

## Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2007

By Craig Copeland, EBRI

- **Latest Census data**—This *Issue Brief* closely examines the level of participation by workers in public- and private-sector employment-based pension or retirement plans, based on the U.S. Census Bureau's March 2008 Current Population Survey (CPS), the most recent data currently available.
- **Sponsorship rate**—About 58 percent of all working-age (21–64) wage and salary employees work for an employer or union that sponsors a retirement plan. Among *full-time, full-year wage and salary workers* ages 21–64 (those with the strongest connection to the work force), just over 63 percent worked for an employer or union that sponsors a plan.
- **Participation level**—Among *full-time, full-year wage and salary workers* ages 21–64, 55 percent participated in a retirement plan.
  - **Trend:** This is up from approximately 53 percent in 2006. Participation trends increased significantly in the late 1990s, and decreased in 2001 and 2002. In 2003 and 2004, the participation trend flattened out. The retirement plan participation level subsequently declined in 2005 and 2006, before the significant increase in 2007.
  - **Age:** Participation increases with age (63.9 percent for wage and salary workers ages 55–64, compared with 28.0 percent for those ages 21–24).
  - **Gender:** Among *all* workers, men had a higher participation level than women, but among *full-time, full-year workers*, women had a higher percentage participating than men (57.0 percent for women, compared with 54.0 percent for men). Female workers' lower probability of participation in the aggregate 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 percent) while the upper Midwest and Northeast had the highest levels (Wisconsin had the highest participation level, at approximately 68 percent).
- **Other factors**—White, higher-educated, higher-income, and married workers are more like to participate than their counterparts.

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## Introduction

The financing of retirement has become a vital topic in the United States, as the post-World War II baby-boom generation is rapidly approaching the traditional retirement age of 65. This wave of adults born between 1946–1964 totals 77 million people, and as they reach their retirement years they will greatly change the demographics of the nation: The sharp rise in the percentage of the elderly population will make it much more difficult for active workers to support programs such as Medicare and Social Security, which are designed to protect the elderly from the worst effects of old age (deteriorating health and loss of income). Since current tax revenues are projected to be insufficient to support these programs at their existing levels, some changes are likely to occur that could result in an increase in the retirement benefit eligibility age, higher taxes, or cutbacks in benefits for all retirees or certain types of retirees (such as wealthy individuals).

Consequently, if the near elderly (those ages 55–64) hope to maintain their preretirement standards of living, they will need other sources of income in retirement to supplement their Social Security benefits, as Social Security was not designed to match that standard. Today, a retiree beneficiary turning 65 can expect Social Security to replace between about 30 percent to 50 percent of preretirement income, depending upon his or her earnings history (Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds 2008).<sup>1</sup>

For both current and future retirees, an important source of additional income in retirement is money from an employment-based retirement plan. Therefore, understanding the percentage of workers currently participating in an employment-based retirement plan provides critical insight into the likely future financial status of retirees.

In 2007, the percentage of workers participating in an employment-based retirement plan increased significantly for the first time since 1998. Specifically, the percentage of *all workers* participating in an employment-based retirement plan increased from 39.7 percent in 2006 to 41.5 percent in 2007, while the percentage of *full-time, full-year wage and salary workers* ages 21–64 (those most likely to be offered a retirement plan at work) increased from 52.7 percent in 2006 to 55.3 percent in 2007. The overall increase in participation was also reflected in virtually all categories of workers in 2007.

This *Issue Brief* more closely examines this level of participation by workers in public- and private-sector employment-based pension or retirement plans, based on the U.S. Census Bureau's March 2008 Current Population Survey (CPS), the most recent data currently available.<sup>2</sup> It begins with an overview of retirement plan types and participation in these types of plans. Next, it describes the data used in this study, along with their relative strengths and weaknesses. From these data, results on participation in employment-based retirement plans are analyzed for 2007 across various worker characteristics and those of their employers. The report then explores retirement plan participation across U.S. geographic regions, including a state-by-state comparison and a comparison of certain consolidated statistical areas (CSAs). In addition to the results for 2007, trends from 1987–2007 in employment-based retirement plan participation are presented across many of the same worker and employer characteristics as used for 2007. The report concludes with a discussion of this study's findings.

## Retirement Plan Types

In general, there are two types of tax-favored retirement plan vehicles offered through employers and unions:

- Defined contribution (DC) plans, typified by the 401(k) retirement plan.
- Defined benefit (DB) plans, typified by the traditional pension plan.

These plans differ in a variety of ways, particularly in how benefits are determined and held, the assumption of investment risk, and the manner in which plan benefits are paid.

**Benefit Determination:** First, under a DC plan, employer contributions (if any) are based on a predetermined formula,<sup>3</sup> and, most frequently, all contributions (made by both employers and/or employees) are placed in individual accounts on behalf of each participant. In contrast, DB plans in the private sector typically are funded by the employer and do not require participants to contribute, and plan contributions are held in one trust on behalf of all participants, with these contributions subject to federal funding rules and regulations required to maintain the plan's tax-favored status. However, in the public sector, DB plans generally require employee contributions, but the contributions are usually pooled into a single fund along with funding from the government entity that sponsors the plan.

**Investment risk:** Next, who assumes the investment risk associated with plan assets is a key distinction between DC and DB plans. The overwhelming majority of individuals receiving DC plan benefits assume all of the investment risk in their own accounts; that is, employers do not guarantee a specific benefit level, but instead the benefit is determined by the contributions (employer and employee) to the individual's account and the investment returns within that account.<sup>4</sup> In comparison, DB plan participants receive a certain benefit amount calculated from a specific formula, typically based on average salary and years of service, regardless of the investment performance of the plan assets. Thus, in general, in DC plans it is the *individual participants* who bear the investment risk, while in DB plans it is the *plan sponsor* (or for the public sector, the taxpayers in the jurisdiction of the sponsoring entity).

**Benefit payout:** A third difference between DC and DB plans traditionally has been the manner in which they generally pay benefits. DC plans usually pay out benefits in a lump sum—the entire accumulated benefits are paid out at one time. Consequently, the recipients are responsible for managing the money so that it lasts the rest of their lifetime, which would mean reducing or eliminating the (longevity) risk of outliving one's assets during their retirement. Alternatively, DB plans must offer life annuities (a set amount paid out regularly over time, typically monthly, for as long as the beneficiary lives), which, when chosen, eliminate the necessity of managing these assets during retirement. However, plan sponsors are allowed to “cash out” those participants who terminate employment and have a small accrued benefit, and a growing number of DB plan participants are also being offered a lump-sum distribution option.<sup>5</sup>

The term *pension plan* traditionally has been synonymous with a DB plan that uses a fixed annuity payment, and not with a DC plan offering a lump-sum distribution. Although many individuals refer to a DC plan as a “pension” plan, many others still understand a pension to be an annuity payment at retirement. Thus, this discussion defines DB and DC plans as *retirement plans* to eliminate any confusion.

The increase in the number of DC plan participants relative to DB plan participants has been well documented. For example, the Department of Labor's Employee Benefits Security Administration's *Private Pension Plan Bulletin Historical Tables* (2008), which compiles data from the Internal Revenue Service Form 5500, shows that the number of private-sector workers who are active participants in a DB plan decreased from 30.1 million in 1980 to 20.6 million in 2004 (a decline of over 30 percent), while similar workers covered by a DC plan increased from 18.9 million in 1980 to 52.2 million in 2004 (an increase of more than 175 percent over the same period).<sup>6</sup> Copeland (2005), using the U.S. Census Bureau's May 1988 Current Population Survey Employee Benefit Supplement, and the Retirement and Pension Plan Coverage Topical Module to the 2001 Survey of Income and Program Participation (SIPP), found that the percentage of all civilian (public and private) nonagricultural wage and salary workers age 16 or older who considered their primary retirement to be a DC plan increased from 25.8 percent in 1988 to 57.7 percent in 2003. Another study by Copeland (2006), using the 1992 and the 2004 Survey of Consumer Finances (SCF), found that the percentage of families with at least one participant in a retirement plan and with only a DC plan increased from 37.6 percent in 1992 to 52.1 percent in 2004.

The reasons for this growth of DC plan participants, such as the perception of increased work force mobility and changes in the business and regulatory environments of plan sponsors, have also been well-documented.<sup>7</sup> The consequences of these trends for retirees are significant, the most important being the necessity for individuals to accumulate sufficient assets in these accounts and then the necessity for individual retirees to manage the assets in retirement so as not to outlive them.<sup>8,9</sup> However, these issues are outside the scope of this report, given that the data limitations used in this study allow for focusing only on participation in an employment-based retirement plan arrangement.

## Data

While the analysis of employment-based retirement plan participation among plan types is important, the datasets that contain this information focus only on private-sector workers, are slow to be released, do not contain detailed demographic data on the participants, or are compiled from surveys taken only at three- or five-year intervals. The data cited above on the breakdown of plan types from SCF and SIPP illustrate this problem, as the latest available numbers are from 2003 and 2004, with the survey intervals being three years and five years, respectively.<sup>10</sup> Furthermore, the official compilation of private-sector plan assets and participants by the U.S. Department of Labor from the Form 5500 data that all private-sector sponsors of pension or retirement plans must file with the Internal Revenue Service (IRS) is currently available only through 2005. Public-sector employers are not required to file these forms, making detailed data from those plans difficult to obtain even after a few years.

The one timely survey on employment-based retirement plan offering and participation by employees is the National Compensation Survey conducted by the U.S. Department of Labor's Bureau of Labor Statistics (BLS). This survey finds, in March 2008, 51 percent of private-sector workers participated in an employment-based retirement plan—the same percentage as in March 2006 and 2007—and 86 percent of public-sector workers. This survey also finds that 20 percent of private-sector workers participated in a defined benefit plan and 43 percent participated in a defined contribution plan (12 percent participated in both) in 2007. However, this survey does not contain detailed demographic data on the participants, but it does provide some firm characteristic breakdowns of participation in retirement plans.

In contrast, the Current Population Survey (CPS), a monthly survey, has asked questions in a consistent manner each March since at least 1988 about whether a worker worked for an employer or union that sponsored a pension or retirement plan for any of its employees, and then if the worker was included in that plan.<sup>11</sup> The U.S. Census Bureau conducts the CPS for the BLS by interviewing about 57,000 households and asking numerous questions about individuals' work status, employers, income, and basic demographic characteristics. Therefore, the CPS provides detailed information about workers from a broad sample of Americans who are in an employment-based plan, making it possible to establish a consistent annual and timely trend across numerous worker characteristics and the characteristics of their employers.

While the CPS provides excellent detail on overall participation in employment-based plans, it does *not* provide specifics about the plans—such as the worker's plan type or whether the worker is eligible to participate in the plan sponsored by his or her employer or union. This makes the definition of terms in this study important. The term *sponsorship rate* is defined as the percentage of workers in the specified work force who worked for an employer or union that sponsored a plan for *any* of its employees, not necessarily for the worker in question. Thus, in this discussion, the term *percentage of workers participating in a plan* is not synonymous with the standard retirement plan term *participation rate*, which is understood to mean the percentage of eligible workers who participate in a plan. Consequently, *participation rate* is not used in this analysis; instead the terms *participation level* or *percentage participating*, which, to reiterate, refer to the fraction of workers in the specified work force who participated in an employment-based pension or retirement plan regardless of the worker's eligibility (offered a plan and meets the requirements to participate) to participate in a plan. Lastly, the term *participating in a plan* as used here always means a pension or retirement plan provided through an employment-based arrangement, *not* a plan such as an individual retirement account (IRA) that workers can fund outside of an employment-based arrangement.

## 2007 Participation Levels

Among the 158.1 million Americans who worked in 2007, 81.9 million worked for an employer or union that sponsored a pension or retirement plan, and 65.6 million participated in the plan (Figure 1). This translates into a sponsorship rate (the percentage of workers working for an employer or union that sponsored a plan) of 51.8 percent and a participation level of 41.5 percent.

However, this measure of the work force contains the unincorporated self-employed and those typically with a looser connection to the work force—individuals under age 21 and older than age 64. Therefore, a

different measure of the work force is examined: *wage and salary workers* ages 21–64, representing individuals who have a stronger connection to the work force and work for someone else.<sup>12</sup> For this group, the sponsorship rate increases to 57.6 percent and the portion participating increases to 47.4 percent. When separating these wage and salary workers into the public and private sectors, the percentages participating differ significantly. Approximately 75 percent (75.4 percent) of the public-sector workers participated in an employment-based retirement plan, compared with 42.0 percent of the private-sector workers.

A more restrictive definition of the work force, which more closely resembles the types of workers who generally must be covered in accordance with the Employee Retirement Income Security Act (ERISA) for a retirement plan offered by a private-sector employer or union, is the work force of *full-time, full-year wage and salary workers* ages 21–64.<sup>13</sup> Approximately 55 percent of these workers participated in a retirement plan. The percentage participating in each work force definition is correlated with the workers' characteristics as well as those of the workers' employers.

The remainder of this section focuses on wage and salary workers, presenting the differences across these characteristics, which, in general, were representative of all the work force populations, except where noted.

**Figure 1**  
**Percentage of Various Work Forces Who Work for an Employer That Sponsored a Retirement Plan, and the Percentage Who Participated in a Plan, 2007**

	All Workers	Wage and Salary Workers Ages 21–64	Private-Sector Wage and Salary Workers Ages 21–64	Public-Sector Wage and Salary Workers Ages 21–64	Full-Time, Full-Year Wage and Salary Workers Ages 21–64
	(millions)				
Worker Category Total	158.1	131.2	110.1	21.1	97.1
Works for an employer sponsoring a plan	81.9	75.6	58.0	17.6	61.3
Participating in a plan	65.6	62.2	46.3	15.9	53.7
	(percentage)				
Worker Category Total	100.0%	100.0%	100.0%	100.0%	100.0%
Works for an employer sponsoring a plan	51.8	57.6	52.7	83.3	63.1
Participating in a plan	41.5	47.4	42.0	75.4	55.3

Source: Employee Benefit Research Institute estimates from the 2008 March Current Population Survey.

## Worker Characteristics

The percentage of wage and salary workers ages 21–64 participating in a retirement plan in 2007 increased with age (Figure 2). For those ages 21–24, 19.6 percent participated in a plan, compared with 56.6 percent of those ages 55–64. Male workers were slightly more likely to participate in a plan than females. However, female workers were more likely to have participated in a plan than males among full-time, full-year workers.

Being white or having attained a higher educational level was also associated with a higher probability of participating in a retirement plan. Among white workers, 52.2 percent participated in a plan, compared with 28.5 percent of Hispanic workers. Nineteen percent of workers without a high school diploma participated in a plan, with the percentage participating increasing with educational attainment to 68.5 percent of those holding a graduate or professional degree.

Workers who were married were more likely to participate in a plan, while never-married workers had the lowest probability. The higher an individual's earnings were, the more likely he or she participated in a plan. Nearly one-quarter (24.4 percent) of those who had annual earnings of \$15,000–\$19,999 participated in a plan. This number increased to 70.8 percent of those earning \$50,000 or more. Furthermore, full-time,

Figure 2

**Percentage of Various Work Forces Who Worked for an Employer That Sponsored a Retirement Plan and the Percentage Who Participated in a Plan, by Various Characteristics, 2007**

	All Workers			Wage and Salary Workers Ages 21-64			Private-Sector Wage and Salary Workers Ages 21-64			Public-Sector Wage and Salary Workers Ages 21-64			Full-Time, Full-Year Wage and Salary Workers Ages 21-64		
	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating age (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating age (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating age (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating age (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating age (%)
<b>Age</b>															
20 or younger	10,450	24.0%	4.9%												
21-24	12,695	38.5	19.3	12,431	39.1%	19.6%	11,397	37.3%	17.9%	1,035	58.5%	38.9%	6,197	45.0%	28.0%
25-34	33,485	51.1	38.7	32,066	53.0	40.2	27,816	48.9	35.7	4,250	80.1	69.5	23,360	58.1	47.4
35-44	35,299	55.8	47.5	32,971	59.2	50.4	27,788	54.5	45.3	5,183	84.3	77.7	25,830	63.7	56.7
45-54	36,139	59.3	52.6	33,246	63.3	56.1	27,068	58.1	50.7	6,179	85.7	79.9	26,492	67.7	62.3
55-64	22,782	59.2	52.0	20,538	64.2	56.6	16,079	57.7	49.9	4,459	87.9	80.7	15,238	69.2	63.9
65 or older	7,249	39.1	28.7												
<b>Gender</b>															
Male	83,779	50.9	41.6	68,663	57.2	47.8	59,821	53.1	43.4	8,842	84.7	78.0	55,245	61.6	54.0
Female	74,320	47.2	41.5	62,589	58.0	46.9	50,326	52.1	40.4	12,263	82.4	73.5	41,874	65.1	57.0
<b>Race/Ethnicity</b>															
White	109,224	55.7	45.3	89,284	62.6	52.2	74,468	57.9	47.1	14,816	85.8	78.3	65,903	68.3	60.7
Black	17,039	51.6	39.3	14,797	55.6	43.4	11,750	50.1	36.7	3,047	77.1	69.1	11,036	61.7	51.9
Hispanic	21,834	33.5	25.3	18,607	36.7	28.5	16,658	32.1	24.0	1,949	76.4	67.4	13,750	40.8	33.7
Other	10,002	49.5	39.8	8,564	54.5	44.7	7,271	49.9	40.2	1,293	80.6	69.7	6,430	59.6	52.5
<b>Education</b>															
No high school diploma	18,293	24.6	13.4	11,630	28.6	19.0	11,031	26.6	17.4	598	64.7	48.9	7,733	32.3	24.1
High school diploma	45,264	46.2	35.9	37,775	50.9	40.5	33,603	47.4	36.7	4,171	79.2	70.8	27,976	56.0	47.3
Some college	46,282	53.1	40.9	38,700	58.7	46.6	33,138	55.1	42.4	5,563	80.2	72.1	27,576	65.5	56.5
Bachelor's degree	31,742	63.7	54.9	28,751	67.6	58.4	22,882	62.7	53.2	5,869	86.3	78.6	22,215	71.9	65.3
Graduate/profnl. degree	16,518	71.1	64.1	14,396	75.5	68.5	9,493	68.5	61.3	4,903	89.1	82.5	11,618	78.4	73.2
<b>Marital Status</b>															
Married	87,391	57.3	49.4	76,299	62.2	54.0	62,775	56.9	48.5	13,523	86.4	79.6	59,077	66.6	60.5
Widowed	3,125	48.8	37.9	1,840	58.7	48.1	1,498	53.5	42.5	342	81.8	72.6	1,252	66.3	57.8
Divorced	16,985	54.3	44.8	14,846	59.0	48.9	12,302	54.0	43.0	2,544	83.6	77.2	11,373	64.6	56.3
Separated	3,792	44.6	33.2	3,415	47.3	35.2	2,967	43.2	30.6	448	74.5	65.7	2,416	52.6	42.2
Never married	46,806	41.4	26.4	34,852	47.9	33.5	30,603	44.2	29.5	4,248	74.4	62.4	23,001	54.3	42.8
<b>Work Status</b>															
Full-time, full-year	107,981	59.3	51.8	97,119	63.1	55.3	80,990	58.4	49.9	16,129	86.8	82.6	97,119	63.1	55.3
Full-time, part-year	19,729	42.1	27.6	16,115	46.2	31.1	13,715	40.1	24.3	2,401	81.1	69.8			
Part-time, full-year	15,519	34.2	18.7	10,176	40.8	23.8	8,987	37.6	21.5	1,188	65.0	40.9			
Part-time, part-year	14,970	28.7	9.4	7,842	34.4	13.5	6,455	28.3	9.7	1,387	62.6	31.5			

(cont'd.)

(Fig. 2. cont'd.)

	All Workers			Wage and Salary Workers Ages 21-64			Private-Sector Wage and Salary Workers Ages 21-64			Public-Sector Wage and Salary Workers Ages 21-64			Full-Time, Full-Year Wage and Salary Workers Ages 21-64		
	Number of workers (000s)	Sponsor-ship rate (%)	Percent-age participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-age participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-age participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-age participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-age participating (%)
<b>Annual Earnings</b>															
Less than \$5,000	15,177	22.9	5.3	7,056	27.2	7.3	6,151	23.4	5.6	905	52.9	19.3	383	35.0	20.0
\$5,000-\$9,999	11,440	28.8	10.7	7,651	31.6	12.9	6,762	28.2	10.3	889	57.4	32.9	1,242	30.3	16.4
\$10,000-\$14,999	12,295	32.4	17.0	9,647	35.2	19.0	8,562	30.4	14.6	1,085	73.4	53.2	4,040	29.5	18.0
\$15,000-\$19,999	12,709	36.3	22.5	10,612	39.0	24.4	9,434	34.6	20.4	1,179	73.7	56.9	6,794	37.5	24.8
\$20,000-\$29,999	25,827	47.4	35.5	22,630	50.8	38.1	19,858	46.8	33.8	2,772	79.5	69.1	17,868	51.2	39.4
\$30,000-\$39,999	22,209	59.8	51.5	20,359	62.8	54.2	16,828	57.9	48.3	3,531	86.0	82.2	17,675	63.6	55.6
\$40,000-\$49,999	16,435	67.0	60.1	15,133	70.6	63.4	11,819	65.6	57.6	3,315	88.3	84.2	13,703	70.9	64.2
\$50,000 or more	42,008	71.5	67.0	38,164	75.4	70.8	30,734	71.6	66.5	7,430	91.1	88.8	35,415	76.1	71.6
<b>Occupation</b>															
Management, business, and financial	22,406	60.6	54.1	19,028	67.3	60.3	16,779	64.4	57.1	2,249	89.2	84.2	16,488	69.8	64.2
Professional and related	32,038	69.1	59.4	28,557	73.2	63.3	19,052	66.9	56.4	9,505	85.7	77.2	21,240	77.3	70.2
Service	27,284	34.2	22.9	20,212	40.1	28.9	16,271	31.0	19.2	3,941	77.4	69.2	12,630	47.2	38.2
Sales and related	18,232	41.8	29.2	13,580	48.4	36.1	13,390	48.1	35.8	190	66.6	55.8	9,639	54.2	45.3
Office and admin. support	21,234	59.7	46.4	18,622	62.9	50.5	15,305	58.7	45.2	3,317	82.6	75.2	13,498	69.2	60.0
Farming, fishing, and forestry	1,293	17.8	12.6	931	21.2	16.4	896	19.0	14.4	35	77.1	68.5	555	27.9	23.0
Construction and extraction	10,073	32.3	26.5	8,046	37.9	31.4	7,558	34.6	28.2	487	87.8	82.4	5,628	41.9	36.2
Installation, maintenance, repair	5,442	54.1	45.0	4,797	58.4	49.1	4,405	56.2	46.6	392	82.7	78.0	4,082	62.3	54.2
Production	10,088	54.3	43.6	9,089	57.2	46.4	8,802	56.3	45.5	287	84.5	73.2	7,276	61.3	52.1
Transportation/material moving	10,010	46.9	34.0	8,392	50.8	38.7	7,691	49.0	36.7	702	71.0	59.8	6,083	54.7	45.0
<b>Employer Size</b>															
Fewer than 10 employees	32,417	15.5	12.4	19,406	19.3	15.4	19,406	19.3	15.4				12,733	22.7	19.5
10-24 employees	14,769	29.6	23.0	12,477	32.3	25.9	12,477	32.3	25.9				8,656	36.6	31.2
25-99 employees	18,987	44.3	34.0	16,630	46.9	37.0	16,630	46.9	37.0				12,460	51.6	43.4
100-499 employees	17,875	57.9	45.6	16,268	59.9	48.3	16,268	59.9	48.3				12,592	65.1	55.3
500-999 employees	7,210	63.7	50.6	6,531	66.4	53.9	6,531	66.4	53.9				5,008	70.7	61.5
1,000 or more employees	43,891	69.5	53.3	38,835	73.0	58.0	38,835	73.0	58.0	21,105	83.3	75.4	29,541	78.1	66.9
Public sector	22,949	81.3	72.3	21,105	83.3	75.4	21,105	83.3	75.4				16,129	86.8	82.6
<b>Sector/Industry</b>															
Private sector	135,150	46.8	36.3	110,147	52.7	42.0	110,147	52.7	42.0				80,990	58.4	49.9
agriculture, mining, and construction	15,170	29.5	23.9	11,262	36.1	29.7	11,262	36.1	29.7				8,014	40.0	34.2
manufacturing	16,831	64.6	54.8	15,616	67.0	57.3	15,616	67.0	57.3				13,239	70.3	62.3
wholesale and retail trade	22,802	47.9	32.7	18,077	53.0	38.6	18,077	53.0	38.6				13,071	58.1	47.3
transportation, utilities, information, and financial	21,001	59.3	49.5	18,367	64.0	54.1	18,367	64.0	54.1				14,769	68.2	60.3
professional services	37,587	50.3	39.7	31,482	55.6	44.3	31,482	55.6	44.3				22,259	61.3	52.5
other services	21,759	25.8	15.8	15,343	30.2	20.3	15,343	30.2	20.3				9,638	36.1	27.5
Public sector	22,949	81.3	72.3	21,105	83.3	75.4	21,105	83.3	75.4	21,105	83.3	75.4	16,129	86.8	82.6

Source: Employee Benefit Research Institute estimates from the 2008 March Current Population Survey.

full-year workers were by far the most likely type to participate in a retirement plan. Those individuals working in professional and related occupations had the highest probability of participating in a retirement plan at 63.3 percent. In comparison, those workers in farming, fishing, and forestry occupations had the lowest likelihood of participating in a plan at 16.4 percent.

## **Employer Characteristics**

The probability of a worker participating in an employment-based retirement plan increased significantly with the size of his or her employer (Figure 2). For workers at employers with fewer than 10 employees, 15.4 percent participated in a plan, compared with 58.0 percent of those working for an employer with 1,000 or more employees. The sector and industry of the employer also had an impact on the likelihood of participating in a plan. Public-sector workers were significantly more likely to participate than private-sector workers. Workers in the manufacturing industry and the transportation, utilities, information, and financial industry had the highest probability of participating, while those in the other services industry had the lowest probability.

## **A Closer Examination**

*Gender*—Female wage and salary workers ages 21–64 were found to participate in a retirement plan at a lower level than males did. However, among full-time, full-year workers of these same ages, females had a higher rate of participation in a plan (57.0 percent for women, compared with 54.0 percent for men). In fact, across all of the worker status categories, females were more likely to participate in a retirement plan than males (Figure 3). This result has persisted since 2001, when the full-time, full-year females' participation level was slightly higher than the males' level at 58.5 percent to 58.1 percent (Figure 4). This difference subsequently grew to the 3 percentage points found in 2007.

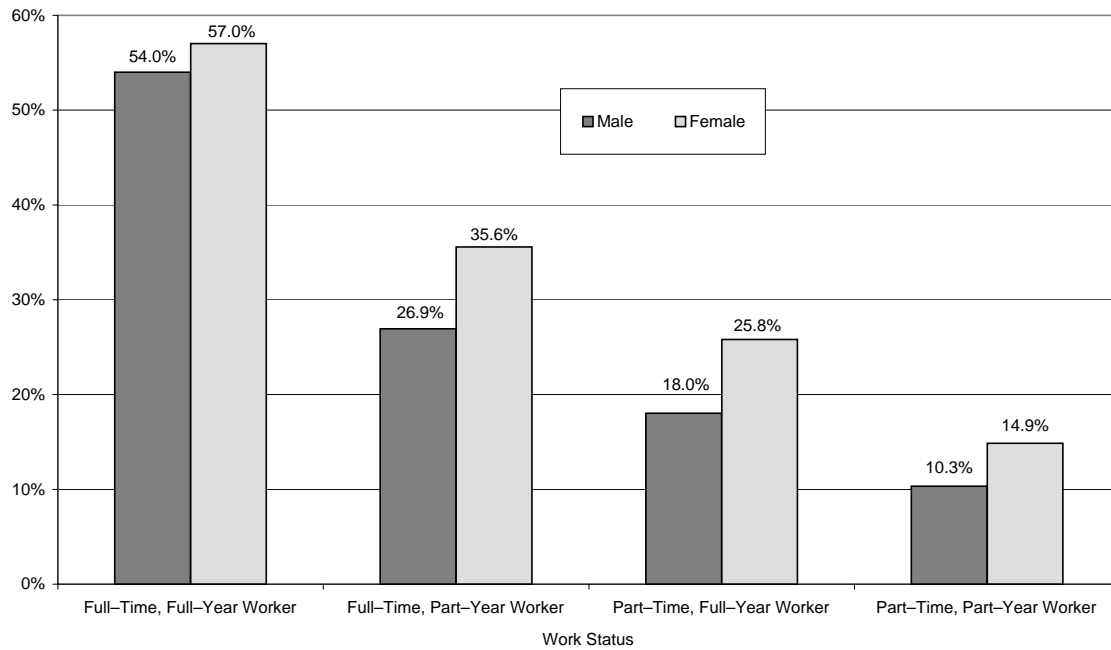
Furthermore, when examining the participation by earnings level, the proportion of females participating in a plan was higher than it was for males at each earnings level examined (Figure 5). Consequently, it appears that female workers' lower probability of participation in the aggregate was a result of their overall lower earnings and lower rates of full-time work in comparison with males.

*Race/Ethnicity*—Analysis of race/ethnicities by earnings level shows that Hispanic wage and salary workers were significantly less likely than both white and black workers to participate in a retirement plan.<sup>14</sup> The gap between the percentages of black and white plan participants that exists overall narrows when compared across earnings levels (Figure 6). In contrast, the gap between Hispanics and whites persisted in all earnings groups, although it showed some narrowing in the higher earnings groups.

Another potential contributor to the overall lower level of participation by Hispanic workers could be the characteristics of their employers, such as firm size (number of employees). However, across all the firm sizes, with the exception of public-sector employers, this appears not to be the case, as Hispanic workers had significantly lower participation in employment-based retirement plans than workers of all the other races/ethnicities (Figure 7). For workers at the smallest employers (fewer than 10 employees), 19 percent of white wage and salary workers participated in a plan, compared with 7 percent of the Hispanic workers. These levels increased as the employer size increased, but white workers still had a significantly higher participation level among those working for employers with 1,000 or more employees (62 percent for whites versus 44 percent for Hispanics).

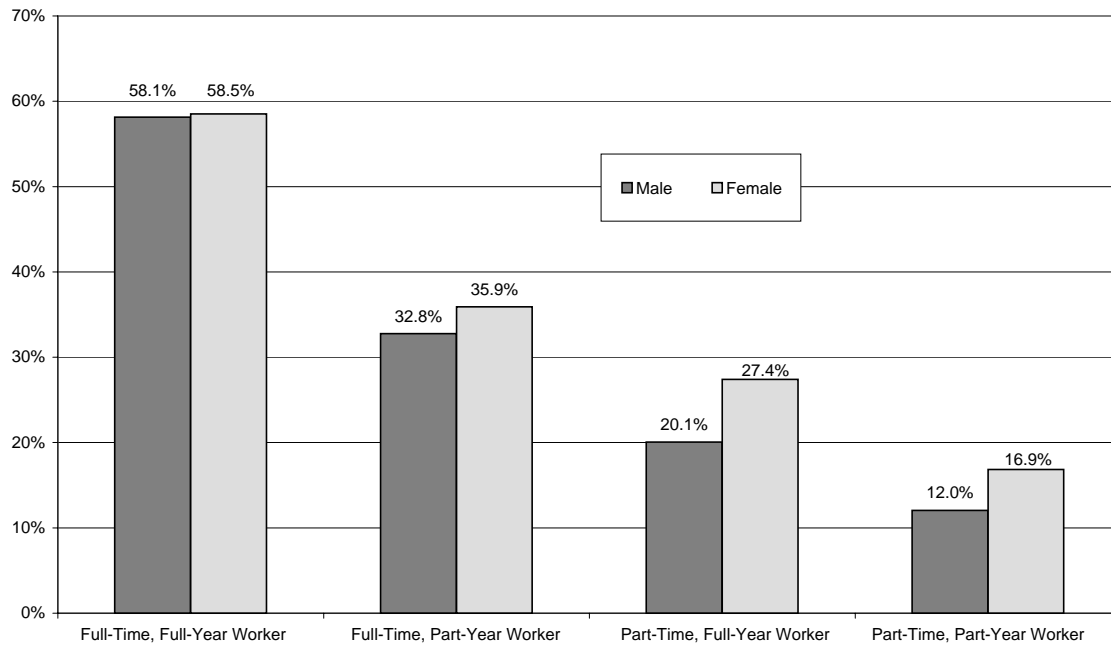
Furthermore, the age of the workers and their race/ethnicity could not explain the differences in the level of participation, as the Hispanic workers' participation levels were significantly lower than the white workers' levels at each age (Figure 8). However, a dramatic shift in Hispanic worker participation levels becomes apparent when analyzed by birthplace—United States or outside the United States. Native-born Hispanic workers age 21 or older had participation levels very similar to those of black and other workers, but still lower than white workers.<sup>15</sup> In contrast, nonnative-born Hispanic workers had substantially lower levels of participation across all age groups.

**Figure 3**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status and Gender, 2007**



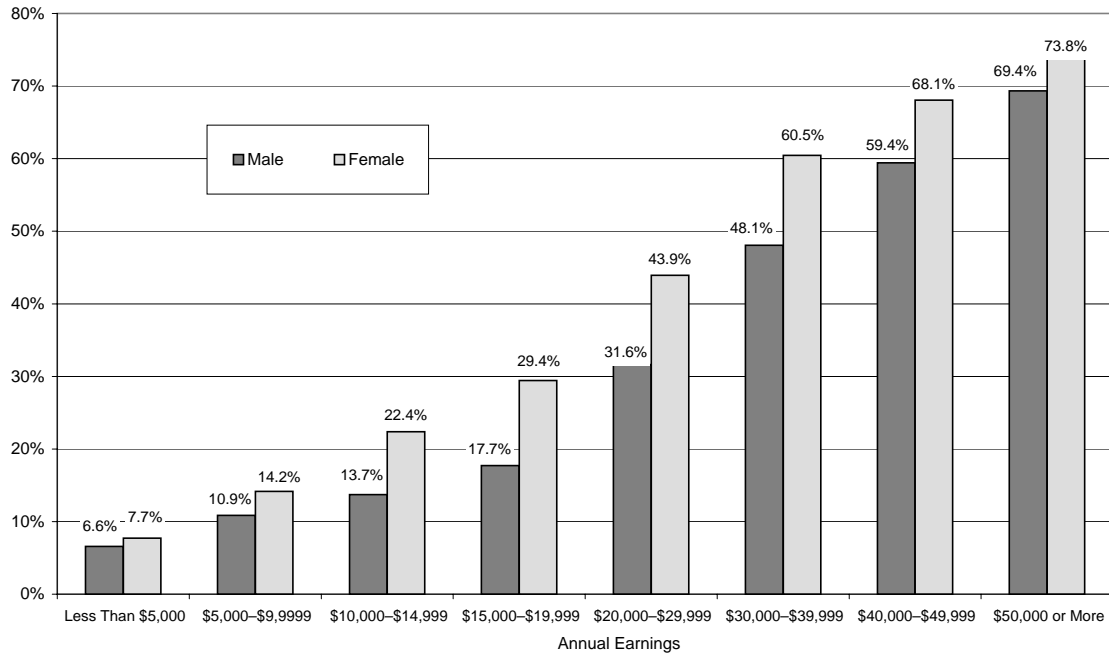
Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 4**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status and Gender, 2001**



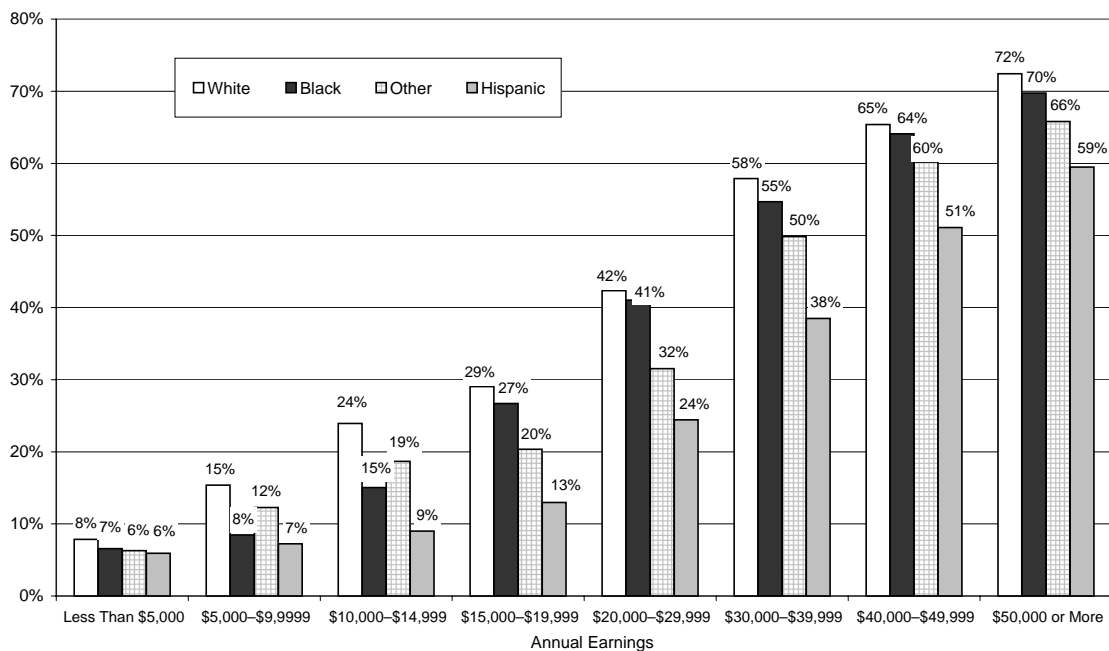
Source: Employee Benefit Research Institute estimates from 2002 March Current Population Survey.

**Figure 5**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated**  
**in an Employment-Based Retirement Plan, by Annual Earnings and Gender, 2007**



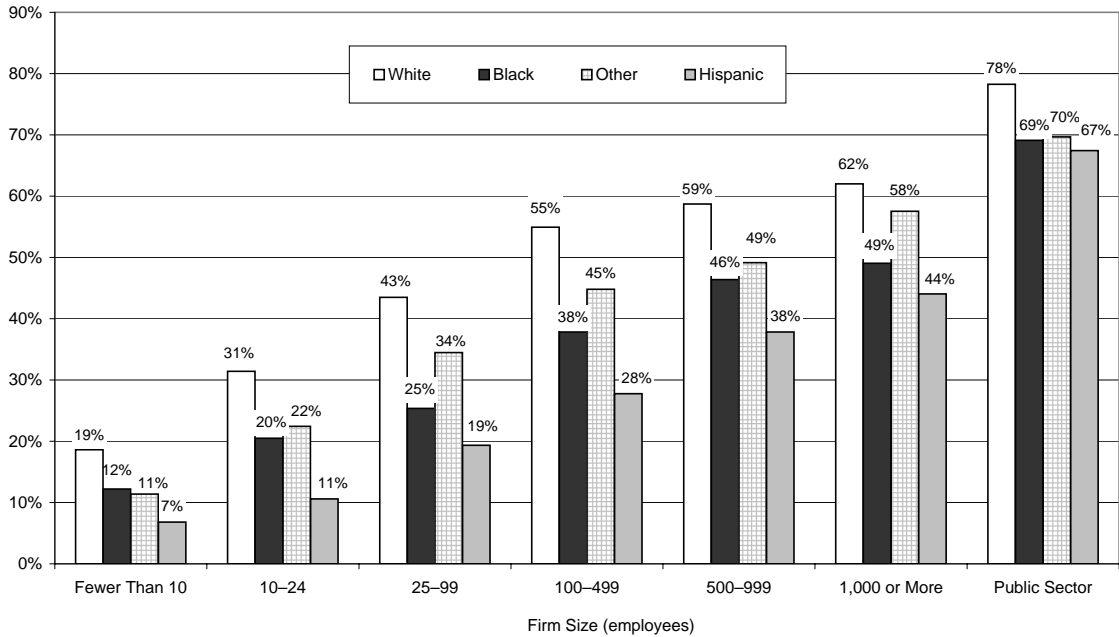
Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 6**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an**  
**Employment-Based Retirement Plan, by Annual Earnings and Race/Ethnicity, 2007**



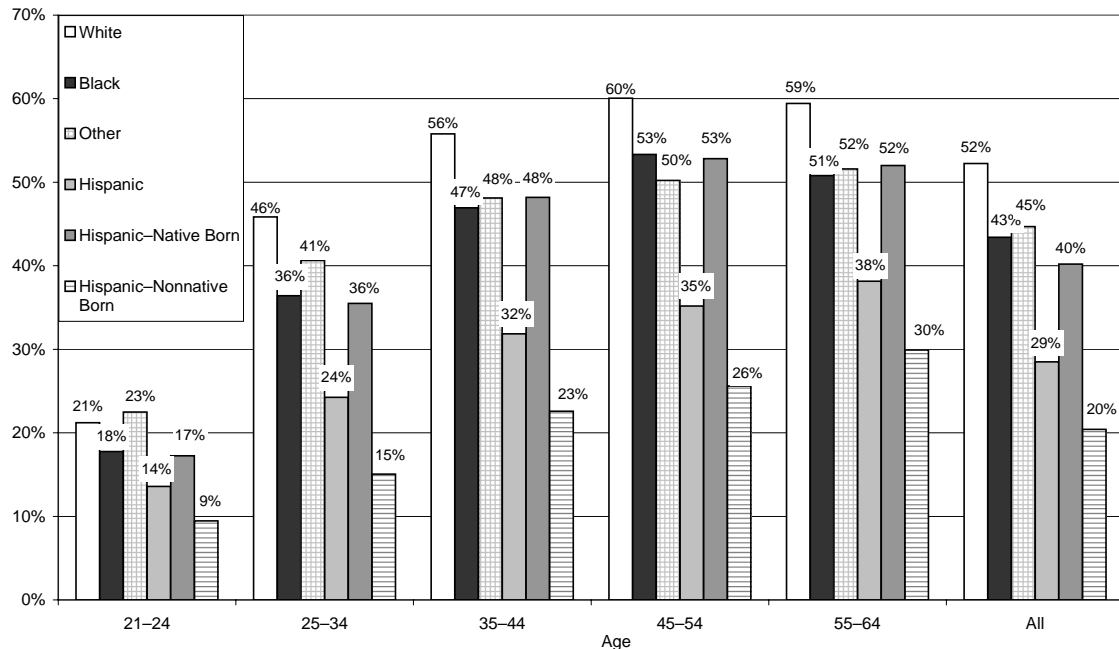
Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 7**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated**  
**in an Employment-Based Retirement Plan, by Firm Size**  
**(Number of Employees) and Race/Ethnicity, 2007**



Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 8**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated**  
**in an Employment-Based Retirement Plan by Age and Race/Ethnicity, 2007**



Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

While age is an important factor in the participation in a retirement plan, the earnings levels of nonnative-born Hispanics could be lower across age due to potential language and custom barriers. Yet, even across earnings, nonnative-born Hispanics have a lower probability of participating in a retirement plan, while native-born Hispanics have participation levels closer to those of white and black Americans (Figure 9).

Consequently, while blacks with higher earnings or who were older had levels of retirement plan participation approaching those of white workers, all Hispanics workers combined had persistently lower levels of participation across earnings, age, and employer size. However, when accounting for location of birth, native-born Hispanic workers displayed participation levels near those of black and white workers, whereas the nonnative born Hispanic workers had levels far below those of all the other workers.

*Firm Size*—Employees of firms with fewer employees were significantly less likely to participate in a retirement plan. A potential explanation for this lower participation could be that these firms employed workers with characteristics associated with lower participation, such as being younger or lower paid.

However, when controlling for age, workers at smaller employers still had a persistently lower level of participation across the age groups (Figure 10). Furthermore, across various earnings levels, workers at small employers were less likely to participate in an employment-based retirement plan (Figure 11). Even among workers making \$50,000 or more, a considerable disparity exists—29 percent of those working for the smallest employers participated in a plan, compared with 80 percent of those working for employers with 1,000 or more employees.

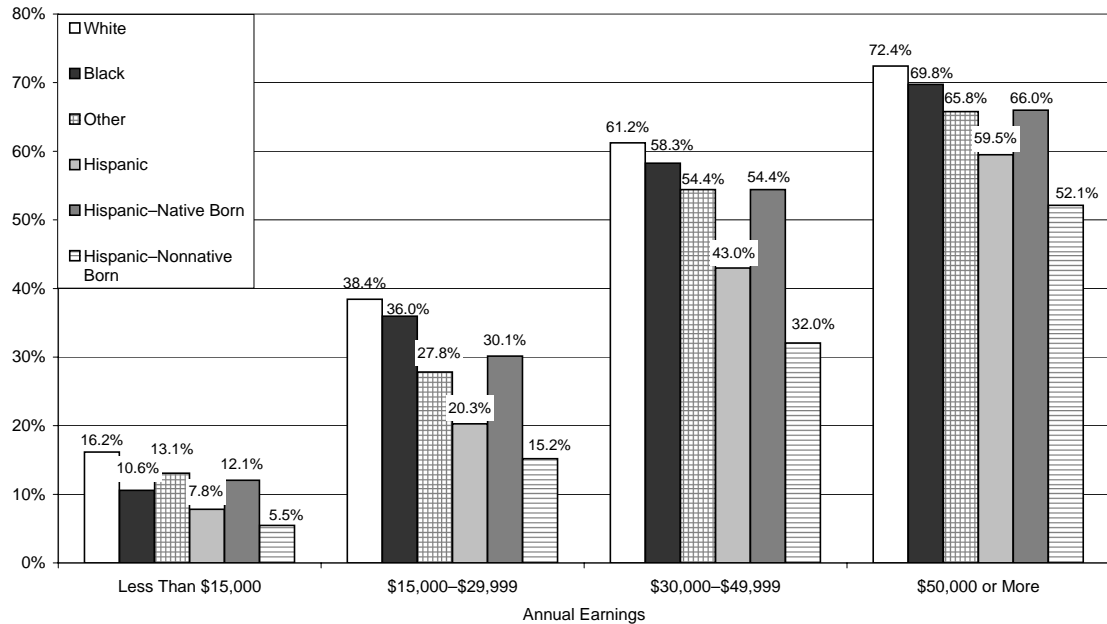
*Education*—Workers with lower educational attainment have lower levels of retirement plan participation. However, educational attainment has a strong correlation with earnings. When controlling for earnings, the most highly educated still had the highest levels of participation, but the differences with the less educated workers were much smaller, particularly as earnings decreased (Figure 12). Yet, those with the least education (no high school diploma) still had significantly lower levels of participation than those with at least a high school diploma. Specifically, 50.7 percent of those without a high school diploma and making \$50,000 or more participated in a retirement plan, compared with 65.0 percent of those with the same earnings and only a high school diploma and 76.1 percent for those with a graduate or professional degree. Consequently, the education level of workers clearly plays a role in the likelihood of participation in a retirement plan beyond determining a worker's earnings level.

*Age*—Younger workers' significantly lower likelihood of participating in a plan could be the result of having lower incomes at the start of their careers. However, when looking at workers by age across earnings, younger workers are still less likely to be a retirement plan participant than older workers with the same earnings (Figure 13). Even for the highest earners (\$50,000 or more), 49.2 percent of those ages 21–24 participated in a plan, compared with 74.4 percent of those ages 45–54.

*Health Insurance/Status*—An important risk to a retiree's finances is his or her health status and health care needs.<sup>16</sup> The availability of employment-based health insurance from the worker's own employer and health status are also correlated with participation in an employment-based retirement plan. Across all ages, workers with employment-based health insurance from their own employer are more than twice as likely to have a retirement plan as those without health insurance from their own employer (Figure 14). For instance, among workers ages 45–54 in 2007, 70.9 percent of those with health insurance through their own employer participated in an employment-based retirement plan, compared with 29.2 percent of those without health insurance through their own employer. This same result was also present in 2000, with similar disparities in participation levels among those with and without employment-based health insurance through their own employer.

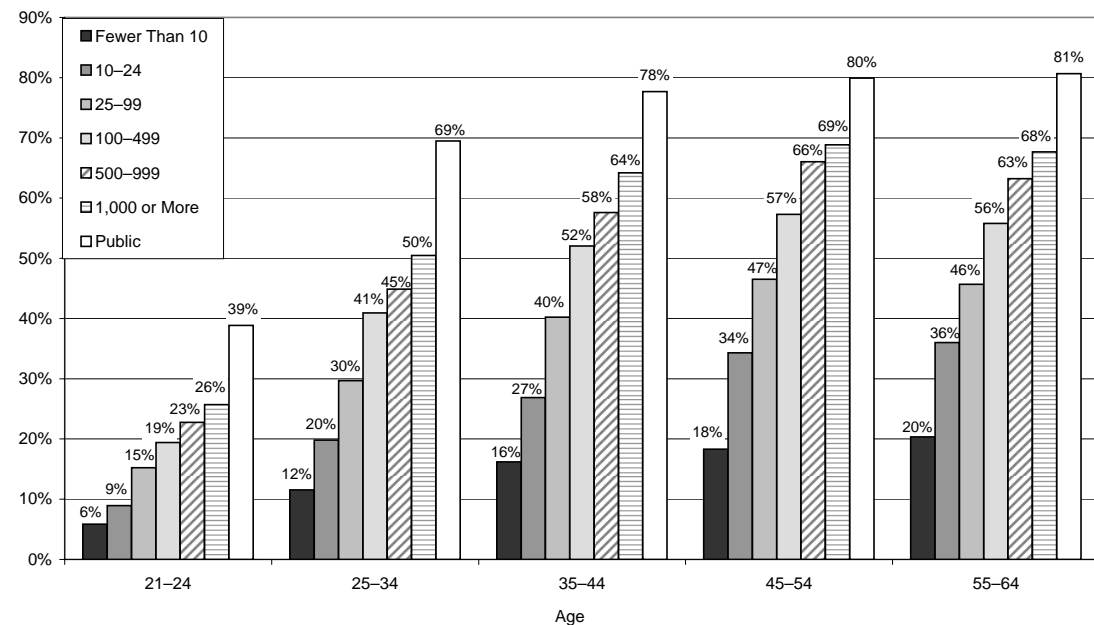
As the self-reported health status of a worker decreases, the likelihood of participating in a plan also decreases. For example, for workers ages 55–64 who reported having excellent health, 58.4 percent participated in a plan in 2007. However, among workers of the same age who reported poor health, only 37.2 percent participated in a plan (Figure 15). The same pattern occurred in 2000, with very similar relative differences in participation across the health status categories.

**Figure 9**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated**  
**in an Employment-Based Retirement Plan, by Race/Ethnicity**  
**With Hispanic Detail and Annual Earnings, 2007**



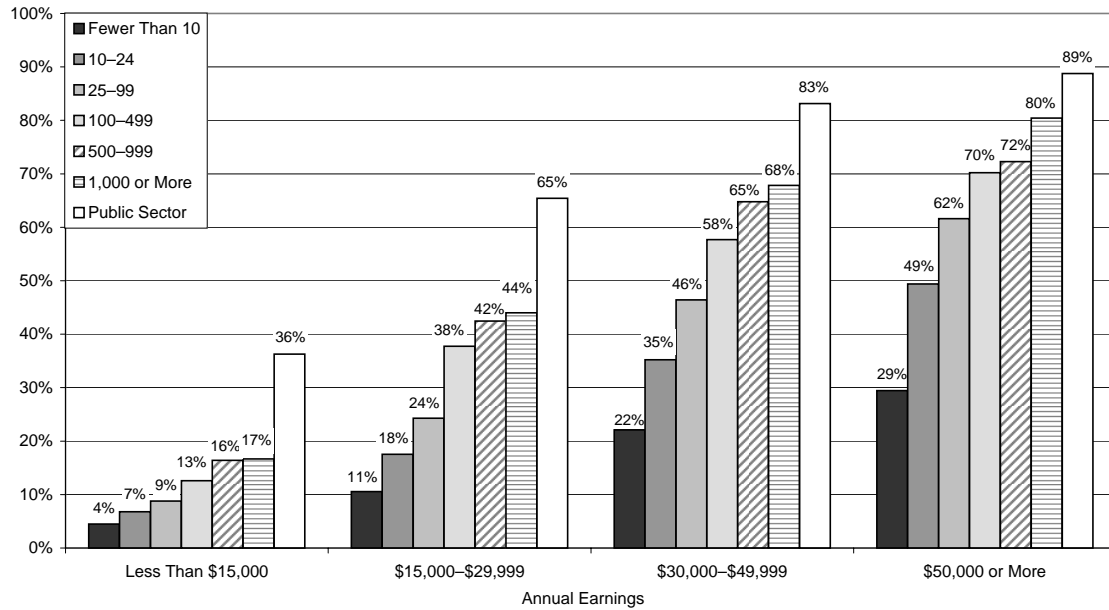
Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 10**  
**Percentage of Wage and Salary Workers Ages 21–64**  
**Who Participated in an Employment-Based Retirement Plan,**  
**by Age and Employer Size (Number of Employees), 2007**



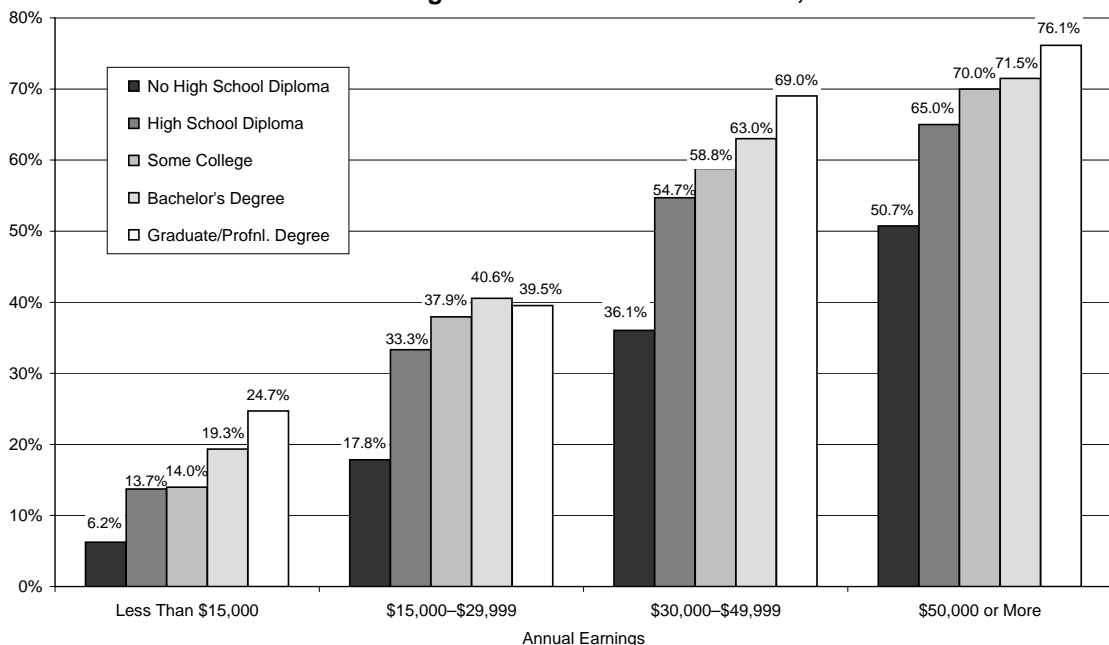
Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 11**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated**  
**in an Employment-Based Retirement Plan, by Annual Earnings**  
**and Employer Size (Number of Employees), 2007**



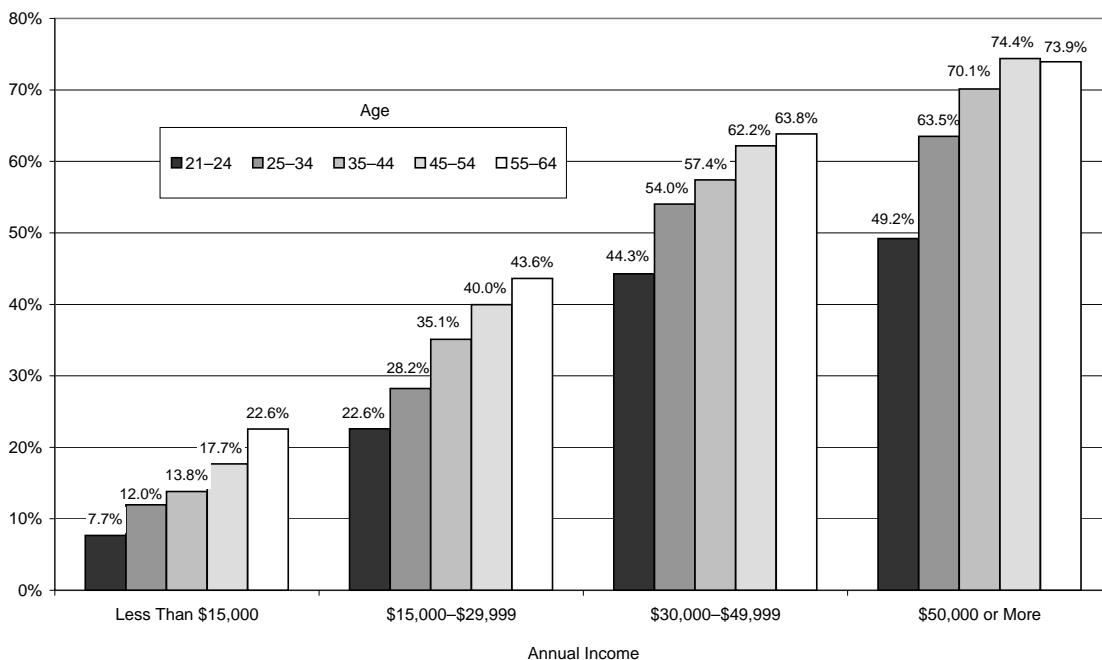
Source: Employee Benefit Research Institute estimates from 2008 March Current Population Survey.

**Figure 12**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated**  
**in an Employment-Based Retirement Plan, by**  
**Annual Earnings and Educational Attainment, 2007**



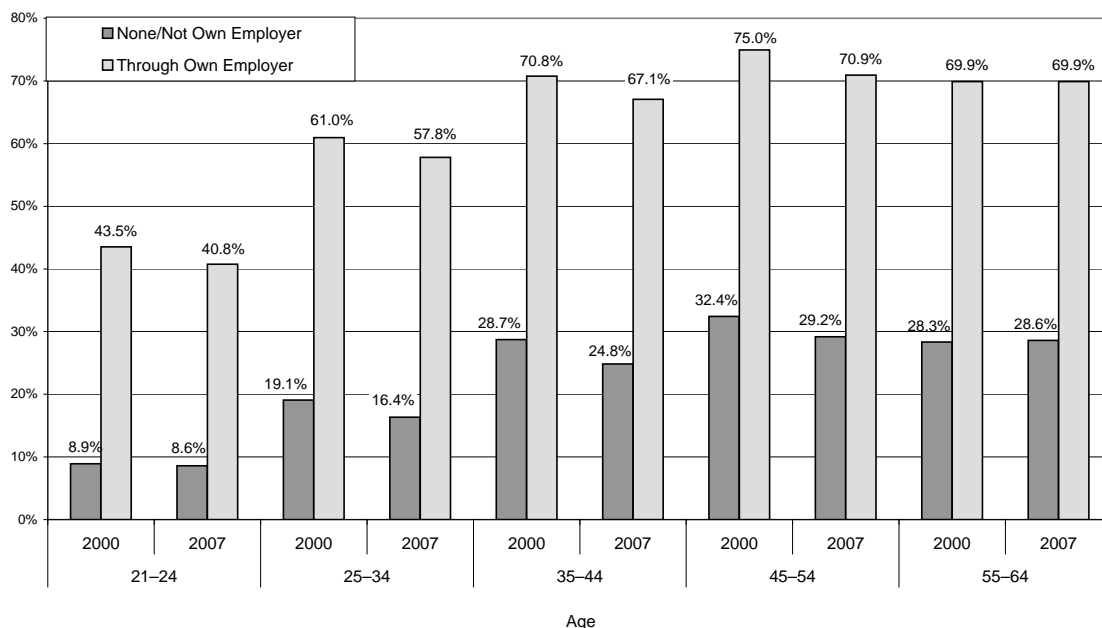
Source: Employee Benefit Research Institute estimates from the 2008 March Current Population Survey.

Figure 13  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated  
in an Employment-Based Retirement Plan, by Age and Income, 2007**



Source: Employee Benefit Research Institute estimates from the 2008 March Current Population Survey.

Figure 14  
**Percentage of Wage and Salary Workers Ages 21–64  
Who Participate in an Employment-Based Retirement Plan,  
by Health Insurance Status, 2000 and 2007**



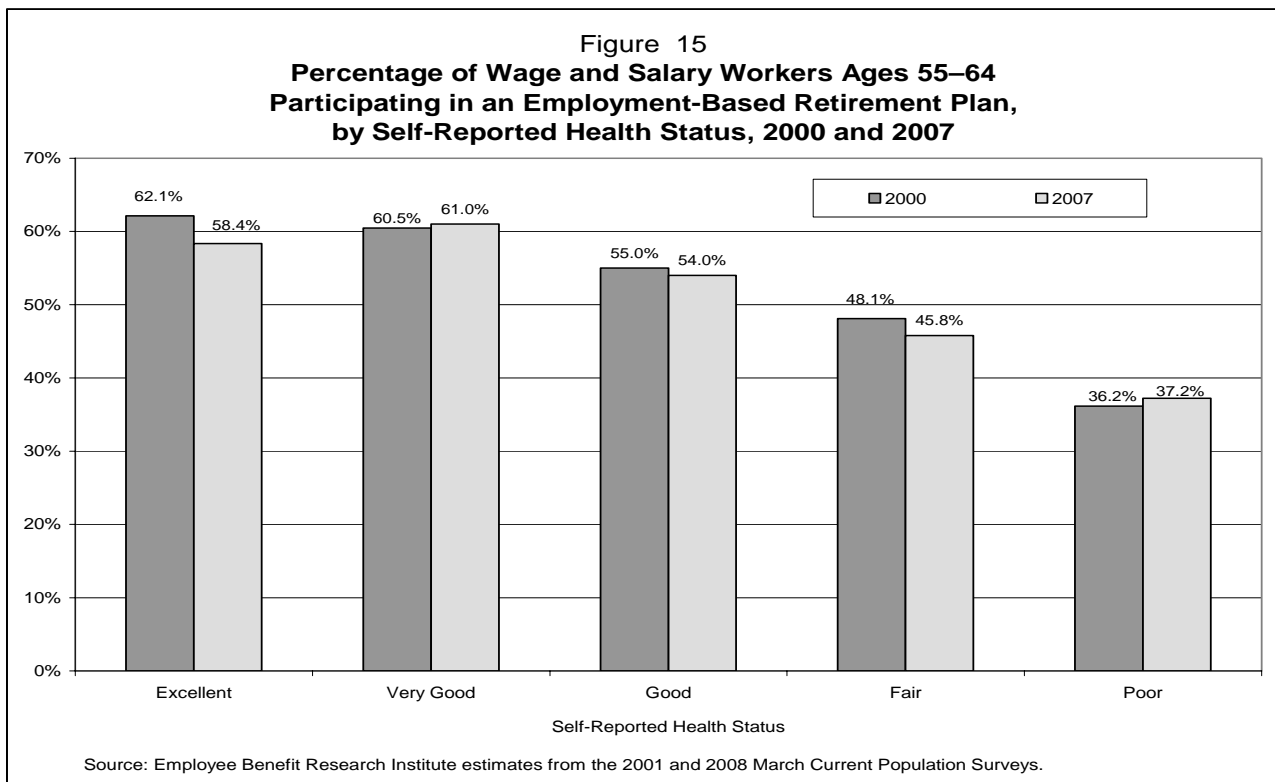
Source: Employee Benefit Research Institute estimates from the 2001 and 2008 March Current Population Surveys.

## Geographic Differences

Not only do the workers' characteristics affect the probability of their participation in an employment-based retirement plan, but their geographic location also has an impact. Wage and salary workers ages 21–64 living in Florida had the lowest probability (36.4 percent) of participating in a plan in 2007, while those living in Iowa had the highest probability (58.3 percent) (Figure 16). For other work-force definitions that include private-sector workers, Wisconsin workers had the highest probability (54.4 percent) of participation among private wage and salary workers, among full-time, full-year wage and salary workers (67.7 percent), and for the all-worker definition (49.4 percent). At the other end of the rankings, full-time, full-year wage and salary workers in Florida had the lowest probability (41.8 percent) of participation as well for all workers (32.3 percent) and among private wage and salary workers (29.8 percent). Among public-sector wage and salary workers, New Jersey workers had the highest percentage of participation (82.1 percent), followed by Idaho and Ohio workers (81.9 percent and 81.7 percent, respectively). The lowest level of participation among these public-sector workers was for those living in Louisiana (68.8 percent).<sup>17</sup>

Using wage and salary workers ages 21–64 as the work-force proxy for the other work-force populations (with the exception of the public-sector workers) showed regional differences across the United States, along with those among the states. The states with the lowest levels of participation—e.g., Florida, Arizona, Louisiana, Texas, and California—were in the South, West, or Southwest (Figure 16). The states with the highest participation were in the upper Midwest—e.g., Iowa, Wisconsin, North Dakota, and Minnesota—along with some in the Northeast, such as Connecticut. In general, the Midwestern and Northeastern states had the higher participation levels, while the Southern and Western states had the lower levels.

Certain consolidated statistical areas (CSAs) are identified in the CPS, and again those CSAs located in the South and West—e.g., Macon-Warner-Robins-Fort Valley, GA, Fresno-Madera, CA, and Los Angeles-Long Beach-Riverside, CA—had the lowest retirement plan participation levels for the work-force definitions including private-sector workers (Figure 17). Workers from the Milwaukee-Racine-Waukesha, WI, and Huntsville-Decatur, AL, CSAs had the highest participation levels for these same worker definitions.



For public-sector wage and salary workers, workers from the Macon-Warner-Robins-Fort Valley, GA, CSA had the lowest level, while workers from the Huntsville-Decatur, AL, CSA had the highest participation levels.

While the sample sizes of the less populated states are small, which results in large standard errors of the state-by-state estimates of retirement plan participation from CPS, using a three-year average for the estimates can mitigate the impact of any potential sampling errors affecting year-to-year changes. Therefore, a three-year average trend is presented to examine how the participation levels have changed in recent years (2001–2007) across states. The three-year average consists of the current year plus the two lagging years, so that the 2007 three-year average consists of the estimates from 2007, 2006, and 2005. The overall three-year average of the retirement plan participation level declined from 50.7 percent in 2001 to 46.6 percent in 2007 (Figure 18).

Despite the overall decline, the likelihood of workers participating in a retirement plan stayed the same or increased from 2001–2007 for six states: Colorado, West Virginia, Montana, Washington, Oklahoma, and Idaho. Another four states had declines of less than one percentage point. Twenty-seven states and districts had a decline of less than 4.1 percentage points (the overall decline). In contrast, Louisiana and Maryland had near double the overall decline during this period, at 8.0 percentage points and 7.5 percentage points, respectively. Thirteen states had a decline of not more than 1 percentage point of the average decline but not less than the average, while only 11 states had declines of more than 1 percentage point of the overall decline.

Louisiana also had the largest decline in its three-year average from 2006 to 2007. The three-year average participation levels showed a decline in 28 states and districts and an increase in 23 states from 2006 to 2007. Montana and Idaho had the largest increases from 2006 to 2007.

## **Trends**

The number of workers participating in an employment-based retirement plan increased from 62.3 million in 2006 to 65.6 million in 2007, reversing a two-year decline in 2005 and 2006 (Figure 19). This number is the highest since 2000, when 67.1 million workers participated in a plan, the peak year for the number of workers participating in a plan during the 1987–2007 period. The other work-force definitions also posted similar increases in the number participating in 2007, with public-sector wage and salary workers reaching a new high at 15.9 million, surpassing the previous high of 15.6 million in 2004.

### **Trends in the Percentage Participating**

The downward trend in the percentage of workers participating in an employment-based retirement plan, which started in 2001 and continued through 2006, reversed itself in 2007. Starting with the broadest work-force population (all workers), the percentage of workers participating in an employment-based retirement plan reached 44.4 percent in 2000 before declining to 41.8 percent by 2002, where it held essentially steady at near 42 percent in 2003 and 2004 (Figure 19). The percentage subsequently decreased to 40.9 percent in 2005 and 39.7 percent in 2006, before increasing to 41.5 percent. This is highest level since 2004.

The other three work-force categories that include private-sector workers virtually duplicated this pattern. Public-sector wage and salary workers also followed a similar trend. The percentage participating in a retirement plan decreased from 75.8 percent in 2004 to 74.8 percent in 2005 to 73.3 percent in 2006, reaching its lowest level during 1987–2006, before increasing to 75.4 percent in 2007, nearly matching its 2004 level.

All the work-force definitions had workers' participation levels increasing by at least 1-percentage point from 2006 to 2007. Full-year, full-time workers' participation level experienced the largest increase at 2.6 percentage points. This is the largest one-year change for this group from 1987–2007. The participation levels in the all worker, all wage and salary ages 21–64, full-time, full-year wage and salary ages 21–64, and the private- and public-sector wage and salary ages 21–64 work forces were at their highest levels since 2004 (Figure 20).<sup>18</sup>

Figure 16

### Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, by State, 2007

State	All Workers		Wage and Salary Workers Ages 21–64		Private-Sector Wage and Salary Workers Ages 21–64		Public-Sector Wage and Salary Workers Ages 21–64		Full-Time, Full-Year Wage and Salary Workers Ages 21–64	
	Number	Participating	Number	Participating	Number	Participating	Number	Participating	Number	Participating
	(millions)	(%)	(millions)	(%)	(millions)	(%)	(millions)	(%)	(millions)	(%)
All	158.1	41.5%	131.2	47.4%	110.1	42.0%	21.1	75.4%	97.1	55.3%
Alabama	2.2	46.1	1.8	52.1	1.5	46.0	0.4	76.7	1.4	60.8
Alaska	0.4	41.1	0.3	49.0	0.2	39.5	0.1	77.2	0.2	59.3
Arizona	3.1	34.0	2.7	38.5	2.3	33.0	0.4	70.8	2.0	44.3
Arkansas	1.5	40.9	1.2	46.8	1.0	41.2	0.2	71.5	0.9	56.4
California	18.7	38.1	15.3	43.7	12.9	37.6	2.4	75.8	11.0	51.1
Colorado	2.8	38.5	2.4	44.3	2.0	39.0	0.3	75.1	1.8	51.0
Connecticut	1.9	47.7	1.6	54.7	1.3	50.3	0.2	79.4	1.1	65.0
Delaware	0.5	44.7	0.4	51.4	0.3	47.1	0.1	74.2	0.3	58.2
District of Columbia	0.3	46.8	0.3	50.1	0.2	42.6	0.1	73.2	0.2	57.8
Florida	9.3	32.3	7.8	36.4	6.6	29.8	1.3	70.6	6.0	41.8
Georgia	5.0	42.5	4.4	47.1	3.6	41.7	0.7	73.4	3.4	55.1
Hawaii	0.7	46.6	0.6	52.6	0.5	46.5	0.1	78.3	0.4	61.2
Idaho	0.8	40.1	0.6	49.7	0.5	41.6	0.1	81.9	0.4	58.8
Illinois	6.9	43.3	5.8	49.1	5.1	45.9	0.7	71.4	4.3	57.1
Indiana	3.3	47.8	2.7	54.0	2.4	50.4	0.4	78.5	2.0	63.9
Iowa	1.8	49.3	1.4	58.3	1.2	54.3	0.2	80.2	1.0	66.9
Kansas	1.5	42.6	1.2	49.6	1.0	45.2	0.2	70.6	0.9	59.0
Kentucky	2.1	41.6	1.7	47.4	1.4	41.7	0.3	72.4	1.2	57.1
Louisiana	2.0	35.6	1.7	40.4	1.4	35.3	0.3	68.8	1.3	46.7
Maine	0.8	40.2	0.6	50.1	0.5	45.8	0.1	69.4	0.4	63.3
Maryland	3.1	45.1	2.6	51.5	2.0	43.6	0.6	77.7	2.0	58.9
Massachusetts	3.5	45.8	2.9	52.2	2.4	47.8	0.4	78.5	2.0	62.2
Michigan	5.2	45.1	4.3	51.4	3.8	47.4	0.6	77.9	3.1	61.2
Minnesota	3.1	47.4	2.5	54.9	2.2	50.6	0.4	78.1	1.8	64.4
Mississippi	1.4	40.1	1.2	45.9	0.9	38.4	0.3	71.7	0.9	55.9
Missouri	3.1	47.2	2.6	53.8	2.2	50.1	0.3	77.4	2.0	62.1
Montana	0.5	40.3	0.4	49.7	0.3	42.7	0.1	77.7	0.3	62.5
Nebraska	1.0	42.2	0.8	50.3	0.7	46.2	0.1	70.2	0.6	58.6
Nevada	1.4	39.7	1.2	43.9	1.0	38.9	0.1	79.7	0.9	50.3
New Hampshire	0.8	46.4	0.7	54.1	0.6	50.8	0.1	72.8	0.5	63.7
New Jersey	4.5	42.7	3.9	47.4	3.3	40.9	0.6	82.1	3.0	53.3
New Mexico	1.0	39.7	0.8	45.4	0.6	38.2	0.2	70.3	0.6	54.4
New York	9.8	40.0	8.4	44.5	6.9	38.2	1.5	74.7	6.3	51.6
North Carolina	4.7	39.4	4.0	44.4	3.4	39.3	0.6	72.7	3.0	52.5
North Dakota	0.4	45.2	0.3	57.7	0.2	50.5	0.1	78.3	0.2	65.8
Ohio	6.2	47.4	5.1	54.0	4.4	49.5	0.7	81.7	3.7	62.3
Oklahoma	1.8	43.5	1.4	50.2	1.2	44.0	0.3	78.4	1.1	59.9
Oregon	2.1	43.7	1.7	50.9	1.4	46.6	0.2	77.4	1.1	61.5
Pennsylvania	6.6	44.4	5.4	51.5	4.7	47.3	0.7	78.0	4.1	60.1
Rhode Island	0.6	40.9	0.5	47.1	0.4	41.4	0.1	78.9	0.3	57.5
South Carolina	2.2	40.0	1.9	45.3	1.6	40.0	0.3	69.8	1.4	54.4
South Dakota	0.5	38.9	0.4	50.5	0.3	46.5	0.1	73.9	0.3	58.7
Tennessee	3.1	40.1	2.5	47.1	2.0	40.2	0.5	77.1	1.9	55.1
Texas	12.0	37.0	9.9	42.0	8.4	36.0	1.6	74.0	7.7	48.8
Utah	1.4	39.1	1.2	46.3	0.9	40.2	0.2	72.6	0.8	54.7
Vermont	0.4	41.3	0.3	50.5	0.2	45.7	0.0	74.3	0.2	59.5
Virginia	4.2	45.3	3.5	51.7	2.8	45.2	0.7	78.0	2.7	58.7
Washington	3.5	45.3	2.9	52.1	2.5	47.5	0.5	76.2	2.0	63.5
West Virginia	0.9	46.9	0.7	52.4	0.6	45.6	0.2	76.1	0.5	63.0
Wisconsin	3.2	49.4	2.6	57.7	2.2	54.4	0.4	76.8	1.9	67.7
Wyoming	0.3	40.0	0.2	49.2	0.2	40.4	0.1	78.7	0.2	59.1

Source: Employee Benefit Research Institute estimates from the 2008 March Current Population Survey.

Figure 17

**Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan by Consolidated Statistical Area (CSA), 2007**

Consolidated Statistical Area	All Workers		Wage and Salary Workers Ages 21-64		Private-Sector Wage and Salary Workers Ages 21-64		Public-Sector Wage and Salary Workers Ages 21-64		Full-Time, Full-Year Workers Ages 21-64	
	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)
All	158.1	41.5%	131.2	47.4%	110.1	42.0%	21.1	75.4%	97.1	55.3%
Unrecorded CSAs	100.27	40.9	82.42	47.2	68.54	41.5	13.87	75.0	60.75	55.2
Appleton-Oshkosh-Neenah, WI	0.26	47.4	0.21	55.1	0.19	53.3	0.03	69.2	0.15	62.7
Boston-Worcester-Manchester, MA-NH-CT-ME	3.15	47.9	2.65	53.8	2.30	50.0	0.35	78.8	1.92	64.1
Bridgeport-New Haven-Stamford, CT	0.99	47.5	0.81	53.9	0.70	49.4	0.11	81.9	0.59	63.2
Chicago-Naperville-Michigan City, IL-IN-WI	5.05	42.6	4.35	47.0	3.85	44.0	0.51	70.2	3.17	55.3
Cleveland-Akron-Elyria, OH	1.54	48.9	1.27	55.2	1.12	51.8	0.15	81.5	0.95	64.3
Dayton-Springfield-Greenville, OH	0.54	44.8	0.45	49.5	0.37	42.7	0.08	82.7	0.30	62.8
Denver-Aurora-Boulder, CO	1.75	38.2	1.47	43.5	1.29	39.2	0.18	74.0	1.10	50.2
Detroit-Warren-Flint, MI	2.76	47.7	2.38	52.7	2.10	49.3	0.28	78.4	1.73	63.0
Fresno-Madera, CA	0.55	36.9	0.46	41.5	0.37	32.5	0.08	82.3	0.30	52.8
Grand Rapids-Muskegon-Holland, MI	0.89	43.7	0.71	52.9	0.63	49.6	0.09	77.3	0.51	60.6
Greensboro--Winston-Salem--High Point, NC	0.72	41.4	0.58	46.7	0.53	42.8	0.06	83.8	0.41	55.0
Greenville-Anderson-Seneca, SC	0.36	41.3	0.31	45.9	0.27	42.0	0.05	68.0	0.24	54.6
Huntsville-Decatur, AL	0.37	54.6	0.32	62.0	0.27	56.9	0.05	90.4	0.26	74.9
Indianapolis-Anderson-Colombus, IN	0.97	48.3	0.82	53.3	0.71	49.1	0.11	80.2	0.66	61.1
Johnson City-Kingsport-Bristol, VA	0.18	37.1	0.13	47.4	0.09	38.4	0.04	68.1	0.09	57.6
Los Angeles-Long Beach-Riverside, CA	8.97	34.5	7.31	39.4	6.28	34.3	1.04	70.5	5.47	45.5
Macon-Warner-Robins-Fort Valley, GA	0.13	25.1	0.11	30.2	0.09	19.2	0.03	66.8	0.08	38.2
Milwaukee-Racine-Waukesha, WI	1.04	50.7	0.88	57.3	0.78	55.1	0.10	74.8	0.60	70.2
Minneapolis-St. Paul-St. Cloud, MN	1.92	49.0	1.66	54.4	1.45	50.6	0.22	79.7	1.17	63.3
New York-Newark-Bridgeport, NY-NJ-CT-PA	10.27	37.8	8.91	41.3	7.52	35.5	1.39	72.6	6.92	47.2
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	2.98	47.0	2.55	51.8	2.16	46.3	0.39	82.8	1.95	59.2
Raleigh-Durham-Cary, NC	0.89	43.1	0.78	47.9	0.62	41.2	0.16	74.4	0.63	53.7
Salt Lake City-Ogden-Clearfield, UT	0.89	42.1	0.73	49.7	0.60	44.7	0.13	72.8	0.53	57.8
San Jose-San Francisco-Oakland, CA	4.34	45.2	3.58	51.9	3.05	46.3	0.53	83.7	2.54	60.7
Seattle-Tacoma-Olympia, WA	2.08	46.7	1.76	53.2	1.48	48.7	0.28	76.6	1.26	62.1
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV	4.26	48.0	3.62	53.8	2.80	46.0	0.83	80.2	2.84	61.5

Source: Employee Benefit Research Institute estimates from the 2008 March Current Population Survey.

**Figure 18**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an**  
**Employment-Based Retirement Plan, by State, Three-Year Average Trend, 2001–2007**

State	2001	2002	2003	2004	2005	2006	2007
All	50.7%	49.7%	48.8%	48.3%	47.9%	46.9%	46.6%
Alabama	52.1	52.8	50.9	51.1	50.6	50.9	50.6
Alaska	52.6	52.0	49.9	49.6	48.8	50.3	49.4
Arizona	44.6	44.7	43.1	42.5	42.1	40.6	39.3
Arkansas	45.4	45.1	44.2	43.3	43.4	42.8	44.3
California	44.1	43.5	43.8	43.6	42.8	41.7	42.0
Colorado	35.4	34.2	45.0	44.6	44.6	44.3	43.4
Connecticut	55.7	54.4	53.8	54.3	54.5	52.1	51.1
Delaware	57.0	54.7	53.9	53.8	52.8	52.6	51.1
District of Columbia	54.6	53.6	53.1	54.0	54.3	53.1	51.7
Florida	41.0	41.0	40.7	40.0	39.0	37.1	36.3
Georgia	50.9	49.5	48.6	46.0	45.7	43.8	45.2
Hawaii	52.3	51.8	51.4	51.5	51.6	51.8	52.0
Idaho	48.1	48.2	47.3	45.8	45.9	46.3	48.1
Illinois	53.4	52.0	50.6	50.1	50.2	49.5	49.0
Indiana	56.3	54.3	52.6	52.1	52.3	52.6	53.3
Iowa	57.8	56.6	56.1	55.5	54.8	54.4	55.3
Kansas	53.9	54.6	53.9	54.2	53.0	51.1	49.6
Kentucky	51.7	50.9	51.8	51.3	50.9	48.7	47.5
Louisiana	47.2	46.6	45.9	46.5	44.6	41.8	39.2
Maine	52.8	51.2	50.6	49.1	48.8	48.6	48.8
Maryland	56.5	56.3	53.4	53.7	51.4	50.3	49.0
Massachusetts	53.2	53.2	52.0	51.7	51.4	50.5	50.5
Michigan	56.7	54.5	53.0	52.0	51.9	50.7	50.5
Minnesota	59.2	58.8	57.3	56.6	56.3	55.8	54.7
Mississippi	48.8	47.6	46.9	46.9	46.1	44.9	44.7
Missouri	55.6	52.7	52.4	51.8	51.9	51.3	52.1
Montana	46.7	47.7	46.8	45.3	45.1	45.4	47.6
Nebraska	54.3	54.7	53.9	53.2	52.4	52.0	51.3
Nevada	46.8	45.1	43.4	42.3	42.3	40.8	41.2
New Hampshire	52.9	53.0	51.9	52.6	53.9	52.6	52.8
New Jersey	52.9	51.9	51.6	51.6	51.5	49.2	48.0
New Mexico	46.0	45.4	42.8	43.5	42.8	42.6	42.2
New York	50.2	49.1	47.9	47.4	47.5	46.8	45.5
North Carolina	50.0	48.4	45.9	45.5	44.8	44.3	43.8
North Dakota	56.4	56.0	55.2	54.5	53.9	53.5	54.8
Ohio	56.1	54.8	53.5	53.4	52.9	52.2	52.2
Oklahoma	45.6	46.6	46.7	47.4	46.5	45.7	45.8
Oregon	48.9	48.2	48.3	49.3	49.2	48.6	48.4
Pennsylvania	57.5	56.4	54.8	53.8	53.2	53.0	52.1
Rhode Island	54.1	52.7	50.4	49.1	48.8	49.8	48.4
South Carolina	52.4	50.1	48.6	48.0	47.9	47.3	46.3
South Dakota	53.9	52.6	51.3	49.4	49.9	51.1	51.3
Tennessee	50.3	50.0	48.9	48.1	47.6	45.6	45.5
Texas	46.2	45.6	45.1	44.7	44.3	43.2	42.6
Utah	48.7	47.4	44.8	43.4	43.1	43.0	44.3
Vermont	49.7	49.8	49.0	49.1	48.5	48.8	49.1
Virginia	55.8	53.6	52.4	51.5	51.2	51.0	51.1
Washington	50.4	48.3	48.0	49.0	50.8	50.3	51.1
West Virginia	49.2	47.8	46.3	48.2	49.0	51.0	51.2
Wisconsin	60.1	57.7	55.8	54.2	53.3	53.5	55.0
Wyoming	52.0	49.8	47.6	47.6	48.1	49.1	48.7

Source: Employee Benefit Research Institute estimates from the 2000–2008 March Current Population Surveys.

The trends in retirement plan participation are different within these work-force definitions, as various characteristics of the workers (as well as those of their employers) affect these trends. The remainder of this section examines these trends across key worker and firm characteristics.

### **Trends Across Worker Characteristics**

The levels of participation for wage and salary workers ages 21–64 had relatively consistent differences across age groups during the 1987–2007 period (Figure 21). The trends within each age group were fairly consistent across this time, with each age group’s participation level varying in a relatively narrow range (approximately up to 4 percentage points). However, one major exception to the overall trend was among workers ages 55–64. Their likelihood of participating in a retirement plan was virtually identical to that of workers ages 35–44 and well below that of those ages 45–54, but by 2007, the likelihood among this group was slightly above that of workers 45–54 and over 6 percentage points above those ages 35–44.

While the relative differences between the age groups’ participation levels have held relatively constant except for workers in the 55–64 age group, the trend within each age group had been downward from 2000–2006, before the levels increased in 2007 except among those ages 21–24. For example, in 2000, 62.6 percent of wage and salary workers ages 45–54 participated in a retirement plan; by 2006, this percentage had decreased to 54.0 percent, before increasing to 56.1 percent in 2007.

The percentage of male wage and salary workers ages 21–64 participating in an employment-based retirement plan reversed the decline that started in 2001, increasing from 46.2 percent in 2006 to 47.8 percent in 2007 (Figure 22). The percentage of female workers participating in a plan also increased in 2007 from 44.9 percent in 2006 to 46.9 percent—a higher rate than that of males, as the gap between the percentage of males and females participating in a plan continued to close. In 1987, males participated at a level just over 10 percentage points higher than females. By 2007, this gap was at 0.9 percentage points.

The percentage of wage and salary workers ages 21–64 participating in a retirement plan in 2007 increased across each race/ethnicity category (Figure 23).<sup>19</sup> This increase in the likelihood of participation changed the trend from 2002 to 2006, which had been unchanged or decreasing. The percentage of Hispanic workers participating in a plan reached a low point in 2006 at 26.5 percent before the increase in 2007 to 28.5 percent, which is still well below the 43.4 percent for black workers and 52.2 percent for white workers.

Wage and salary workers ages 21–64 had an increased likelihood of participating in a retirement plan across each level of educational attainment in 2007 (Figure 24). The increase in this likelihood was of at least one percentage point except for workers with no high school diploma. This exacerbated the differences in the participation levels of workers between those without a high school diploma and those with one. The participation level of workers with a high school diploma is at least twice as great as that of workers without one, and the participation level of workers with a graduate degree is more than three times that of those without a high school diploma.

Clearly, workers with lower educational attainment are falling behind in their retirement plan participation relative to those with more education—particularly when workers without a high school diploma are compared with those with a bachelor’s degree. This is not surprising, since education is strongly correlated with income. However, as shown earlier in this study, the correlation with income is not the only factor, as education appears to be potentially critical to wise retirement planning.

Regarding income, the percentage of workers in earnings groups below \$30,000 who participated in a retirement plan decreased from 2006 to 2007, while the percentage of those with earnings of \$30,000 or more increased (Figure 25).<sup>20</sup> The increase for the higher earners reversed a three-year downward trend among all income groups, while the lower-income groups continued to decline, with the exception of those earning \$5,000–\$14,999, whose participation increased in 2007.

The percentage of full-time, full-year wage and salary workers participating in a retirement plan increased from 52.7 percent in 2006 to 55.3 percent in 2007 (Figure 26). This reversed a three-year decline for these workers. In contrast, the percentage of workers who were full-time, part-year and part-time, full-year who participated declined in 2007. The percentages of part-time, part-year workers participating in a plan in 2007 increased slightly.

Figure 19

**Percentage of Various Work Forces Who Worked for an Employer That Sponsored a Retirement Plan and the Percentage Who Participated in an Employment-Based Retirement Plan, 1987–2007**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>All Workers</b>																					
	(millions)																				
Number of Workers	130.4	132.6	133.8	134.5	134.4	134.8	136.2	138.2	139.6	142.1	143.8	145.5	149.7	151.1	150.9	151.3	151.1	152.7	154.7	157.0	158.1
Works for an employer sponsoring a plan	63.0	64.9	66.3	67.9	68.6	69.2	68.2	74.0	73.7	77.5	78.2	82.0	83.3	85.7	83.5	80.7	80.6	81.2	79.7	78.6	81.9
Participating in a plan	49.0	50.3	52.0	52.5	53.4	53.1	53.1	56.7	57.3	59.3	60.1	63.4	65.5	67.1	64.9	63.2	63.5	63.9	63.6	62.3	65.6
	(percentage)																				
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	48.3	48.9	49.6	50.5	51.0	51.3	50.1	53.5	52.8	54.5	54.4	56.4	55.6	56.7	55.3	53.4	53.4	53.2	51.5	50.0	51.8
Participating in a plan	37.6	38.0	38.9	39.0	39.7	39.4	39.0	41.0	41.0	41.7	41.8	43.6	43.8	44.4	43.0	41.8	42.0	41.9	40.9	39.7	41.5
<b>Wage and Salary Workers Ages 21–64</b>																					
	(millions)																				
Number of Workers	100.2	102.2	103.4	104.4	109.2	109.7	110.5	112.7	115.3	117.6	117.3	118.9	122.4	124.0	124.7	125.4	125.4	126.2	128.4	130.3	131.2
Works for an employer sponsoring a plan	57.3	58.8	60.0	61.7	63.4	64.0	63.1	68.0	68.1	71.3	72.0	75.1	76.5	78.5	77.0	74.6	74.7	75.1	73.8	72.4	75.6
Participating in a plan	46.2	47.3	48.8	49.5	51.1	51.0	51.0	54.3	55.1	56.9	57.6	60.6	62.5	63.9	62.1	60.4	60.7	61.0	60.3	59.3	62.2
	(percentage)																				
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	57.2	57.5	58.0	59.1	58.1	58.4	57.1	60.4	59.1	60.6	61.4	63.2	62.5	63.3	61.7	59.5	59.6	59.5	57.5	55.6	57.6
Participating in a plan	46.1	46.2	47.2	47.4	46.8	46.5	46.2	48.2	47.8	48.4	49.1	51.0	51.1	51.6	49.8	48.2	48.4	48.3	47.0	45.5	47.4
<b>Private-Sector Wage and Salary Workers Ages 21–64</b>																					
	(millions)																				
Number of Workers	82.6	84.2	85.2	86.1	90.6	90.7	91.1	93.4	96.7	99.3	98.9	100.1	102.7	104.3	105.1	105.3	105.4	105.7	108.0	109.6	110.1
Works for an employer sponsoring a plan	41.9	43.1	44.1	45.7	47.2	47.4	46.7	51.0	51.9	55.2	56.2	58.8	59.4	61.5	60.3	57.8	57.8	57.6	56.8	55.4	58.0
Participating in a plan	32.9	33.7	34.8	35.6	37.0	36.6	36.6	39.3	40.8	42.8	43.7	46.1	47.3	48.7	47.4	45.4	45.5	45.4	45.1	44.1	46.3
	(percentage)																				
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works for an employer sponsoring a plan	50.7	51.2	51.7	53.1	52.1	52.3	51.2	54.6	53.7	55.6	56.8	58.7	57.8	59.0	57.4	54.9	54.8	54.5	52.6	50.6	52.7
Participating in a plan	39.8	40.0	40.9	41.3	40.8	40.4	40.1	42.1	42.2	43.1	44.2	46.1	46.1	46.7	45.1	43.1	43.2	43.0	41.7	40.3	42.0

(cont'd.)

(Fig. 19, cont'd.)

Public-Sector Wage and Salary Workers Ages 21-64																					
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(millions)																				
Number of Workers Works for an employer sponsoring a plan	17.6	18.0	18.2	18.3	18.7	19.1	19.3	19.3	18.6	18.3	18.4	18.8	19.7	19.6	19.6	20.0	20.0	20.5	20.4	20.8	21.1
Participating in a plan	15.4	15.6	15.9	16.0	16.3	16.6	16.4	17.0	16.1	16.0	15.9	16.3	17.1	17.0	16.6	16.8	17.0	17.5	17.0	17.0	17.6
	(percentage)																				
Total Works for an employer sponsoring a plan	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Participating in a plan	87.4	86.6	87.2	87.5	87.3	87.3	85.1	88.1	86.9	87.6	86.0	87.1	86.9	86.4	84.9	83.7	84.8	85.1	83.6	81.8	83.3
	75.6	75.6	76.3	76.1	76.1	75.2	74.5	77.6	76.7	77.1	75.5	77.2	77.2	77.3	75.3	74.8	75.8	75.8	74.8	73.3	75.4
Full-Time, Full-Year Wage and Salary Workers Ages 21-64																					
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(millions)																				
Number of Workers Works for an employer sponsoring a plan	66.2	68.6	68.9	68.9	71.7	72.8	74.2	76.5	79.9	81.7	83.0	85.9	88.6	91.3	90.1	90.0	90.3	91.7	94.0	96.4	97.1
Participating in a plan	44.1	45.8	46.2	46.9	48.0	49.1	48.7	52.3	52.9	55.4	56.5	59.6	61.2	62.6	60.8	58.6	59.2	59.6	59.1	58.4	61.3
	(percentage)																				
Total Works for an employer sponsoring a plan	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Participating in a plan	66.6	66.8	67.0	68.1	67.0	67.4	65.7	68.4	66.2	67.8	68.1	69.4	69.1	68.6	67.5	65.1	65.6	65.0	62.9	60.5	63.1
	58.4	58.3	59.0	59.5	58.9	59.0	57.7	59.6	57.9	59.0	59.2	60.3	60.4	59.8	58.3	56.7	57.1	56.6	54.8	52.7	55.3

Source: Employee Benefit Research Institute estimates from the 1988-2008 March Current Population Surveys.

## Trends Across Employer Characteristics

The growth in retirement plan participation levels across firm sizes over the 1987–2007 period occurred among smaller private-sector firms (Figure 27). In particular, workers in firms with 25–99 employees had an increased probability of participating in a retirement plan, rising from 28.2 percent in 1987 to 37.0 percent in 2007. Workers in the smallest firms (fewer than 10 employees and 10–24 employees) had significant increases of 3.5 percentage points and 6.1 percentage points, respectively, from 1991 to 2007. Furthermore, workers in firms with 100–499 employees also had an increase in retirement plan participation, increasing from 42.5 percent in 1987 to 48.3 percent in 2007. In contrast, the percentage of retirement plan participants working for the largest private firms (1,000 or more employees) declined from 1987 to 2007, dropping from 63.2 percent to 58.0 percent over the period. This appears to be a result of larger firms shifting to DC plans in which some workers are choosing not to participate, while smaller firms have increasingly offered defined contribution retirement plans that have attracted more of their workers.

While the trend from 1987 is positive for small-firm workers, the trend in 2007 was upward for workers of small and larger firms. The increases were larger for workers in firms with fewer than 1,000 employees than for workers of employers with 1,000 or more employees. Public-sector workers also experienced an increase in their likelihood of participating in a plan in 2007.

The percentage of wage and salary workers ages 21–64 who participated in a retirement plan increased across each industry/sector in 2007 (Figure 28).<sup>21</sup> Only workers in the transportation, utilities, information, and financial industry/sector had a likelihood of participating in a plan higher than that established in 2002, while the rest remained below the levels established in 2002. Workers in the manufacturing industry experienced the largest percentage point increase in their probability of participating in a plan in 2007, at 2.7 percentage points.

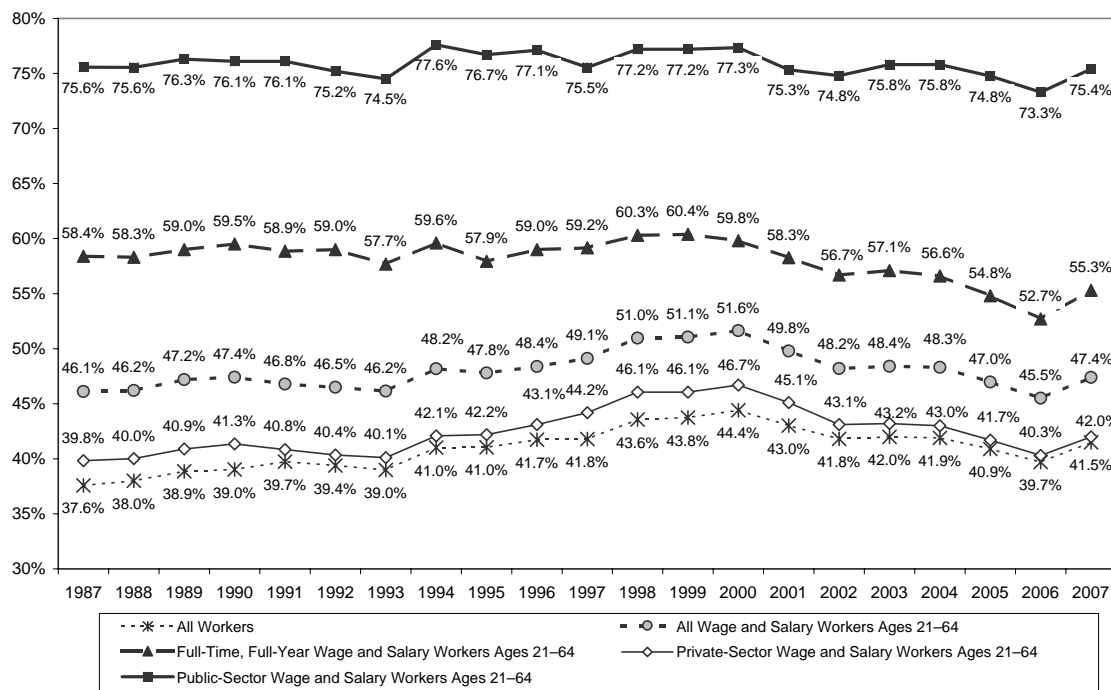
Workers in all occupations had a higher probability of participating in a plan in 2007, except for those who worked in sales and related occupations. Workers' levels of participation remained relatively flat from 2001 to 2007 across occupations, except for a fairly consistent decline for workers in the sales and related occupations.<sup>22</sup>

## Conclusion

In 2007, 41.5 percent of all workers, or 65.6 million Americans, participated in an employment-based retirement plan. Among full-time, full-year wage and salary workers ages 21 to 64—those with the strongest connection to the work force—the percentage participating was 55.3 percent. This percentage of participating workers varied significantly across many worker characteristics and the characteristics of their employers. Being nonwhite, younger, female, never married; having lower educational attainment, lower earnings, poorer health status, no health insurance through own employer; not working full time, full year, and working in service occupations or farming, fisheries, and forestry occupations were all associated with a lower level of participation in a retirement plan. In addition, workers working for smaller firms, private-sector firms, or firms in the other (not professional) services industry were also less likely to participate in a plan. Another factor in the likelihood of workers participation in a retirement plan was their geographic location, with workers in the South and West (Southwest in particular) less likely to participate in a plan than those in other regions of the country.

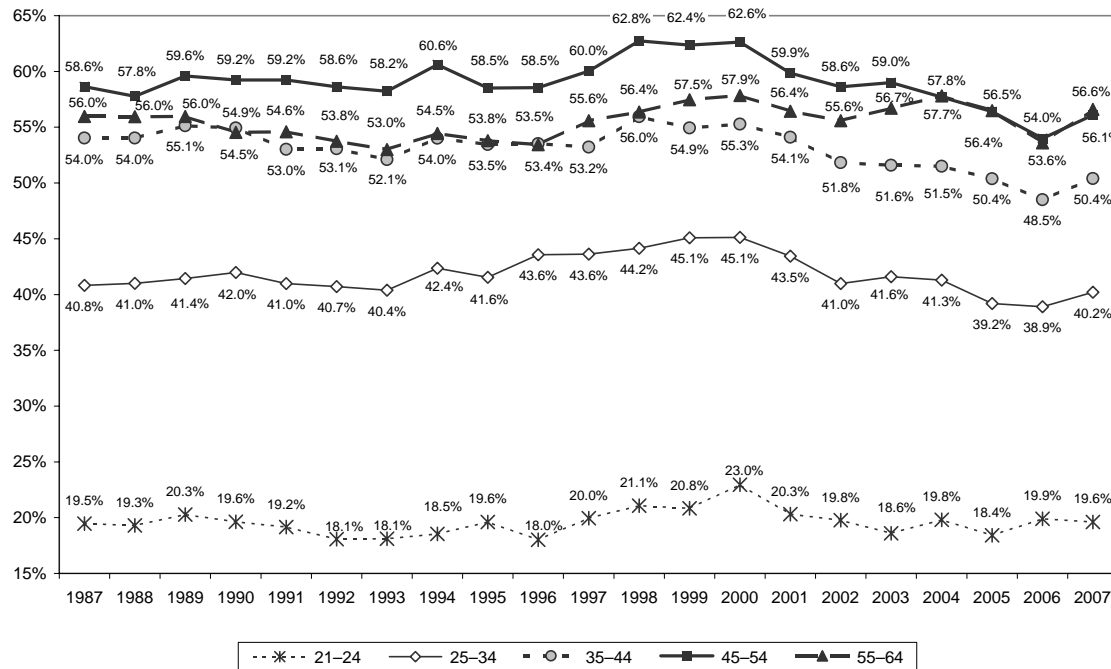
A closer examination of certain characteristics provides some revealing findings. In particular, while the overall percentage of females participating in a plan was lower than that of males, the retirement plan participation gender gap is closing; when controlling for work status or earnings, the female participation level actually surpasses that of males.<sup>23</sup> Furthermore, black and native-born Hispanic workers had participation levels much closer to those of white workers within each age group. Nonnative-born Hispanics had substantially lower participation levels than native-born Hispanics, even when controlling for age and earnings. This results in all Hispanics looking worse off in terms of retirement plan participation, when it is really only the nonnative Hispanics who have participation levels substantially below those of all other workers.

**Figure 20**  
**Percentage of Various Work Forces Who Participated**  
**in an Employment-Based Retirement Plan, 1987–2007**



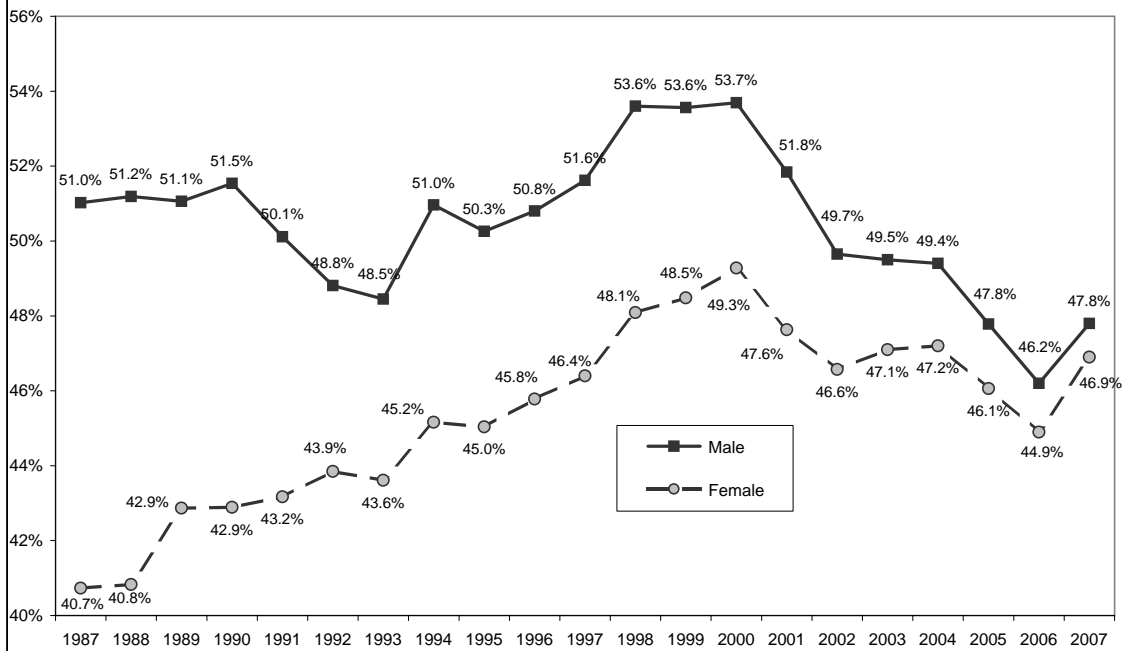
Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.

**Figure 21**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in**  
**an Employment-Based Retirement Plan, by Age, 1987–2007**



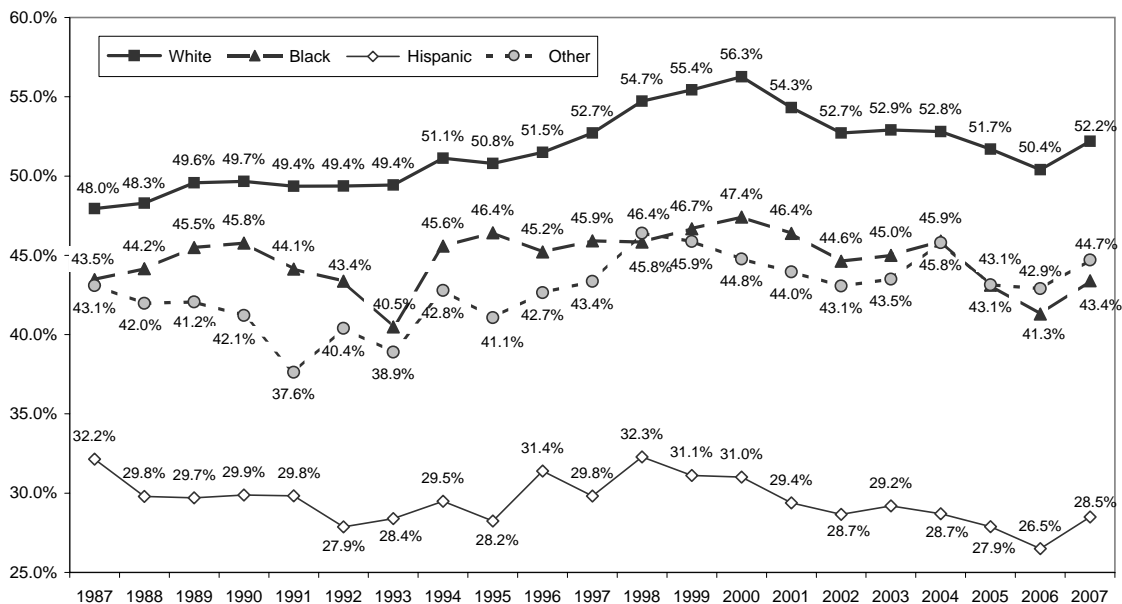
Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.

**Figure 22**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Gender, 1987–2007**



Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.

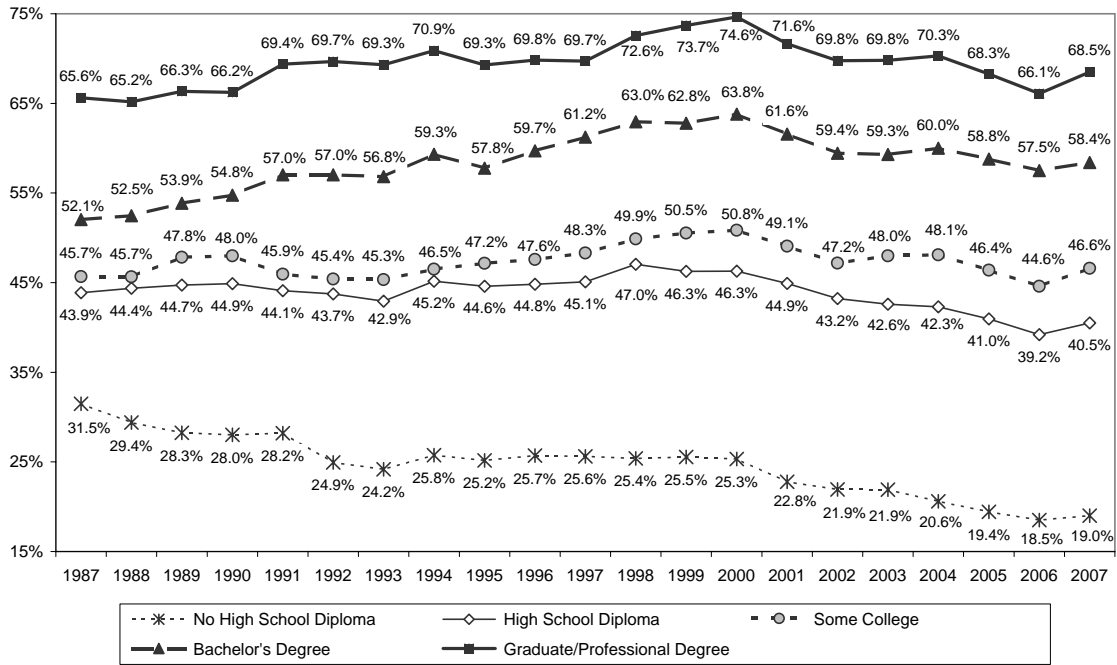
**Figure 23**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Race/Ethnicity,<sup>a</sup> 1987–2007**



Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.

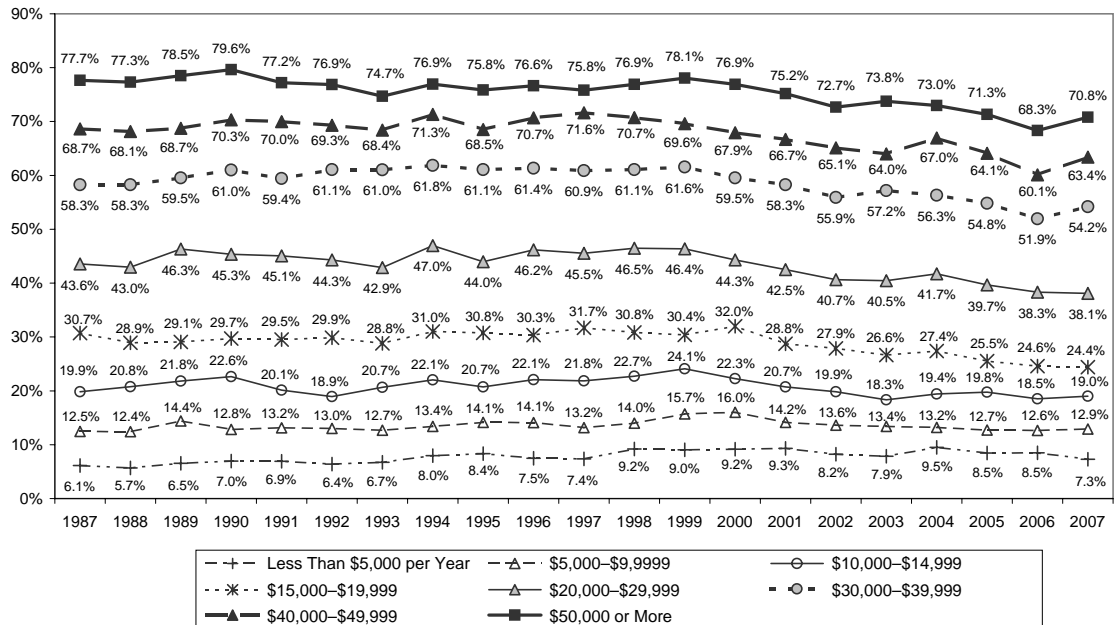
<sup>a</sup> Beginning with the 2003 March Current Population Survey, changes were made to the race variable, where respondents were allowed to answer to more than one race. Thus, the 2002–2006 results are not entirely comparable with prior years, but are presented for illustrative purposes. The "other" category includes those who answered to being of more than one race for 2002–2006.

**Figure 24**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Educational Level, 1987–2007**



Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.

**Figure 25**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings (2007\$), 1987–2007**



Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Survey.

The increase in the number of workers participating in 2007 stopped a two-year decline in the number. The 2007 total of participating workers was at its highest level since 2000—65.6 million in 2007, compared with 67.1 million in 2000.

The percentage of workers participating in a retirement plan increased across virtually all of the categories examined, except for the youngest and the lower-earning workers. After decreasing for two consecutive years, the percentage of participating employees working for smaller employers (25–99 employees) increased by almost 2 percentage points in 2007. The percentage of those working for the largest employers (1,000 or more employees) who participated in a plan increased by just under 1 percentage point.

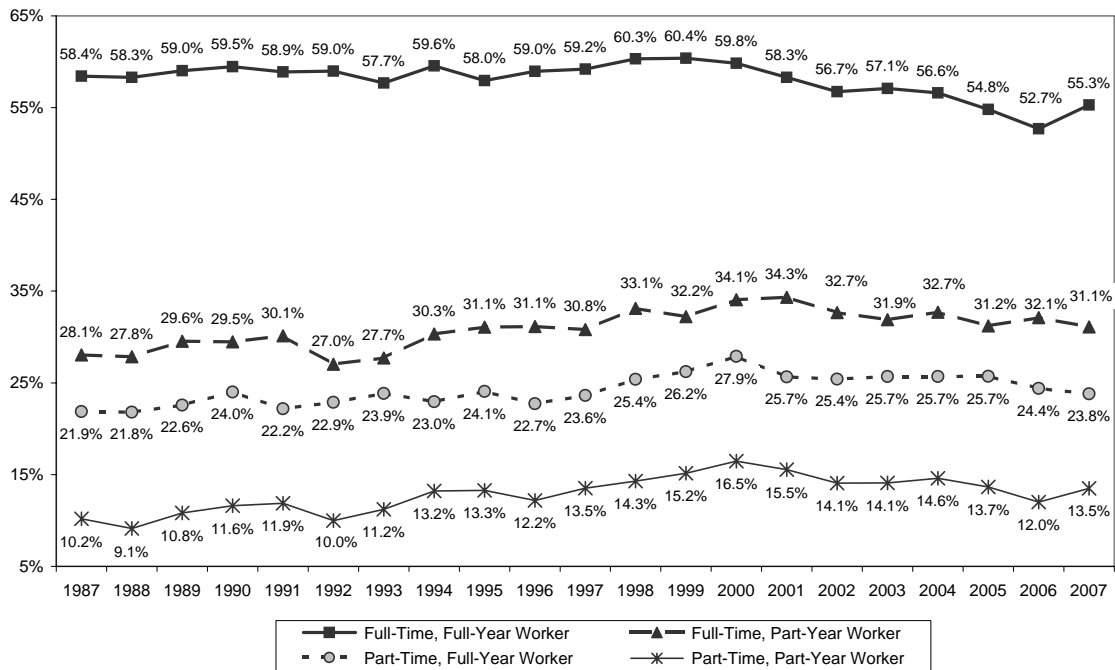
While individual factors are important, retirement plan participation by workers is also strongly tied to macroeconomic factors such as stock market returns and the labor market. Better macroeconomic conditions of the late 1990s resulted in higher levels of participation, while less positive macroeconomic conditions of the 2000s led to lower levels of participation. Regardless of the current direction, 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.<sup>24</sup>

However, many underlying factors will continue to affect the future direction of this trend. In particular, the decline and freezing of defined benefit pension plans in the private sector will, at a minimum, have an effect on the type of retirement plans that private-sector workers participate in, as well as on the number of people participating in a plan. Furthermore, the 2006 Pension Protection Act (PPA) included provisions supporting automatic enrollment in defined contribution plans, effective beginning in 2008 (the year after the data presented here), that could prolong the upward trend in participation observed in 2007 into 2008 and later.<sup>25</sup> Consequently, how employers and employees respond to the provisions of the PPA will be important factors in future participation trends.

Although participating in a retirement plan is an important step for retirement financial comfort, it is just one step among several toward financing a comfortable retirement. Other sources of income or benefits in retirement, including Social Security, Medicare, personal savings, some type of supplemental health insurance to Medicare, and long-term care insurance, also will influence whether people have adequate funds available to maintain a similar standard of living throughout retirement. How the money is *managed*, to ensure it lasts throughout retirement, will be an additional crucial factor for the sharply growing number of retirees who will receive only lump sums from their retirement plans—rather than annuities—outside of Social Security.

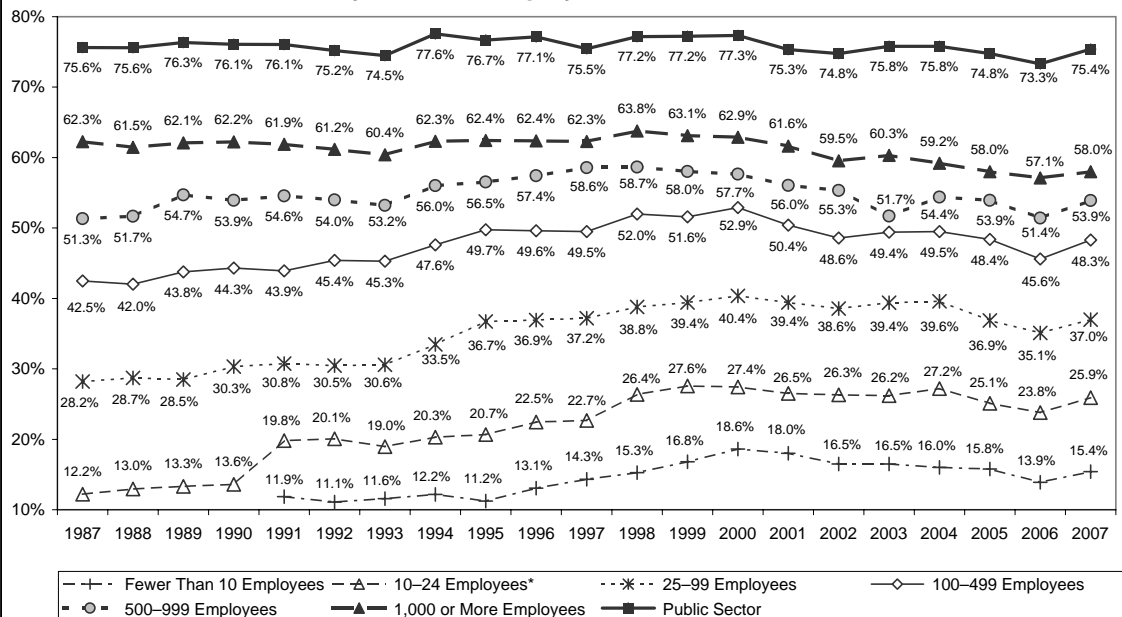
As VanDerhei and Copeland (2003) show, many cohorts of future retirees are projected to be unlikely to be able to pay for general retirement expenses throughout their retirement years, particularly if the retirees live beyond their average life expectancy or if they or their spouses have a significant period of long-term care needs.<sup>26</sup> Furthermore, the savings goal of an individual is not a simple rule of thumb but a more complicated calculation that must account for all the risks in retirement—investment, longevity, and health care needs. Depending upon an individual's comfort level and/or ability to assume these risks, there is wide variation in the amount of assets that will need to be accumulated for retirement.<sup>27</sup>

**Figure 26**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status, 1987–2007**



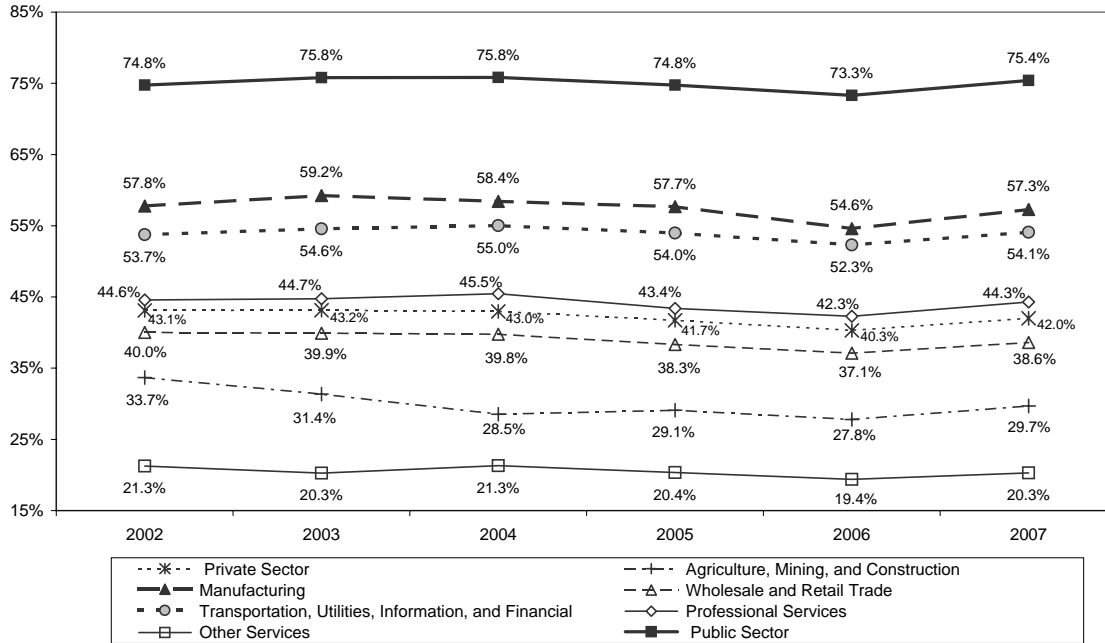
Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.

**Figure 27**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Workers' Employer Size, 1987–2007**



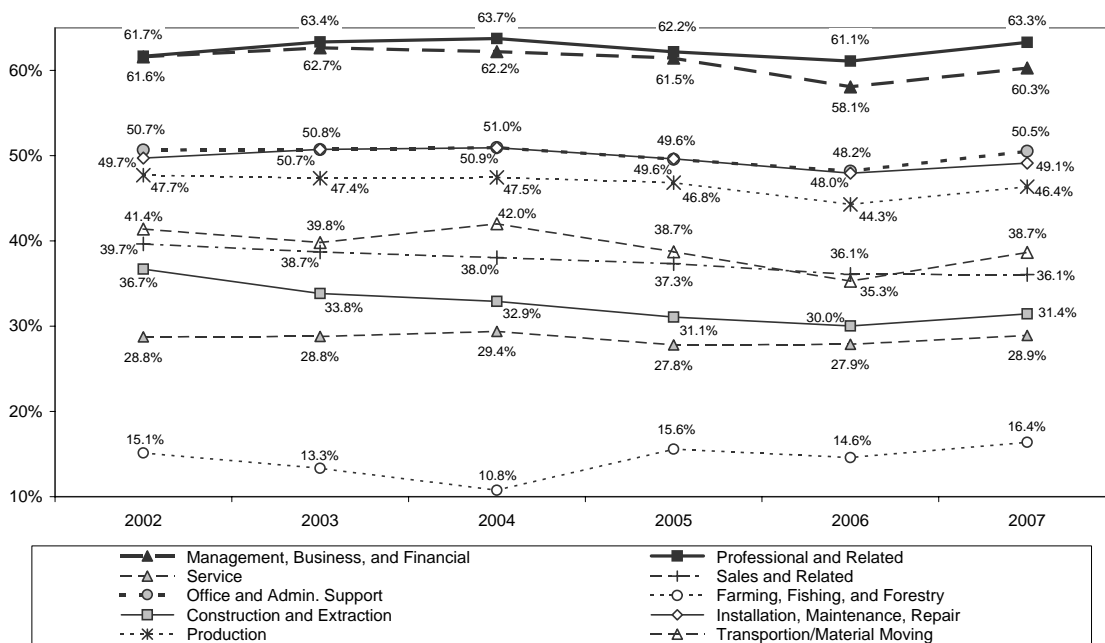
Source: Employee Benefit Research Institute estimates from the 1988–2008 March Current Population Surveys.  
 \* Fewer than 25 from 1987–1990.

**Figure 28**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Industry/Sector, 2002–2007**



Source: Employee Benefit Research Institute estimates from the 2003–2008 March Current Population Surveys.  
 Note: Industry classifications were changed in the 2003 Survey, so a consistent industry trend only goes from 2002–2007.

**Figure 29**  
**Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Occupation, 2002–2007**



Source: Employee Benefit Research Institute estimates from the 2003–2008 March Current Population Surveys.  
 Note: Occupation classifications were changed in the 2003 Survey, so a consistent industry trend goes from only 2002–2007.

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## Endnotes

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<sup>1</sup> For families with one earner meeting the spousal benefit criteria, these replacement rates would increase by 50 percent, since the nonworking spouse could qualify for a benefit equal to 50 percent of the working spouse's benefit. Therefore, on a family basis for one-earner couples, the replacement rates would range from about 45 percent to 75 percent.

<sup>2</sup> See Copeland (2007) for results from 2006 in this annual publication series from the Current Population Survey.

<sup>3</sup> Technically, most private qualified defined contribution plans are either money purchase or profit-sharing plans (Sec. 401(k) plans are of the latter type). Under the former, the plan sponsor typically commits to a fixed percentage of compensation each year. For a profit-sharing plan, plan contributions may be made on a discretionary basis by the plan sponsor, but how these contributions are allocated among individual employee accounts must be based on a specified, predetermined formula meeting certain requirements if the plan is to qualify for tax-favored status.

<sup>4</sup> Employer contributions may be subject to vesting rules, such that participants do not have full legal rights to employer contributions made on their behalf until they have reached a certain minimum number of years of service. Consequently, if the participant terminates employment before reaching this minimum level of service, the benefit available would be reduced by the nonvested portion of the account balance.

<sup>5</sup> Lump-sum distributions are increasingly available in DB plans. For example, in 2005, 52 percent of full-time employees in private-sector DB plans were eligible for a lump-sum distribution (Bureau of Labor Statistics, 2007a). Whereas in 1997 and 1995, 76 percent and 85 percent, respectively, of full-time workers participating in a DB plan in a medium or large establishment were *not* offered a lump-sum distribution (U.S. Department of Labor, 1999, 1998).

<sup>6</sup> A 2005 number for defined contribution participants was included in the 2008 Department of Labor report, but the number includes certain participants who were previously excluded in the time series.

<sup>7</sup> See VanDerhei and Copeland (April 2001).

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<sup>8</sup> See VanDerhei, Holden, Copeland, and Alsono (2007) for results on how current workers, in their present jobs, are doing in terms of accumulating assets in 401(k) plans. One important caveat of this study in regard to overall accumulations of workers in 401(k) plans is that the study does not include any assets accumulated at past jobs that have not been rolled into their current employment-based plan.

<sup>9</sup> See VanDerhei and Copeland, op. cit., for discussion of the reasons for the growth in DC plans and the consequences for retirees of this growth.

<sup>10</sup> The 2004 Survey of Consumer Finances (SCF) was released in early 2006 with 2004 data. Therefore, the data are three years behind the CPS used in this study. However, SCF remains the most updated survey of plan type breakouts as well as overall assets held by American households (among other things) and is an essential piece in the evaluation of the status of Americans' preparation for retirement.

<sup>11</sup> Each March CPS asks about retirement plan participation in the prior year. For example, the March 2008 CPS asks about retirement plan participation in 2007.

<sup>12</sup> Wage and salary workers include all workers who work for someone else as well as those who are self-employed and are incorporated. Thus, the unincorporated self-employed are not included.

<sup>13</sup> A worker who is at least 21 years of age, has one year of tenure, and works more than 2,000 hours in a year, in general, must be covered by an employer who offers a private-sector retirement plan to its workers (IRC Sec. 401(a) 26). Typically, public-sector employers follow similar rules, despite not being governed by all of the same statutes as those for private-sector employers.

<sup>14</sup> Starting with the 2003 March Current Population Survey, changes were made to the race questions allowing respondents to answer to more than one race, e.g., white and black. These individuals are included in the "other race" category. Thus, the white category only includes those who responded they were white only, blacks as black only, etc.

<sup>15</sup> Native-born means the worker was born in the continental United States, Hawaii, or Alaska, but not U.S. territories such as Puerto Rico.

<sup>16</sup> See VanDerhei (2006) for an examination of the risks of health care costs in retirement associated with the necessary amount of preretirement income needed to be replaced at retirement in order to maintain the same standard of living throughout retirement.

<sup>17</sup> State estimates of the less populated states are less reliable than those of more populated states due to the sample size in the survey in those states. Consequently, these state estimates should be used with caution. Furthermore, due to the fairly significant standard error in the less populated states, in order to lessen the any potential sampling error, three-year averages are used to present trends in the state estimates. See Fronstin (2008) for use of the three-year state averages in the analysis of employment-based health insurance coverage.

<sup>18</sup> As discussed earlier, the CPS is the most up-to-date and consistent survey of retirement plan participation among all employees with detailed demographic data. However, SIPP also has data on these issues. In Copeland (2005), the percentage of workers participating in a retirement plan was found to have increased from 1998 to 2003, according to SIPP data. Furthermore, the level of participation was higher in SIPP than that in CPS. While the *level of difference* can be easily explained, as the SIPP study on retirement plan participation is focused only on those working at the time of the survey (compared with CPS, which asks individuals about retirement plan participation for anybody who worked in the past year, not just those currently working), the *trend differences* are not. One potential factor is that SIPP asks questions at the beginning of the year while CPS asks them at the end of the year, and the CPS showed a major increase in participation in 1998 that might not have been completely picked up by SIPP at the beginning of the year. Results from SIPP and CPS data have also provided differences in the percentage of individuals without health insurance that have not been completely explained other than by methodology issues. See Fronstin (2000) for a further discussion on the differences in these two surveys for counting the uninsured. In addition, the most recent SCF also shows a significant decline in the percentage of families with a worker who participates in an employment-based retirement plan (Copeland, 2006). In contrast, results from the Bureau of Labor Statistics (2003, 2005, 2006, 2007b, and 2008) show an increase in the percentage of private-sector workers participating in a retirement plan from 48 percent in 2000, 49 percent in 2003, 50 percent in 2005, and to 51 percent in 2006, 2007, and 2008. However, the BLS survey is a survey of private establishments about their employees' participation, while CPS is a survey directly asked of households. Consequently, BLS survey does not provide the level of individual demographic data that the CPS does. Therefore, the CPS has the most up-to-date breakdowns of retirement plan participation by individual demographic data from the

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longest consistent set of annually asked questions on this topic. See Purcell (2006) for a further discussion on the differences from the BLS numbers in the National Compensation Survey and the CPS.

<sup>19</sup> The race categories were revised in the 2003 survey to allow for combinations of races. However, the distribution of workers among the race categories was virtually unchanged even with those of more than one race being moved to the “other race” category. Consequently, the trend for the race/ethnicity categories is presented despite the inconsistent definitions of these categories.

<sup>20</sup> All earnings amounts are in 2007 dollars, that is, all earnings from years prior to 2007 are inflated by the consumer price index (CPI) level to reach 2007 dollars. Earnings are defined as the amount a worker is paid in compensation—wages and salary. This does not include investment income or other income sources.

<sup>21</sup> The industry definitions within the 2003 Current Population Survey were altered. Consequently, industry participation levels before 2002 cannot be compared with the more current years’ results.

<sup>22</sup> The occupation definitions within the 2003 Current Population Survey were altered. Consequently, occupation participation levels before 2002 cannot be compared with the more current years’ results.

<sup>23</sup> While females have higher participation levels in each work status and earnings category, they have a lower likelihood of participating in a defined contribution plan when eligible. From the 2004 SCF, female family heads had a participation rate of 72.5 percent in DC plans compared with 76.6 percent for male family heads. Consequently, it appears that females are more likely to work for employers that offer a plan than are males.

<sup>24</sup> See Holden and VanDerhei (2002) for projections of replacement rates from 401(k) plans for 401(k) plan participants under various career 401(k) plan participation scenarios to see the impact of how continuous participating in a plan substantially increases the replacement rate to be expected from these plans.

<sup>25</sup> See Holden and VanDerhei (2005) for an estimation of the possible impact on 401(k) plan account accumulations from automatic enrollment.

<sup>26</sup> These expenses include housing, food, apparel and services, transportation, reading and education, and entertainment plus basic health care costs such as Medicare premiums and Medigap premiums and stochastic health care expenditures for those who have a nursing home or health care episode of care. The level of these expenses is determined by the retiree’s retirement income.

<sup>27</sup> See VanDerhei (2006) for a further discussion of the amount of income needed to be replaced, when accounting for various types of risk in retirement and the probability of successfully doing so.

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