full-time, full-year* group is little changed from 54.8 percent in 2008, it marks the second straight annual decline and down almost 6 percentage points from the high of 60.4 percent in 1999. Among *all workers* (including those who are not offered a retirement plan at work), 39.6 percent participated in a retirement plan in 2009, the first time in 15 years it has dropped below 40 percent.
 - **Age:** Participation increases with age (61.2 percent for wage and salary workers ages 55–64, compared with 30.6 percent for those ages 21–24).
 - **Gender:** Among *wage and salary workers* ages 21–64, men had a higher participation level than women, but among *full-time, full-year workers*, women had a higher percentage participating than men (55.8 percent for women, compared with 53.2 percent for men). Female wage and salary workers' lower probability of participation results from their overall lower earnings and lower rates of full-time work in comparison with males.
 - **Race:** Hispanic wage and salary workers were significantly less likely than both white and black workers to participate in a retirement plan. The gap between the percentages of black and white plan participants that exists overall narrows when compared across earnings levels.
 - **Geographic differences:** Wage and salary workers in the South, West, and Southwest had the lowest participation levels (Florida had the lowest percentage, at 42.9 percent) while the upper Midwest and Northeast had the highest levels (North Dakota had the highest participation level, at 64.2 percent).
 - **Other factors:** White, more highly educated, higher-income, and married workers are more likely to participate than their counterparts.

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