

An Analysis of the Retirement and Pension Plan Coverage Topical Module of SIPP

by Craig Copeland, EBRI

EBRI
EMPLOYEE
BENEFIT
RESEARCH
INSTITUTE®

Issue Brief

- This *Issue Brief* presents results on pension and retirement plan participation from the pension and retirement plan topical module of the 1996 Survey of Income and Program Participation (SIPP) and past employment benefit supplements to the 1979, 1983, 1988, and 1993 Current Population Surveys (CPS). The focus is on the 1988 and 1993 CPS and the 1996 SIPP results, as these have the most closely consistent detailed data on pension and retirement plan participation on an individual-worker basis and permit general comparisons of participation and plan type—defined contribution or defined benefit plan coverage. Further, the 1996 SIPP topical module 7 results, which were fielded from March to June of 1998, were released by the U.S. Census Bureau in February 2002, so they represent the most recent data currently available.
- The *sponsorship rate* for all workers for pay age 16 and over (defined as the fraction of workers whose employer or union sponsors a pension or retirement plan for any of the employees at the workers' place of employment) was 60 percent in 1998, according to SIPP. The percentage of all workers *participating in a plan* regardless of whether the plan was sponsored at the workers' place of employment was 44 percent in 1998. The *vesting rate*, the percentage of workers who say they were entitled to some pension benefit or lump-sum distribution if they left their job at the time of, or very near to the time of, their interview, was 41 percent in 1998.
- Participation rates in a retirement plan increased with age through age 50, and then decreased. In 1998, 7 percent of 16–20-year-old workers participated in a pension plan, while 60 percent of 41–50-year-olds did so. The participation rate then decreased, reaching 23 percent for those age 65 or older. As a worker's income increased, the likelihood that he or she participated in a retirement plan also increased. For those making less than \$5,000 annually in constant 1993 dollars in 1998, 13 percent participated in a pension plan, compared with 75 percent of those making \$50,000 or more in 1993 dollars.
- In 1998, 62.7 percent of participants were determined to have a defined contribution plan as their primary plan, significantly higher than the 49.8 percent found in 1993. Correspondingly, a smaller percentage of workers had a defined benefit plan as their primary plan: 35.1 percent said a defined benefit plan was their primary retirement plan in 1998, compared with 38.2 percent in 1993. This is substantially lower than the 1988 level of 56.7 percent of participants who reported their primary plan was a defined benefit plan.

Craig Copeland wrote this *Issue Brief* with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the author and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

Table of Contents

Text

Introduction	3
Overall Comparisons	3
All Workers	3
Nonagricultural Wage and Salary Workers	4
Primary Plan Types	7
Salary Reduction Plans	8
Employee Contribution Rates	9
Conclusion	9
References	10
Endnotes	11
Appendix	14

Figures

Figure 1, Trends in Retirement Plan Sponsorship, Participation, and Vesting Rates Among Civilian Workers for Pay, Ages 16 and Over, 1979, 1983, 1988, 1993, and 1998	4
Figure 2, Trends in Retirement Plan Participation Rates Among Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, 1988, 1993, and 1998	5
Figure 3, Trends in Retirement Plan Participation Rates Among Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, by Annual Earnings in Constant 1993 Dollars, 1988, 1993, and 1998	5
Figure 4, Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, Participating in a Retirement Plan, by Percentage within Earnings Categories (Constant 1993 Dollars), 1998	6
Figure 5, Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, Participating in a Retirement Plan, by Percentage Within Earnings Categories (Constant 1993 Dollars), 1993	6
Figure 6, Trends in Retirement Plan Participation Rates Among Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, by Industry, 1988, 1993, and 1998	7

Figure 7, Primary Retirement Plan Among All Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, Who Participate in a Pension Plan, 1988, 1993, and 1998	8
Figure 8, Salary Reduction Plan Sponsorship Rate, Participation Rate, and Primary Plan Percentage Among Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, 1988, 1993, and 1998 ...	8
Figure 9, Proportion of Salary Reduction Plan Participants by Percentage of Annual Earnings Contributed (Among Those Responding), Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, 1998	9
Figure 10, Proportion of Salary Reduction Plan Participants by Percentage of Annual Earnings Contributed (Among Those Responding), Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, 1993	9
Figure 11, Average Percentage of Annual Earnings Contributed to a Salary Reduction Plan, Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, 1988, 1993, and 1998	10

Appendix Figures

Figure A1, Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, Sponsorship Rate and Participation Rate, By Various Characteristics, 1988, 1993, and 1998	15
Figure A2, Reported Primary Retirement Plan Type Among Civilian Nonagricultural Wage and Salary Workers, Ages 16 and Over, Who Participate in a Retirement Plan, by Selected Demographic Characteristics, 1988, 1993, and 1998	16
Figure A3, Salary Reduction Plan Sponsorship Rate, Participation Rate, and Percentage for Whom the Plan Is Primary Among Civilian Nonagricultural Wage and Salary Workers Ages 16 and Over, 1988, 1993, and 1998	17
Figure A4, Average Employee Contribution Rate to Salary Reduction Plans, Nonagricultural Wage and Salary Workers Ages 16 and Over, By Selected Characteristics 1993 and 1998	18
Figure A5, Percentage of Wage and Salary Workers Ages 21–64 Participating in an Employment-Based Pension or Retirement Plan, 1992–2000 and February 1995–February 2001	19

Introduction

The United States is expected to see a surge in its elderly population starting in the next decade as the first wave of the post-World War II baby boom generation begins to retire. This anticipated increase in the number of retirees relative to workers is the primary factor in the projected funding deficit for the Social Security program. Even if Congress acts in the near future to close the Social Security funding deficit, the adequacy of retirees' income remains a critical public policy issue, since Social Security was never designed to be the sole source of the elderly's income in retirement.

Historically, Social Security has been considered to be just one of the "three pillars" of retirement income—the other two being personal savings and employment-based pension or retirement plans. This *Issue Brief* focuses on the funding provided by employment-based pension or retirement plans by presenting results from the pension and retirement plan topical module of the 1996 Survey of Income and Program Participation (SIPP) and past employment benefit supplements to the 1979, 1983, 1988, and 1993 Current Population Surveys (CPS).¹ However, the focus is on the 1988 and 1993 CPS and the 1996 SIPP results, as these have the most closely consistent detailed data on pension and retirement plan participation on an individual worker basis and permit general comparisons of participation and plan type—defined contribution or defined benefit plan coverage (the pension and retirement questions from SIPP's topical module 7 are for the workers' status as of March to June of 1998). Further, the 1996 SIPP topical module 7 results, which were fielded from March to June of 1998, were not released by the U.S. Census Bureau until February 2002, so they represent the most recent data currently available. This report provides an assessment of the "snapshot" of

retirement plan participation across the years covered by the data.

Other supplements to the CPS, such as the March and February supplements, contain data about participation in pension or retirement plans, but they do not have data about plan type or other plan features such as loans or contributions.² Thus, SIPP is more important for the detail it provides with respect to pension/retirement plan type and plan features than for its participation rates. Even though the data are from 1998, the results are still the most recent and detailed available on an individual basis concerning pension/retirement plan type of a large sample of the U.S. population.

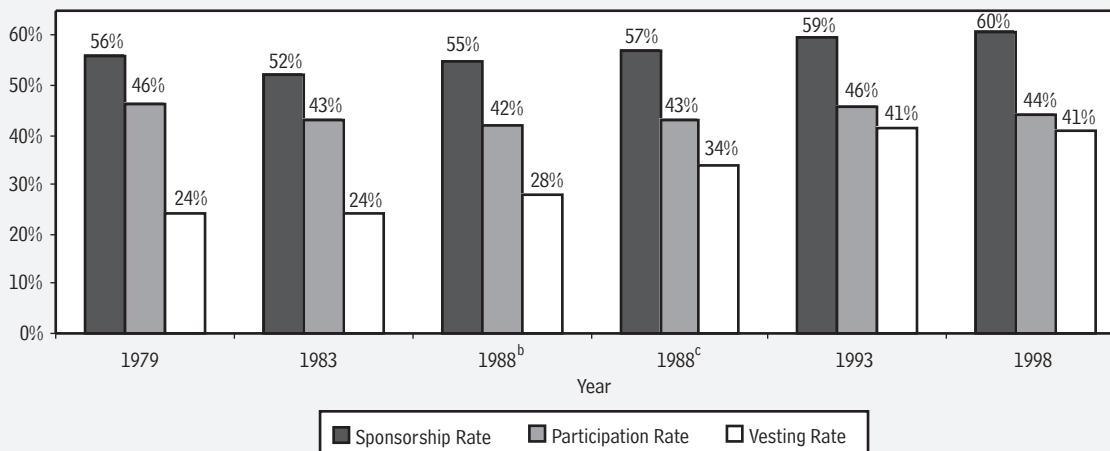
This *Issue Brief* compares these latest SIPP results with earlier results published on this topic by the Employee Benefit Research Institute.³ This is the first of two *Issue Briefs* on the SIPP results and focuses on "top-line" results; the second will focus on more specialized topics. The first section of this *Issue Brief* examines overall pension/retirement plan participation rates among all workers ages 16 and older and then more specifically among nonagricultural wage and salary workers. The next section presents a breakdown of primary plan type, followed by an examination of participation in and contributions to salary reduction or 401(k)-type plans.

Overall Comparisons

All Workers

The sponsorship rate for all workers⁴ for pay ages 16 and over (defined as the fraction of workers whose employer or union sponsors a pension or retirement plan for any of the employees at the workers' place of employment) was 60 percent in 1998 according to SIPP (Figure 1). This is higher than the estimates from the

Figure 1
TRENDS IN RETIREMENT PLAN SPONSORSHIP,^a PARTICIPATION, AND VESTING RATES AMONG CIVILIAN WORKERS FOR PAY, AGES 16 AND OVER, 1979, 1983, 1988^b, 1993^c, AND 1998



Source: Employee Benefit Research Institute estimates of the May 1979, May 1983, May 1988, and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

^a The fraction of workers whose employer or union sponsors a plan for any of the employees at the workers' place of employment.

^b Workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were not counted as working for an employer where a plan was sponsored, even if they reported that their employer offered a profit-sharing plan or a stock plan in a follow-up question. Participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were not counted as vested, even if they later responded that they could receive a lump-sum distribution if they left their plan now. This allows comparability with the tabulations from earlier years.

^c Workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were counted as working for an employer where a plan was sponsored if they reported that their employer offered a profit-sharing plan or a stock plan in a follow-up question. Participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were counted as vested, if they later responded that they could receive a lump-sum distribution if they left their plan now. This allows comparability with the tabulations from later years.

CPS supplements, which ranged from 56 percent in 1979 to 59 percent in 1993. However, the percentage of all workers participating in a plan regardless of whether the plan was sponsored at the workers' place of employment (referred to as the *participation rate*⁵ in this report) was 44 percent in 1998. This percentage was lower than the 1979 and 1993 rates of 46 percent, but higher than the other previous years.

The one significant change across these years (although not from 1993 to 1998) is the vesting rate. The *vesting rate* is the percentage of workers who say they were entitled to some pension benefit or lump-sum distribution if they left their job at the time of, or very near to the time of, their interview. This rate increased from 24 percent in 1979 to 41 percent in 1993, and (according to SIPP) remained at 41 percent in 1998. Some of this increase appears to result from follow-up questions added in the 1988 employment benefit supplement, which more clearly measured this issue, but it also appears that other factors such as the increased number of workers participating in defined contribution retirement plans (like 401(k) plans) and faster vesting requirements that have been imposed since 1979, were important.⁶

The two sets of numbers presented for 1988 show the impact on the vesting rate of these follow-up

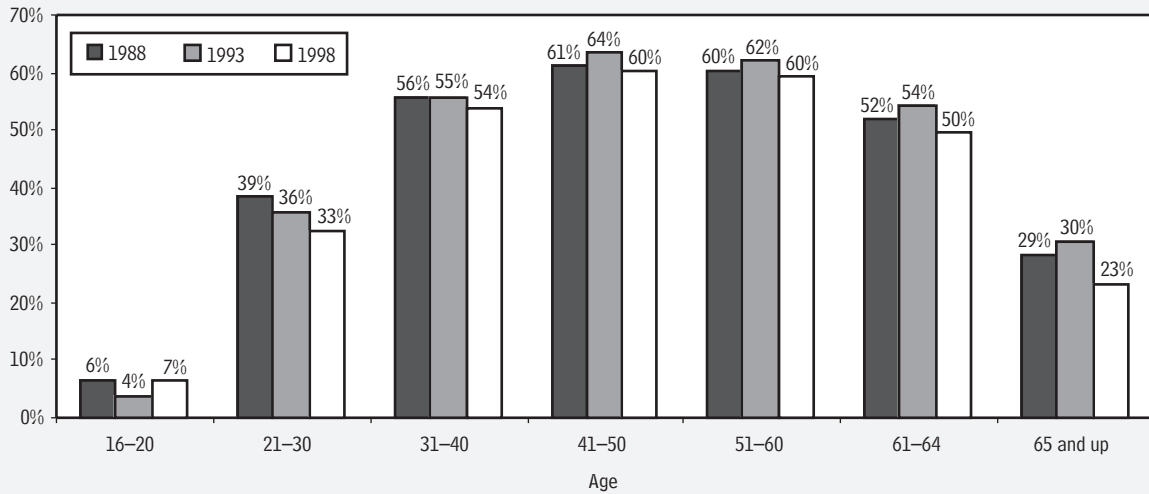
questions and potentially of the increased number of defined contribution plans.⁷ Without the follow-up questions on lump-sum distributions, the vesting rate in 1988 was 28 percent, compared with 34 percent with the follow-up question. Thus, better data do not seem to be the only explanation for the increased vesting rate since 1979.

Nonagricultural Wage and Salary Workers

The percentage of nonagricultural wage and salary workers⁸ ages 16 and over participating in a pension or retirement plan was lower in 1998, just as it was for all workers. Just over 47 percent of these workers were found to have participated in 1998, compared with 49.3 percent in 1993 and 47.7 percent in 1988 (Figure A1).⁹ However, the participation rate varied greatly across various worker demographic and employer characteristics.

Age: Participation rates in a retirement plan increased with age through age 50, then decreased. In 1998, 7 percent of 16–20-year-old workers participated in a pension plan, while 60 percent of 41–50 year olds did so (Figure 2). The participation rate then decreased, reaching 23 percent for those 65 or older. Worker partici-

Figure 2
TRENDS IN RETIREMENT PLAN PARTICIPATION RATES AMONG CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, 1988, 1993, AND 1998



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

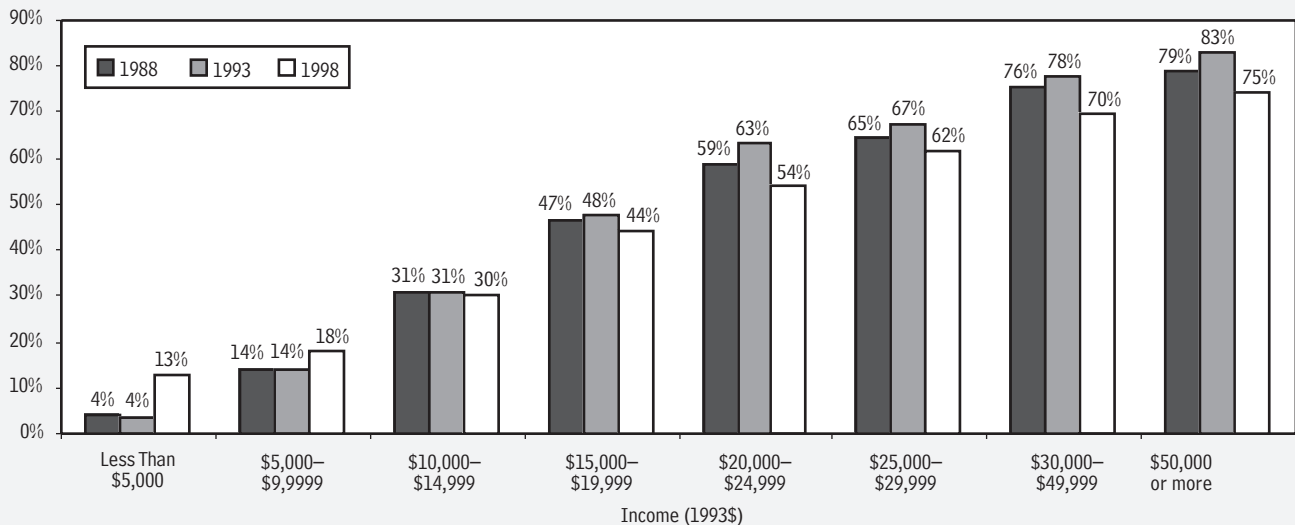
pation rates were at best equal, but mostly lower, for every age category except for the youngest workers in 1998, relative to 1993.

Income: As a worker's income¹⁰ increased, the likelihood that he or she participated in a retirement plan also increased. For those making less than \$5,000 annually in constant 1993 dollars in 1998, 13 percent participated in a pension plan, compared with 75 percent

of those making \$50,000 or more in 1993 dollars (Figure 3). Workers' participation rates in 1998 were lower in all except the lowest two income categories, relative to 1993.

A significantly larger percentage of workers who participated in a retirement plan were either in the lowest income category or the highest income category in 1998, compared with 1993. In 1998, 6.4 percent of those

Figure 3
TRENDS IN RETIREMENT PLAN PARTICIPATION RATES AMONG CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, BY ANNUAL EARNINGS IN CONSTANT 1993 DOLLARS, 1988, 1993, AND 1998



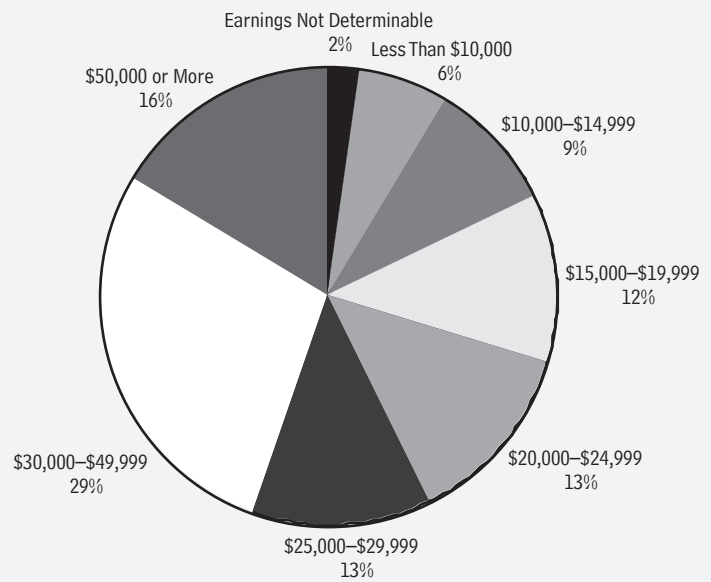
Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

participating in a retirement plan made less than \$10,000 in 1993 dollars, compared with only 3.1 percent in 1993 (Figures 4 and 5). Furthermore, 16.3 percent of the workers with a retirement plan in 1998 earned \$50,000 or more in 1993 dollars, compared with 13.7 percent in 1993.

Industry: The participation rate by industry in 1998 varied from 24 percent for workers in the retail trade sector to 71 percent for those in the public sector (Figure 6). Workers in three industries—construction, professional services, and other services—had a higher likelihood of participating in a retirement in plan in 1998 than in 1993. However, workers in the rest of the industry categories had a lower likelihood of participating. The participation rate for the “other services” category had the largest positive change between 1993 and 1998: The 1993 participation rate was 21 percent, compared with 27 percent in 1998. In contrast, mining had largest negative change in participation, 61 percent in 1998, compared with 69 percent in 1993. Workers in industries with a higher participation rate in 1998 than in 1993 were still substantially less likely to have participated in a plan than workers in the rest of the industries, where the participation was found to be lower in 1998 than in 1993.

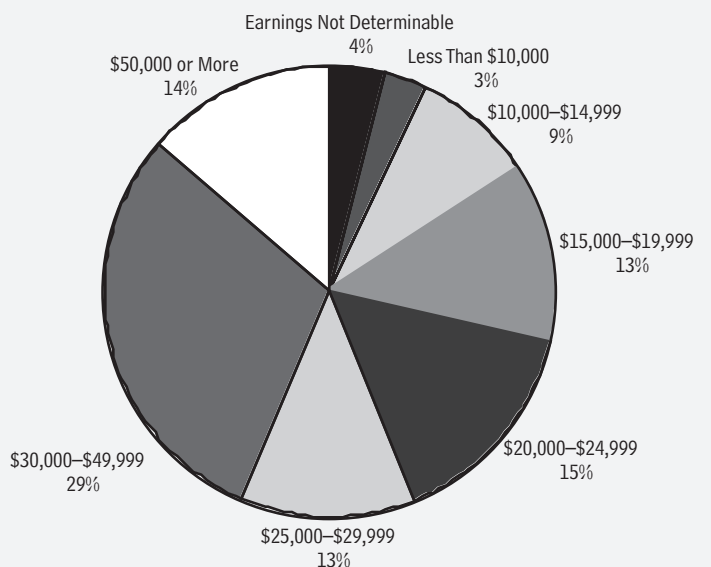
Workers with the longest tenure and in larger firms were found to be less likely to have participated in a plan in 1998 than in 1993, while those with the shortest tenure and working in the smallest firms were found to be more likely to have participated in a plan in 1998 than in 1993. In 1998, 74.3 percent of workers with job tenure of 15 years or more participated in a retirement plan, compared with 81.8 percent in 1993 (Figure A1). In contrast, 21.3 percent of those with job tenure less than one year participated in a retirement plan in 1998, while only 12.1 percent were found to have done so in 1993. Furthermore, fewer workers at larger companies were in a retirement plan over the period: 66.2 percent of workers working for an employer with 100 or more employees

Figure 4
CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, PARTICIPATING IN A RETIREMENT PLAN, BY PERCENTAGE WITHIN EARNINGS CATEGORIES (CONSTANT 1993 DOLLARS), 1998



Source: Employee Benefit Research Institute estimates of the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

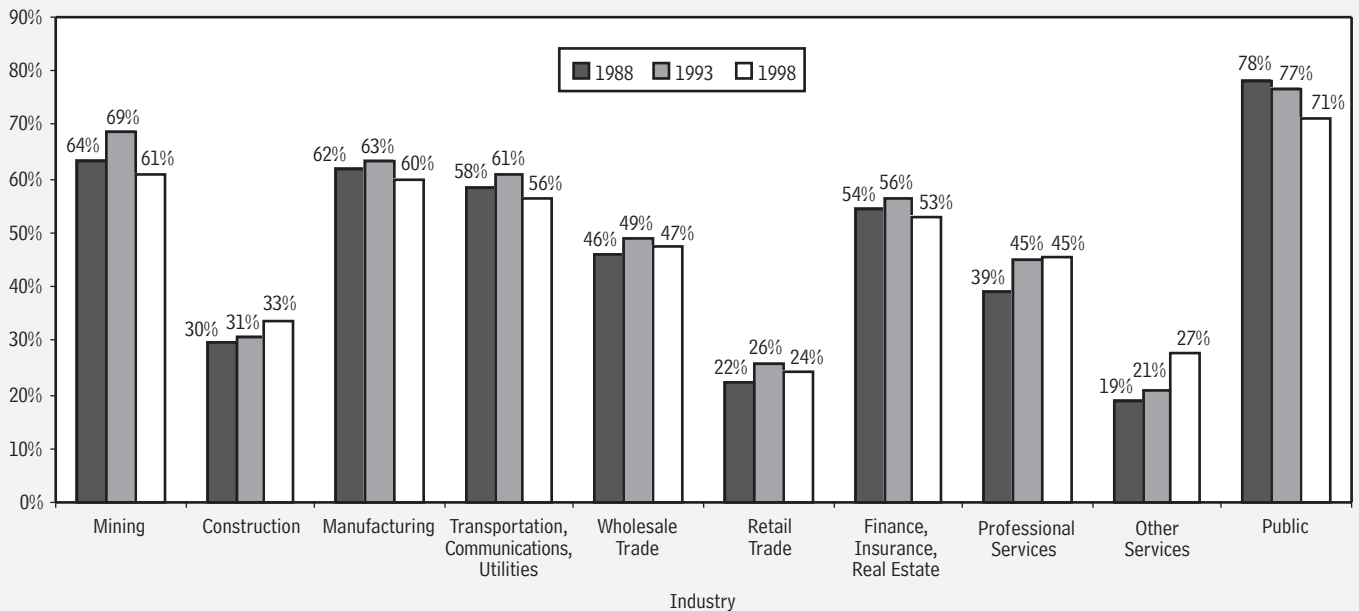
Figure 5
CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, PARTICIPATING IN A RETIREMENT PLAN, BY PERCENTAGE WITHIN EARNINGS CATEGORIES (CONSTANT 1993 DOLLARS), 1993



Source: Employee Benefit Research Institute estimates of the April 1993 Current Population Survey employee benefit supplement.

Figure 6

TRENDS IN RETIREMENT PLAN PARTICIPATION RATES AMONG CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, BY INDUSTRY, 1988, 1993, AND 1998



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

participated in a retirement plan in 1993, compared with 54.2 percent in 1998.¹¹ That's the opposite for workers at the smallest employers (fewer than 25 employees), where 15.4 percent participated in 1993 versus 18.3 percent in 1998. However, workers with longer tenure and working for larger employers were still found to be more likely overall to have participated in a retirement plan.

Primary Plan Types

Workers' knowledge of their pension or retirement plans has been shown to be quite limited.¹² Furthermore, workers' perceptions of what they consider to be their most important plan can also vary tremendously (among larger employers, it is common for workers to be covered by both a defined benefit pension plan and a defined contribution retirement plan, such as a 401(k), and one or the other is deemed to be the primary plan; in 1998, 26.4 percent of pension and retirement plan participants were participants in more than one plan). In SIPP, participants are asked about their most important pension or retirement plan: The question asks if your plan's "benefit is defined by a formula usually involving your earnings and years on the job," or consists of

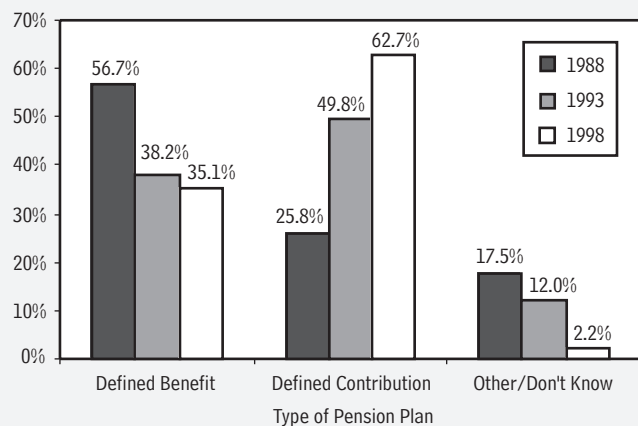
"contributions made by you and/or your employer going into an individual account for you." The first presumably describes a defined benefit plan, while the second presumably describes a defined contribution plan, such as a 401(k) plan. However, the survey also contains follow-up questions describing specific features of the most important plan.¹³ In many cases, the answers are in conflict with the type of plan that the worker has. Consequently, the estimates of the pension/retirement plan type in this study combine answers from these questions to determine workers' most important (or primary) plan.¹⁴

When the follow-up questions were asked along with the initial pension type question, 62.7 percent of participants were determined to have a defined contribution plan as their primary plan in 1998 (Figure 7),¹⁵ significantly higher than the 49.8 percent found in 1993. Correspondingly, a smaller percentage of workers had a defined benefit plan as their primary plan: 35.1 percent said a defined benefit plan was their primary retirement plan in 1998, compared with 38.2 percent in 1993.¹⁶ This is substantially lower than the 1988 level of 56.7 percent of participants who reported a defined benefit plan as their primary plan.

The likelihood of wage and salary worker participants reporting that their primary plan was a defined benefit or defined contribution plan varied across various worker demographics and employer characteristics. Above age 20, the likelihood increased that a participant's

Figure 7

PRIMARY RETIREMENT PLAN AMONG ALL CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, WHO PARTICIPATE IN A PENSION PLAN, 1988, 1993, AND 1998



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

primary plan was a defined benefit plan: In 1998, 27.3 percent of retirement plan participants ages 21–30 reported that a defined benefit plan was their primary plan, compared with 40.7 percent of participants ages 61–64 (Figure A2). In addition, women, union covered workers, blacks, and public-sector workers were more likely to have a defined benefit plan as their primary plan, relative to other categories. In contrast, younger workers, workers at firms with 25–99 employees, non-union covered workers, and shorter-tenure workers are all more likely to have a defined contribution plan as their primary plan.

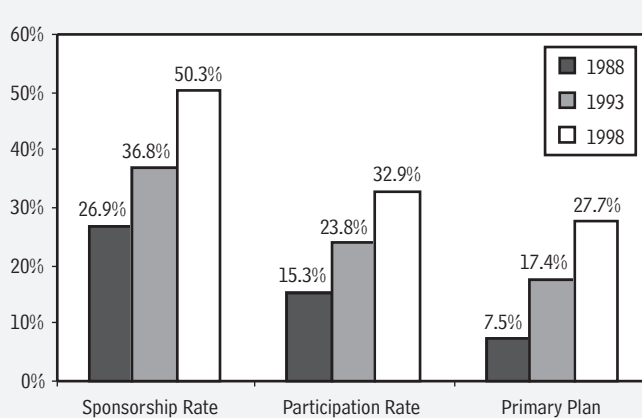
Across all of the categories examined, a higher percentage of participants reported in 1998 that their primary plan was a defined contribution plan compared with 1993, and the rate was almost or more than twice that of 1988. A larger percentage of participants having a defined contribution as their primary plan corresponds with results from IRS Form 5500 data on private-sector pension plan participants that showed an increased percentage of pension plan participants with a defined contribution plan as their primary plan from 1993 to 1998 (U.S. Department of Labor, 2001–2002).

Salary Reduction Plans

Plans such as 401(k) plans or 403(b) plans are referred to as salary reduction plans, as a worker's take-home pay is

Figure 8

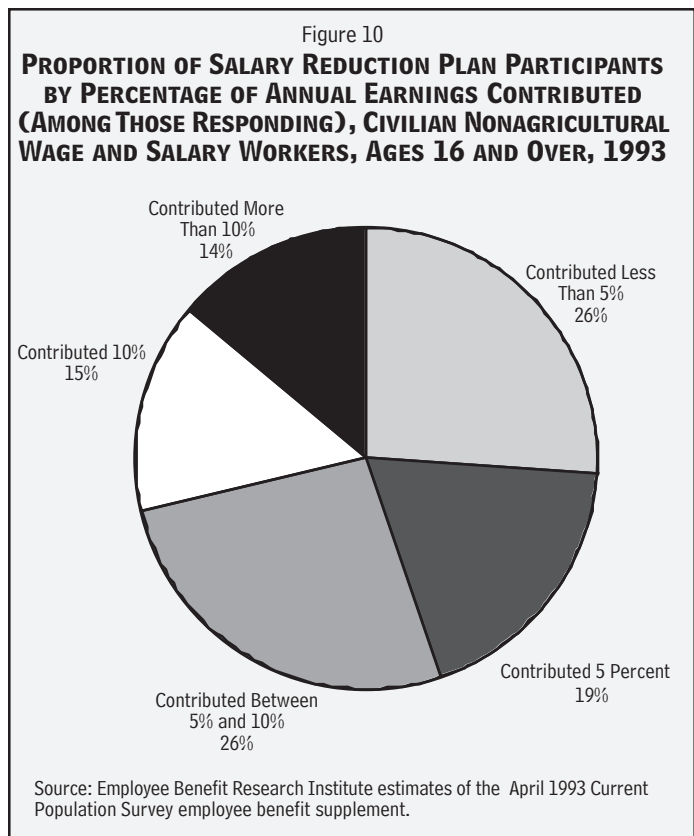
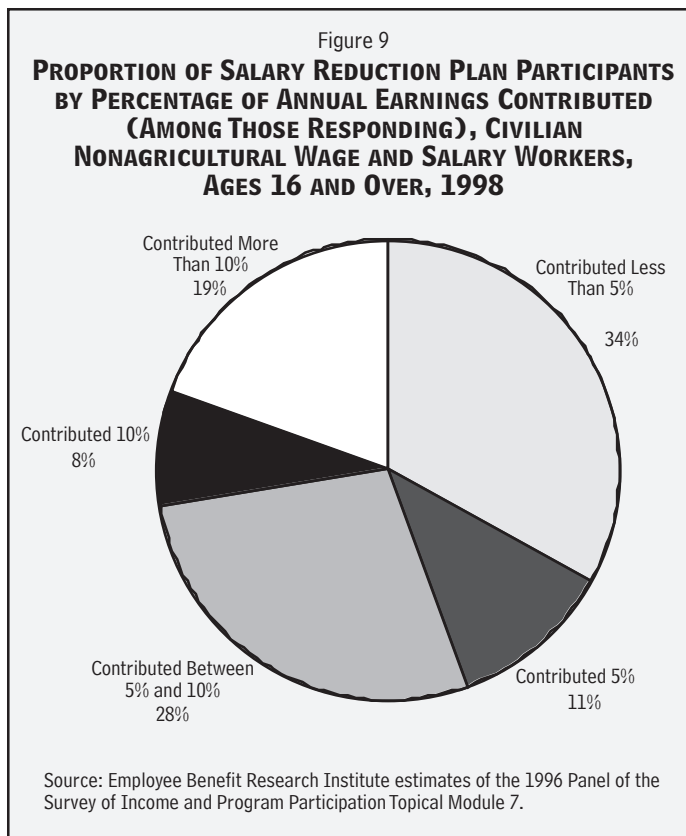
SALARY REDUCTION PLAN SPONSORSHIP RATE, PARTICIPATION RATE, AND PRIMARY PLAN PERCENTAGE AMONG CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, 1988, 1993, AND 1998



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

used (reduced) to make contributions to the plan.¹⁷ These plans are the primary type of defined contribution retirement plans. The sponsorship rate for nonagricultural wage and salary workers ages 16 and over was 50.3 percent in 1998, significantly higher than the 1993 rate of 36.8 percent and the 1988 rate of 26.9 percent (Figure 8).¹⁸ The participation rate for these workers was also substantially higher in 1998: 32.9 percent, compared with 15.3 percent in 1988 and 23.8 percent in 1993. In addition, 27.7 percent of nonagricultural wage and salary workers age 16 and over had a salary reduction plan as their primary retirement plan in 1998, compared with just 7.5 percent in 1988.¹⁹ Again, salary reduction plan sponsorship rates, participation rates, and primary plan status rates varied across workers and workers' employer characteristics.

As annual hours worked, tenure, workers' firm size, and earnings increased, the likelihood that a worker participated in a salary reduction plan also increased in 1998 (Figure A3). Furthermore, whites, union covered workers, and males were more likely to have participated in a salary reduction plan than workers in other categories. For male workers, 35.6 percent participated in a salary reduction plan, compared with 30.0 percent of female workers. Union covered workers had a 46.4 percent participation rate, while nonunion covered workers' rate was 30.6 percent. Participation rates increased for workers through ages 51–60, and then declined for the two oldest age groups. The participation rates in salary reduction plans were higher in 1998 than in 1988 and 1993 across all of these worker categories.



The primary plan rate for salary reduction plans followed the patterns established for defined contribution plans, as salary reduction plans are the major form of defined contribution plans. Furthermore, the percentage of workers reporting that their salary reduction plan was their primary plan was substantially higher across all categories in 1998 than in 1993 and 1988, as was the case with defined contribution plans being the primary plan.

Employee Contribution Rates

Even with salary reduction plans having a higher participation and primary plan rate in 1998, the distribution of the reported employee contribution rate²⁰ as a percentage of earnings was basically unchanged. Although a higher percentage of salary reduction participants contributed either less than 5 percent or more than 10 percent in 1998 relative to 1993, the breakdown in contribution rates was very close when the less than 5 percent and 5 percent contributed were combined—44.5 percent in 1998 versus 44.8 percent in 1993—and when the more than 10 percent and 10 percent contributed were grouped together—27.6 percent in 1998 versus 28.5 percent in 1993 (Figures 9 and 10). The average employee contribution for workers who reported a contribution was slightly higher in 1998, at 7.4 percent versus 7.1 percent in 1993 and 6.6 percent in

1988 (Figure 11).²¹ For the most part, the contribution rates across various worker characteristics were higher or the same in 1998, compared with 1993 (Figure A4). The major exception was the contribution rate for black salary reduction participants, whose contribution rate was significantly lower (6.6 percent in 1998, compared with 7.5 percent in 1993).

The average employee contribution rate as a percentage of earnings fluctuated. In particular, the employee contribution rate increased with age, as participants ages 16–20 contributed 6.5 percent of their salary on average, compared with 9.0 percent by participants ages 61–64. However, as earnings increased, the contribution rate decreased. Participants earning between \$10,000 and \$14,999 contributed 8.4 percent of salary on average, while those earning \$50,000 or more contributed 6.7 percent on average.²²

Conclusion

Topical Module 7 of the 1996 SIPP provides a wealth of data on pension and retirement plan participation, including plan type. This type of data was previously provided in the employee benefit supplements to CPS.

Comparing the results from these data sets, a lower participation rate among all nonagricultural wage and salary workers ages 16 and over was found in 1998, relative to 1993,²³ but the vesting rate was the same. The lower participation in 1998 was found to involve groups that historically have had high participation rates, such as workers at large companies and individuals with long tenure, while the opposite ends of these categories actually had higher participation in 1998.²⁴

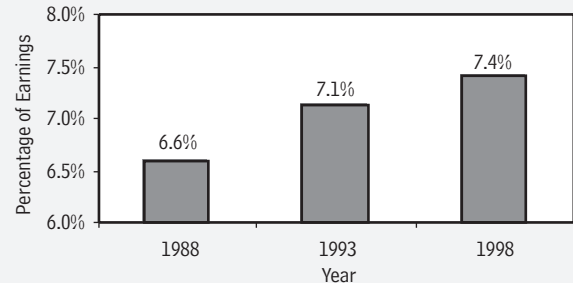
The SIPP data appear to confirm an increased level of participation in defined contribution retirement plans across all worker categories, with 62.7 percent of retirement plan participants reporting that a defined contribution plan was their primary plan in 1998. Salary reduction or 401(k)-type plans are the major form of these defined contribution plans, with 27.7 percent of all workers reporting these types of plans as being their primary retirement plan. The average contribution rate to these plans was found to be higher, at 7.4 percent, in 1998 compared with 7.1 percent in 1993.

Since the SIPP data set is not identical to the CPS, it is hard to draw conclusions about trends across the years. However, it appears that overall participation in any type of retirement and pension plans has been relatively constant. A larger percentage of retirement plan participants have a defined contribution plan as their primary plan, mostly salary reduction or 401(k)-type plans. The differences in participation across worker demographics and characteristics of the employees' employer seem to have persisted, possibly improving for some categories.

References

Copeland, Craig. "Pension Plan Participation Continued Rise in 2000—What Next?" *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2002): 4–7.

Figure 11
AVERAGE PERCENTAGE OF ANNUAL EARNINGS CONTRIBUTED TO A SALARY REDUCTION PLAN, CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, 1988, 1993, AND 1998



Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

- _____. "Pension Participation: February 2001." *EBRI Notes*, no. 12 (Employee Benefit Research Institute, December 2001): 1–5.
- Copeland, Craig, and Jack VanDerhei. "Personal Account Retirement Plans: An Analysis of the Survey of Consumer Finances." *EBRI Issue Brief* no. 223 (Employee Benefit Research Institute, July 2000).
- Employee Benefit Research Institute. "Employment-Based Retirement Income Benefits: Analysis of the April 1993 Current Population Survey." *EBRI Special Report SR 251/Issue Brief no. 153* (Employee Benefit Research Institute, September 1994).
- Gustman, Alan L., and Thomas L. Steinmeier. "Imperfect Knowledge, Retirement and Saving." Paper presented at The Third Annual Conference of the Retirement Research Consortium, Making Hard Choices About Retirement, Washington, DC, May 17–18, 2001.
- Holden, Sarah, and Jack VanDerhei. "Contribution Behavior of 401(k) Plan Participants." *EBRI Issue Brief* no. 238 (Employee Benefit Research Institute, October 2001).
- U.S. Department of Labor. Pension and Welfare Benefits Administration. *Private Pension Plan Bulletin: Abstract of 1998 Form 5500 Annual Reports*. No. 11 (Winter 2001–2002).
- VanDerhei, Jack, and Craig Copeland. "The Changing Faces of Private Retirement Plans." *EBRI Issue Brief* no. 232 (Employee Benefit Research Institute, April 2001).

Endnotes

¹ The 1996 Panel of the Survey of Income and Program Participation (SIPP), conducted by the U.S. Census Bureau, follows the same households for a four-year period, asking various questions on their economic and demographic status. The survey participants are interviewed at four-month intervals about a core set of demographic and economic issues. In addition, topical modules ask more specific questions about important economic issues. Topical module 7 fielded in March–June 1998 asked questions about workers’ participation in retirement and/or pension plans. These types of questions had been asked previously in the employee benefit supplements to the Current Population Survey (CPS) prior to their inclusion in SIPP. While these data sets have similar questions, they are not identical nor is the way the surveys are conducted—for instance, the CPS interviews all of its respondents in a single month, while SIPP is conducted over a four-month period. The results in this *Issue Brief* are presented as trends, but caution should be used when drawing conclusions from the results due to the survey differences. Typically, different surveys yield different results. Therefore, while certain trends can be ascertained, it is important to note that a portion or all of any trend may be due to the differences in the surveys.

² Figure A5 presents trends from two consistent surveys on retirement plan participation from Copeland (2001) and Copeland (2002), for participation rates from the February 2001 CPS and the March 2001 CPS, respectively. From these surveys, the participation rate for wage and salary workers ages 21–64 were found to have increased or at worst stayed the same from February 1995 to February 2001 and from 1992 to 2000.

³ See Employee Benefit Research Institute (1994) for the

most recent update of detailed pension/retirement plan data.

⁴ In this section, all workers for pay ages 16 and over were included; that means all self-employed workers, whether their business was incorporated or not, were included. However, any workers who were family workers not working for pay were excluded. For the SIPP Topical Module, the worker’s main job or business is determined by which job provided the most income in the reference month. However, some important characteristics of this job or business are not included in the topical module but in the core portion of the survey. If a job was determined to be the most important in the topical module, information from the *first* job of the worker from the core is used for the employer/job characteristics (firm size, industry, union covered job, hours of work) of this worker in this study. Furthermore, if the business is determined to be the most important, the *first* business of the worker from the core is used for characteristics of the business in this analysis. Likewise, if the worker is determined to only work for others or to only have a business, the first job or business data, respectively, is used to provide data on the employer or business characteristics.

⁵ The participation rate for workers is calculated by determining all workers who say they participate in a pension or retirement plan in their main job/business or other job during the reference period of the survey. This includes anyone who answered no to the first question about participating in a pension or retirement, but answered yes in a follow-up question to participating in a plan similar to a 401(k) plan. In addition, to be consistent with previous estimates of the participation rate, any unincorporated self-employed individuals who own and contributed to an individual retirement account (IRA) or Keogh plan in 1997 are considered to have a retirement plan through their place of employment. In the next set of results, where only wage and salary workers were examined, unincorporated self-employed workers are excluded from the analysis, so IRA or Keogh

ownership is not considered in those results. Some self-employed workers were not asked if they were incorporated if they did not earn more than \$2,500 in the previous year or did not expect to earn more \$2,500 in the next year. These workers were assumed to be unincorporated self-employed workers.

⁶ Prior to the Tax Reform Act of 1986 (TRA '86) (effective Jan. 1, 1989), plan sponsors were allowed to choose among three different methods for satisfying the minimum vesting schedules. Most plan sponsors chose the “cliff vesting” approach which would allow employers to set standards by which employees leaving with less than 10 years of service would accrue no rights to employer contributions (and investment income generated from these amounts). TRA '86 reduced the number of vesting alternatives to two and reduced the maximum duration for cliff vesting to five years.

⁷ The two sets of numbers are presented so that the change in questions asked can be compared, as well as what the results would have been without the change in questions. The first set of numbers presented in Figure 1 omits the impact of follow-up questions (so as to compare with earlier periods that did not have those questions), while the second set of numbers presented do include the follow-up questions (so as to better account for the presence of defined contribution plans). Specifically, in the first set of numbers, workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were not counted as working for an employer where a plan was sponsored, even if they reported that their employer offered a profit-sharing plan or a stock plan in a follow-up question. Furthermore, participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were not counted as vested, even if they later responded that they could receive a lump-sum distribution if they left their plan now. Workers who reported that their employer or union did not have a pension plan or retirement plan for any of its employees were counted in the second set of numbers as working for

an employer where a plan was sponsored if they reported that their employer offered a profit-sharing plan or a stock plan in a follow-up question. Moreover, participants who reported not being able to receive some benefits at retirement if they were to leave the plan now were counted as vested in the second set of numbers if they later responded that they could receive a lump-sum distribution if they left their plan now. Furthermore, if they were included in the profit-sharing or stock plan in the 1988 follow-up question or participated in a 401(k)-type plan from the 1993 and SIPP follow-up question, they were considered vested, since these types of plans provide lump-sum distributions.

⁸ This section focuses only on the 1988, 1993, and 1998 results, as they are derived using consistent follow-up questions. Furthermore, unincorporated self-employed workers are excluded (as explained in endnote 5), while incorporated self-employers are included. Those workers who are determined to work in the agricultural industry from their most important job or business, respectively, are also excluded.

⁹ This contradicts findings from Copeland (2001) and Copeland (2002) that showed an increase in the percentage of wage and salary workers ages 21–64 participating in a pension or retirement plan through an employment-based arrangement. Both showed a continual increase or at least no change from February 1995 to 2001 and from 1992 to 2000, respectively (see Figure A5). It is unclear why this difference exists between these studies and this *Issue Brief*, but the other studies use consistent data sources, whereas the results from this *Issue Brief* are from different data sources. Some possible answers include the example from endnote 1, as well as which job is determined to be primary or whether the individual is classified as a worker by the different surveys.

¹⁰ In SIPP, only monthly earnings are given. Consequently, the earnings had to be annualized by multiplying by 12 for comparisons with the past surveys. This can create problems for those workers who have uneven earnings during the year, but in most cases the

monthly earnings are reflective of the earnings for all months during the year. In addition, all income figures are in 1993 dollars, so all of the 1998 income amounts were adjusted appropriately for the intervening inflation between 1993 and 1998.

¹¹ In 1998, public-sector workers were not included in the firm size categories. However, in 1988 and 1993, these employees were included in the firm size categories. The removal of the public-sector employees who have a very high participation rate is a significant factor in the participation rate for larger firms in 1998 being significantly lower than in 1993 and 1988.

¹² See Gustman and Steinmeier (2001).

¹³ Some follow-up questions are asked about the most important plan only if the participant reports that tax-deferred contributions can be made to the plan.

¹⁴ If the questions are not combined and only the pension plan-type question is used, 54.4 percent reported that they were in a defined benefit plan (benefit determined by formula), compared with 43.4 percent who reported being in a defined contribution plan (benefit determined by an individual account). However, estimates from the 1998 Form 5500s, which all private-sector pension/retirement plan sponsors must file with the IRS, show that approximately 44 percent of private-sector workers have a defined benefit plan as their primary plan. Under this estimate, the defined benefit plan is assumed to be the primary plan “unless the plan name indicates it provides supplemental or only past service benefits” (U.S. Department of Labor, 2001–2002, p. 67). Furthermore, even if 100 percent of public-sector participants had a defined benefit plan and considered it their most important plan, and using the Form 5500 estimates, the 54.4 percent of workers having a defined benefit plan as their primary could not be attained.

¹⁵ In the determination of primary plan status, the answer to the “plan type” question was the initial classification. However, anyone who answered that their most important plan allowed tax-deferred contributions

and that their employer’s contributions depended upon the workers’ contributions, that they had the ability to choose how any of the money in the plan was invested, or that they had taken or could take a loan from their plan (characteristics virtually exclusive to defined contribution plans in the private sector) were added to the defined contribution category, if they were not already there. Lastly, due to public-sector employers having more flexibility in how they can design a plan, a check was put in place for public-sector workers who said their plans’ benefit was affected by their participation in the Social Security program. These workers were classified as having a defined benefit plan.

¹⁶ This is consistent with findings from Copeland and VanDerhei (2000). In this study, the percentage of families with a defined benefit plan only was found to have decreased from 40 percent in 1992 to 21 percent in 1998.

¹⁷ These plans have also been referred to as 401(k)-type plans in other EBRI publications. For example, see Copeland and VanDerhei (2000). The contributions could be before or after the calculation of income taxes.

¹⁸ The sponsorship rate is defined as the fraction of workers whose employer or union sponsors a salary reduction plan for any of the employees at the workers’ place of employment.

¹⁹ These percentages include as a base both the workers with a retirement plan and those without a plan. Therefore, of those with a plan, 58.1 percent had a salary reduction plan as their primary retirement plan in 1998, compared with 15.7 percent in 1988.

²⁰ Not all salary reduction plan participants had complete data needed for calculating this number, either because the earnings or the contributions were not determinable. Less than 9 percent of the sample of salary reduction participants is eliminated because of this issue.

²¹ In a very large database of 401(k) plan participants,

Holden and VanDerhei (2001) found the average before-tax contribution rate to be 6.8 percent in 1999. While this number is close to the number reported in this study, there are two explanations for the difference: (1) In the Holden and VanDerhei study, only 401(k) participants are examined, whereas the SIPP data do not separate the salary reduction plan-type participants. (2) Participants could also have made after-tax contributions to salary reduction plans that were excluded in the Holden and VanDerhei study but not from the SIPP data.

²² This rate is based on percentage of compensation, so even though the rate is lower for higher income groups, they may still be contributing more in dollar terms. Participants are legally limited in their contributions, which also explains the decline in the rate as income increases. Holden and VanDerhei (2001) also found a decrease in the contribution rate for higher income groups of 401(k) participants. However, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) phases in a higher dollar amount that can be contributed or deferred before taxes to a salary reduction plan from \$10,000 to \$15,000 in 2006. Furthermore, EGTRRA increases the amount of annual income that can be deferred in a defined contribution plan, from \$35,000 or 25 percent of compensation in 2001 (which-ever is lower) to \$40,000 or 100 percent of compensation. Consequently, the pattern of contribution rates and income could be changed under the new law. For those workers age 50 and older, up to an additional \$5,000 by 2006 in contributions or deferrals to salary reduction plans could be made.

²³ Again, this contradicts results found in Copeland (2001) and Copeland (2002) (see Figure A5).

²⁴ A similar finding on the participation rate for employees in small firms was also found using the March CPS data. See Copeland (2002).

Appendix

Figures A1–A5 provide detailed tables on sponsorship and participation rates, primary plan type, salary reduction plans, and employee contribution rates to salary reduction plans.

Figure A1
**CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER,
 SPONSORSHIP RATE AND PARTICIPATION RATE, BY VARIOUS CHARACTERISTICS, 1988, 1993, AND 1998**

	Total Workers			Sponsorship Rate			Participation Rate		
	1988	1993	1998	1988	1993	1998	1988	1993	1998
	(thousands)			(percentage)					
Total	101,744	105,815	116,958	63.1%	64.4%	65.0%	47.7%	49.3%	47.2%
Annual Hours									
1-999	8,170	8,461	8,713	35.1	39.2	41.4	7.6	8.8	11.8
1,000-1,499	7,459	8,085	9,718	48.6	49.5	46.7	24.8	24.0	19.1
1,500-1,999	11,374	12,355	13,629	61.5	61.5	59.7	43.9	44.7	37.5
2,000 or more	66,498	68,614	84,898	72.0	73.0	70.3	59.2	61.1	55.6
Tenure									
Less than 1 year	19,478	19,643	24,439	42.5	41.3	52.7	14.8	12.1	21.3
1-4 years	33,888	34,345	39,581	57.2	58.1	60.4	38.0	37.8	38.1
5-9 years	17,140	21,167	20,908	73.9	71.6	68.9	64.4	63.0	57.7
10-14 years	10,944	11,380	13,172	80.1	79.2	74.3	74.2	74.3	67.1
15 or more years	15,884	17,552	18,859	84.9	85.6	79.6	81.1	81.8	74.3
Age									
16-20	8,373	6,634	8,013	32.1	33.6	40.5	6.3	3.7	6.7
21-30	28,895	26,359	26,361	59.0	58.8	59.4	38.7	35.9	32.6
31-40	27,710	31,047	31,581	69.9	68.3	69.2	55.8	55.4	53.6
41-50	19,453	23,459	28,853	70.9	72.9	72.0	61.2	63.5	60.1
51-60	12,393	13,164	16,141	69.6	69.8	69.5	60.2	62.0	59.5
61-64	2,631	2,781	2,920	61.3	64.9	62.2	52.1	54.1	49.8
65 or older	2,289	2,371	3,089	45.8	47.1	45.5	28.5	30.4	23.3
Firm Size									
Fewer than 25 employees	21,726	22,499	24,827	19.6	20.2	27.4	14.2	15.4	18.3
25-99 employees	12,344	12,901	13,513	50.4	49.6	51.4	35.5	36.0	35.1
100 or more employees	58,771	62,484	59,330	83.6	84.9	77.0	64.8	66.2	54.2
Annual Earnings (1993 \$)									
Less than \$5,000	7,595	7,275	9,075	28.3	30.3	39.8	4.1	3.7	12.6
\$5,000-\$9,999	10,119	10,419	13,181	38.5	40.9	44.0	13.9	14.2	18.2
\$10,000-\$14,999	12,463	15,015	16,771	52.1	51.0	53.6	30.9	30.8	30.1
\$15,000-\$19,999	13,658	14,238	15,180	63.6	65.7	64.1	46.6	47.5	44.0
\$20,000-\$24,999	10,956	12,408	13,214	73.0	75.8	70.6	58.6	63.2	53.8
\$25,000-\$29,999	9,841	9,737	11,247	77.0	78.3	76.0	64.7	67.3	61.7
\$30,000-\$49,999	20,993	19,858	22,544	84.5	85.4	80.5	75.7	77.9	69.5
\$50,000 or more	7,876	8,566	12,068	86.8	88.1	82.3	78.8	82.9	74.6
Gender									
Male	54,764	55,582	61,192	64.9	64.6	65.6	52.0	52.0	50.1
Female	46,980	50,233	55,766	61.0	64.1	64.3	42.7	46.3	44.0
Union Status									
Union covered	19,335	18,498	17,193	90.9	90.0	88.1	80.7	80.3	76.7
Not union covered	82,408	87,317	99,765	56.5	59.0	61.0	40.0	42.7	42.1
Industry									
Mining	712	648	620	73.3	74.4	74.4	63.5	68.5	60.6
Construction	5,591	4,858	5,842	36.5	36.7	43.7	29.5	30.9	33.5
Manufacturing	21,211	18,809	19,745	75.7	76.1	74.2	61.6	63.4	59.7
Transportation, communications, utilities	6,036	6,490	6,681	70.5	72.9	71.6	58.2	60.9	56.4
Wholesale trade	4,109	4,426	4,757	61.5	60.1	62.6	46.2	48.8	47.3
Retail trade	17,015	18,175	19,937	39.4	43.9	49.6	22.3	25.5	24.4
Finance, insurance, real estate	7,186	6,927	7,029	73.4	73.7	71.4	54.3	56.2	52.9
Professional services	13,324	16,346	20,118	59.6	66.1	65.5	39.1	44.8	45.5
Other services	9,509	10,629	12,943	31.6	32.4	45.7	18.9	20.6	27.5
Public	17,052	18,496	19,288	92.9	90.9	85.8	77.9	76.5	71.3
Race									
White	87,923	90,654	98,659	63.2	64.5	65.3	47.9	49.9	48.0
Black	10,754	11,622	13,217	63.1	64.7	64.8	46.8	46.5	43.5
Other	3,067	3,539	5,082	60.2	60.1	58.5	45.5	43.7	40.6

Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

Note: Total participants will not add up in the income category, as some participants' income was indeterminable from the data and firm size has excluded public-sector workers.

Figure A2

REPORTED PRIMARY RETIREMENT PLAN TYPE AMONG CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS, AGES 16 AND OVER, WHO PARTICIPATE IN A RETIREMENT PLAN, BY SELECTED DEMOGRAPHIC CHARACTERISTICS, 1988, 1993, AND 1998

	Total Participants			Defined Benefit Plan			Defined Contribution Plan		
	1988	1993	1998	1988	1993	1998	1988	1993	1998
	(thousands)			(percentage)					
Total	48,553	52,179	55,172	56.7%	38.2%	35.1%	25.8%	49.8%	62.7%
Annual Hours									
1-999	625	750	1,027	48.2	39.3	33.3	32.0	51.5	59.7
1,000-1,499	1,851	1,940	1,856	55.4	44.6	35.4	23.8	42.0	58.7
1,500-1,999	4,998	5,518	5,116	53.8	44.1	39.4	27.6	42.3	57.6
2,000 or more	39,345	41,889	47,173	57.8	37.7	34.6	25.3	50.8	63.5
Tenure									
Less than 1 year	2,886	2,371	5,210	46.8	27.7	32.3	22.3	54.5	61.9
1-4 years	12,866	12,978	15,060	46.8	31.1	28.6	31.3	57.0	68.4
5-9 years	11,040	13,328	12,058	55.2	35.4	32.4	28.5	52.2	66.1
10-14 years	8,125	8,451	8,842	60.3	37.8	35.7	25.4	49.4	62.6
15 or more years	12,880	14,351	14,002	68.3	49.4	45.0	19.1	40.7	54.2
Age									
16-20	525	244	533	53.1	32.4	35.8	20.9	44.1	63.1
21-30	11,168	9,456	8,604	49.9	31.0	27.3	30.1	55.3	69.9
31-40	15,472	17,189	16,922	55.2	35.6	32.0	26.9	53.0	65.8
41-50	11,905	14,902	17,332	59.8	42.2	38.5	24.6	47.0	59.3
51-60	7,460	8,160	9,605	63.7	42.8	40.5	20.5	44.3	57.6
61-64	1,371	1,506	1,454	65.7	48.8	40.7	19.8	40.7	57.3
65 or older	653	722	721	56.6	40.9	32.9	22.8	44.4	65.5
Firm Size									
Fewer than 25 employees	3,095	3,456	4,537	41.1	33.7	28.2	33.4	51.6	68.8
25-99 employees	4,377	4,648	4,739	47.0	31.1	26.2	34.5	57.1	72.6
100 or more employees	38,106	41,381	32,143	59.6	39.7	33.7	24.3	49.2	64.6
Annual Earnings (1993 \$)									
Less than \$5,000	312	267	1,146	50.2	28.5	32.2	20.3	61.8	66.3
\$5,000-\$9,999	1,406	1,476	2,393	50.7	35.5	37.9	25.2	44.3	60.4
\$10,000-\$14,999	3,846	4,630	5,041	51.6	35.3	34.5	26.8	43.9	63.3
\$15,000-\$19,999	6,359	6,760	6,685	54.5	36.1	33.9	26.6	49.4	64.5
\$20,000-\$24,999	6,424	7,836	7,108	55.2	40.1	36.6	26.1	47.3	60.9
\$25,000-\$29,999	6,371	6,557	6,941	59.4	37.7	35.6	23.6	50.1	62.3
\$30,000-\$49,999	15,897	15,466	15,669	59.9	42.1	35.6	24.8	48.9	62.1
\$50,000 or more	6,204	7,103	9,003	57.9	36.4	33.1	27.4	57.2	64.5
Gender									
Male	28,487	28,927	30,643	57.9	38.1	34.1	25.6	50.7	63.9
Female	20,066	23,252	24,529	55.0	38.4	36.3	26.0	48.7	61.3
Union Status									
Union covered	15,610	14,852	13,195	67.2	54.4	48.6	18.3	33.2	48.8
Not union covered	32,943	37,328	41,977	51.7	31.8	30.8	29.3	56.4	67.1
Industry									
Mining	452	443	376	56.9	24.6	22.6	31.1	66.0	74.4
Construction	1,650	1,504	1,957	46.8	41.6	35.2	34.5	40.9	62.2
Manufacturing	13,075	11,929	11,786	59.3	35.4	33.8	23.1	53.0	65.4
Transportation, communications, utilities	3,513	3,955	3,767	62.9	36.6	37.8	22.8	52.9	61.2
Wholesale trade	1,897	2,160	2,251	49.3	23.9	23.9	31.7	64.6	74.3
Retail trade	3,786	4,628	4,857	50.3	28.2	29.5	28.2	55.1	69.3
Finance, insurance, real estate	3,900	3,892	3,718	50.0	26.9	32.4	31.3	64.3	66.1
Professional services	5,207	7,318	9,151	47.4	34.5	34.2	31.3	52.0	62.6
Other services	1,799	2,194	3,556	39.9	22.3	24.3	34.1	66.2	72.9
Public	13,275	14,154	13,752	64.6	53.9	43.6	21.5	35.0	53.0
Race									
White	42,125	45,232	47,354	56.6	38.5	34.5	26.3	50.4	63.3
Black	5,033	5,402	5,755	58.8	37.4	41.3	21.4	43.6	56.1
Other	1,395	1,545	2,062	54.1	33.2	29.9	24.9	53.7	68.3

Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

Note: The defined contribution and defined benefit columns do not add to 100%. Primary plan type other/don't know/unreported makes up the difference.

Total participants will not add up in the income category, as some participants' income was indeterminable from the data and firm size has excluded public-sector workers.

Figure A3
**SALARY REDUCTION PLAN SPONSORSHIP RATE, PARTICIPATION RATE, AND PERCENTAGE
 FOR WHOM THE PLAN IS PRIMARY AMONG CIVILIAN NONAGRICULTURAL WAGE AND SALARY WORKERS
 AGES 16 AND OVER, 1988, 1993, AND 1998**

	Sponsorship Rate			Participation Rate			Primary Plan		
	1988	1993	1998	1988	1993	1998	1988	1993	1998
Total	26.9%	36.8%	50.3%	15.3%	23.8%	32.9%	7.5%	17.4%	27.7%
Annual Hours									
1-999	6.3	12.5	27.7	1.5	3.9	7.0	1.1	2.8	6.2
1,000-1,499	13.8	20.0	33.3	5.6	8.1	11.8	3.2	6.2	10.6
1,500-1,999	23.6	30.6	42.8	13.3	17.6	24.0	6.8	12.6	20.3
2,000 or more	33.5	45.3	55.0	19.7	30.7	39.4	9.4	22.4	33.1
Tenure									
Less than 1 year	12.8	18.9	40.2	3.3	5.3	13.7	2.3	4.5	12.2
1-4 years	24.0	32.5	46.7	12.1	18.5	27.4	7.6	15.1	24.5
5-9 years	32.5	43.7	52.9	20.2	31.2	41.1	0.5	24.1	35.5
10-14 years	36.9	48.3	57.8	24.6	36.4	47.8	0.5	26.0	39.6
15 or more years	41.1	50.7	59.1	28.1	38.0	50.1	9.5	23.4	37.6
Age									
16-20	6.4	9.6	27.9	1.1	1.2	4.5	0.9	1.0	4.0
21-30	24.6	32.7	46.7	11.9	16.9	23.4	7.3	13.7	21.2
31-40	32.1	42.0	54.9	18.0	28.0	38.8	8.7	21.6	33.4
41-50	32.6	43.0	54.2	20.8	30.5	40.7	9.0	20.7	33.1
51-60	29.0	38.6	52.0	20.3	28.7	40.7	8.3	19.3	32.3
61-64	21.3	34.0	44.8	13.8	25.4	32.7	6.2	16.3	26.3
65 or older	13.0	20.9	30.5	7.0	11.6	14.4	4.4	7.5	13.4
Firm Size									
Fewer than 25 employees	4.9	7.7	18.9	3.5	5.5	11.2	2.7	4.6	10.4
25-99 employees	15.9	24.8	39.1	9.2	16.6	25.3	6.5	13.7	23.5
100 or more employees	39.1	51.4	61.8	22.1	33.3	40.1	0.0	23.9	33.3
Annual Earnings (1993 \$)									
Less than \$5,000	3.8	8.1	28.2	1.1	1.6	8.3	0.0	1.4	7.7
\$5,000-\$9,999	8.8	13.1	31.1	2.6	4.4	11.9	1.5	3.6	10.4
\$10,000-\$14,999	15.3	22.7	39.5	5.6	10.0	19.5	4.1	7.9	17.5
\$15,000-\$19,999	22.2	35.7	49.1	10.3	19.5	29.7	6.2	15.3	26.1
\$20,000-\$24,999	30.2	43.9	52.5	15.5	26.7	35.2	8.6	20.7	30.2
\$25,000-\$29,999	35.4	46.5	58.9	20.0	31.1	42.8	0.0	23.7	36.2
\$30,000-\$49,999	43.9	57.1	63.6	27.8	41.3	50.0	2.6	28.9	40.9
\$50,000 or more	55.4	67.6	67.2	40.9	56.3	57.1	5.6	37.5	45.6
Gender									
Male	28.1	38.5	50.9	17.2	26.4	35.6	8.3	19.1	30.0
Female	25.4	34.9	48.4	13.1	20.8	30.0	6.6	15.6	25.2
Union Status									
Union covered	35.4	45.6	62.0	19.1	27.0	46.4	7.5	16.7	35.1
Not union covered	24.9	34.9	47.6	14.4	23.1	30.6	7.5	17.6	26.4
Industry									
Mining	39.4	53.9	60.4	28.0	43.5	46.4	16.5	35.9	41.7
Construction	10.4	14.4	30.4	7.7	10.6	20.6	4.7	8.5	18.2
Manufacturing	34.9	48.6	60.2	21.2	35.6	44.5	9.4	25.2	37.2
Transportation, communications, utilities	36.3	51.0	59.5	24.1	36.3	43.0	9.1	24.7	32.4
Wholesale trade	24.6	36.5	51.6	16.4	27.5	37.2	9.3	23.0	33.3
Retail trade	11.4	20.4	38.4	5.9	10.8	17.9	3.5	9.0	15.8
Finance, insurance, real estate	41.0	52.8	58.6	25.6	36.0	41.2	12.7	28.3	32.8
Professional services	23.6	35.6	48.3	11.2	20.7	29.6	7.1	15.8	25.7
Other services	12.8	20.1	36.0	7.3	13.1	20.5	4.9	10.7	18.8
Public	38.7	45.8	59.8	19.4	26.2	44.1	8.4	16.9	35.9
Race									
White	27.3	37.5	50.3	15.9	24.6	33.7	7.7	17.9	28.4
Black	23.6	31.7	46.9	10.6	17.0	28.1	6.0	13.1	23.6
Other	24.5	33.9	45.6	15.0	23.9	30.1	7.9	19.0	25.6

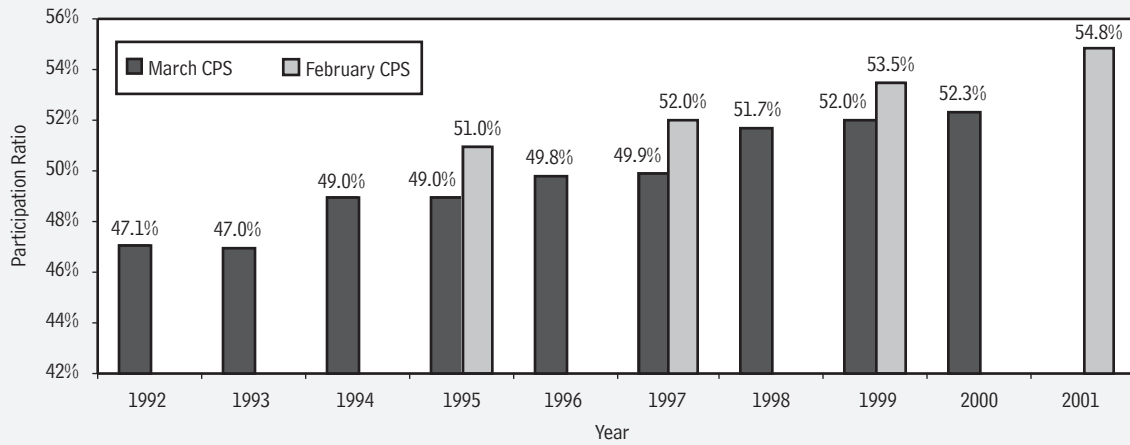
Source: Employee Benefit Research Institute estimates of the May 1988 and April 1993 Current Population Survey employee benefit supplements and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure A4
**AVERAGE EMPLOYEE CONTRIBUTION RATE TO SALARY REDUCTION PLANS,
NONAGRICULTURAL WAGE AND SALARY WORKERS AGES 16 AND OVER,
BY SELECTED CHARACTERISTICS, 1993 AND 1998**

	Average Contribution Rate	
	1993	1998
Total	7.1%	7.4%
Annual Hours		
1-999	8.9	10.5
1,000-1,499	7.0	9.5
1,500-1,999	7.3	7.7
2,000 or more	7.0	7.2
Tenure		
Less than 1 year	6.6	8.1
1-4 years	6.9	7.2
5-9 years	6.8	7.3
10-14 years	7.0	7.1
15 or more years	7.8	7.7
Age		
16-20	4.9	6.5
21-30	6.3	6.8
31-40	6.6	7.1
41-50	7.6	7.5
51-60	8.0	8.2
61-64	9.1	9.0
65 or older	8.3	8.0
Firm Size		
Fewer than 25 employees	8.1	8.2
25-99 employees	6.8	7.3
100 or more employees	7.1	7.4
Annual Earnings (1993 \$)		
Less than \$5,000	7.9	13.3
\$5,000-\$9,999	7.5	10.1
\$10,000-\$14,999	6.4	8.4
\$15,000-\$19,999	5.8	7.3
\$20,000-\$24,999	6.3	7.1
\$25,000-\$29,999	6.8	7.0
\$30,000-\$49,999	7.4	7.1
\$50,000 or more	7.9	6.7
Gender		
Male	7.3	7.5
Female	7.0	7.3
Union Status		
Union covered	7.7	7.4
Not union covered	7.0	7.4
Industry		
Mining	7.5	7.5
Construction	6.6	7.3
Manufacturing	6.8	7.1
Transportation, communications, utilities	7.4	8.0
Wholesale trade	7.0	7.9
Retail trade	6.9	7.7
Finance, insurance, real estate	6.7	6.8
Professional services	7.9	7.5
Other services	6.9	8.0
Public	7.3	7.2
Race		
White	7.1	7.5
Black	7.5	6.6
Other	8.0	7.7

Source: Employee Benefit Research Institute estimates of the April 1993 Current Population Survey employee benefit supplement and the 1996 Panel of the Survey of Income and Program Participation Topical Module 7.

Figure A5
PERCENTAGE OF WAGE AND SALARY WORKERS AGES 21-64 PARTICIPATING IN AN EMPLOYMENT-BASED PENSION OR RETIREMENT PLAN, 1992-2000 AND FEBRUARY 1995-FEBRUARY 2001



Source: Craig Copeland, "Pension Plan Participation Continued Rise in 2000—What Next?" *EBRI Notes*, no. 3 (Employee Benefit Research Institute, March 2002): 4-7; and Craig Copeland, "Pension Participation: February 2001," *EBRI Notes*, no. 12 (Employee Benefit Research Institute, December 2001): 1-5.

This publication is available for purchase online. Visit www.ebri.org/publications or call (202) 659-0670.

EBRI**EMPLOYEE****BENEFIT****RESEARCH****INSTITUTE®***Issue Brief*

© 2002.
Employee
Benefit
Research
Institute-
Education
and Research
Fund.
All rights
reserved.

EBRI Issue Brief (ISSN 0887-137X) is published monthly at \$300 per year or is included as part of a membership subscription by the Employee Benefit Research Institute, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Periodicals postage rate paid in Washington, DC. POSTMASTER: Send address changes to: *EBRI Issue Brief*, 2121 K Street, NW, Suite 600, Washington, DC 20037-1896. Copyright 2002 by Employee Benefit Research Institute. All rights reserved, No. 245.

Who we are The Employee Benefit Research Institute (EBRI) was founded in 1978. Its mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues. EBRI's membership includes a cross-section of pension funds, businesses, trade associations, labor unions, health care providers and insurers, government organizations, and service firms.

What we do EBRI's work advances knowledge and understanding of employee benefits and their importance to the nation's economy among policymakers, the news media and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. **EBRI's Education and Research Fund (EBRI-ERF)** performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants. The American Savings Education Council (ASEC) and the Consumer Health Education Council (CHEC) are programs of EBRI-ERF. They are coalitions of private- and public-sector institutions with the goals of public education on saving, retirement planning, health insurance, and health quality.

Our publications *EBRI Issue Briefs* are monthly periodicals providing expert evaluations of employee benefit issues and trends, as well as critical analyses of employee benefit policies and proposals. Each issue, ranging in length from 16–28 pages, thoroughly explores one topic. *EBRI Notes* is a monthly periodical providing current information on a variety of employee benefit topics. *EBRI's Washington Bulletin* provides sponsors with short, timely updates on major federal developments in employee benefits. *EBRI's Fundamentals of Employee Benefit Programs* offers a straightforward, basic explanation of employee benefit programs in the private and public sectors. *The EBRI Databook on Employee Benefits* is a statistical reference volume on employee benefit programs and work force related issues.

Subscriptions/orders Contact EBRI Publications, (202) 659-0670; fax publication orders to (202) 775-6312. Subscriptions to *EBRI Issue Briefs* are included as part of EBRI membership, or as part of a \$199 annual subscription to *EBRI Notes* and *EBRI Issue Briefs*. Individual copies are available with prepayment for \$25 each (for printed copies) or for \$7.50 (as an e-mailed electronic file) by calling EBRI or from www.ebri.org. **Change of Address:** EBRI, 2121 K Street, NW, Suite 600, Washington, DC 20037, (202) 659-0670; fax number, (202) 775-6312; e-mail: PublicationsSubscriptions@ebri.org. **Membership Information:** Inquiries regarding EBRI membership, and/or contributions to EBRI-ERF should be directed to EBRI President Dallas Salisbury at the above address, (202) 659-0670; e-mail: salisbury@ebri.org

Editorial Board: Dallas L. Salisbury, publisher; Steve Blakely, managing editor; Cindy O'Connor, production and distribution. Any views expressed in this publication and those of the authors should not be ascribed to the officers, trustees, members, or other sponsors of the Employee Benefit Research Institute, the EBRI Education and Research Fund, or their staffs. Nothing herein is to be construed as an attempt to aid or hinder the adoption of any pending legislation, regulation, or interpretative rule, or as legal, accounting, actuarial, or other such professional advice.

EBRI Issue Briefs registered in the U.S. Patent and Trademark Office. ISSN: 0887-137X 0887-137X/90 \$.50+.50

Could we send a friend or colleague a complimentary copy of *EBRI Issue Brief*?

Send an issue to _____
Organization _____
Address _____
City/State/ZIP _____
Your Name _____

Mail to: EBRI, 2121 K Street, NW, Suite 600, Washington, DC 20037
or Fax to: (202) 775-6312

Did you read this as a pass-along? Stay ahead of employee benefit issues with your own subscription to *EBRI Issue Briefs* for only \$49/year electronically e-mailed to you or \$99/year printed and mailed. For more information about subscriptions, visit our Web site at www.ebri.org or complete the form below and return it to EBRI.

Name _____
Organization _____
Address _____
City/State/ZIP _____

Mail to: EBRI, 2121 K Street, NW, Suite 600, Washington, DC 20037
or Fax to: (202) 775-6312