

Worker Displacement, 1993–1995: Demographics and Implications

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Issue Brief

- Policymakers, the media, and the general public continue to focus attention on worker mobility and job security issues. These groups generally perceive that we have entered a new era of dramatically increased mobility and decreased employer/employee attachment that has negative implications for economic security. This *Issue Brief* analyzes the experience of workers displaced during the period 1993–1995.
- Among all civilians ages 20 and older, 5.1 percent (or 9.4 million) experienced a job displacement during the period 1993–1995. Forty-seven percent (4.4 million) of displaced workers reported their displacement occurred in 1995. To put these figures in perspective, 118.5 million people ages 20 and older worked in 1995. Therefore, the number of displaced workers comprised 3.7 percent of the civilian work force in 1995.
- A large and disproportionate share of those displaced were young. Forty-three percent were under age 35; workers this age accounted for 33.7 percent of all workers in 1993. In addition, 70.6 percent of the displaced had worked with their employer for less than 5 years (29.5 percent had worked with their employer for less than a year). These data are relevant in considering the implications of displacement for retirement income security and health care security.
- In addition, a disproportionate share of those displaced were accounted for by males, by those with less than a college education, by nonunion workers, and by workers in the mining/construction sector, manufacturing sector, and wholesale/retail trade sectors.
- Over three-quarters of workers displaced during the period 1993–1995 have worked again. Among these, over one-third were unemployed two weeks or less, and close to one-half were unemployed 5 weeks or less; 18.5 percent were unemployed over 20 weeks; and 7.2 percent were unemployed over 40 weeks.
- At the individual level, job displacement can entail real economic hardship. However, given the actual number of individuals impacted and the finding that a large share of those displaced were relatively young, in the aggregate the adverse consequences for health care and retirement income security would appear to be limited.
- The majority of younger workers (under age 35) do not participate in a retirement plan at work and therefore are not losing retirement benefits if displaced. Furthermore, given tenure patterns among younger workers, it is not clear how many younger plan participants would have ultimately vested if they had not been displaced.
- In terms of health care, 75 percent of displaced workers who had health insurance at their former job had private health insurance as of 1996, and 50 percent of those who did not have health insurance at their former job had private health insurance as of 1996.

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Introduction

Policymakers, the media, and the general public generally perceive that we have entered

a new era of dramatically increased job mobility and decreased employer/employee attachment relative to previous generations. Concern often centers around implications for workers' economic security in such an environment, with a focus on benefit issues such as retirement plan vesting, pension portability, and continuity of health care coverage.

Using tenure data as a barometer, the popular perception of decreased "job security" appears to apply to prime age male workers, but the same cannot be said of female workers. According to Bureau of Labor Statistics's (BLS) tabulations, the median years of tenure with current employer over the period 1983–1996 for males ages 35–44 fell from 7.3 years to 6.1 years; for males ages 45–54 it fell from 12.8 years to 10.1 years; and for those ages 55–64 it fell from 15.3 years to 10.5 years. However, for females in the same age groups, median years of tenure with current employer actually increased slightly. Median tenure among females ages 35–44 rose from 4.1 years to 4.8 years; for females ages 45–54, median tenure rose from 6.3 years to 7.0 years; and for those ages 55–64, it remained essentially unchanged, moving from 9.8 years to 10.0 years.¹ However, as discussed below, tenure is an imperfect gauge of "job security."

While male tenure dropped over the past 13 years, one can argue that, from a long-term perspective, i.e., looking back over decades, current tenure levels do not lack historical precedent.² It also can be argued

that current employee benefit structures better match the reality of a worker's employment experience than was the case in the past. For example, the Revenue Act of 1978 created Internal Revenue Code (IRC) sec. 401(k) plans, which emerged in the early 1980s. Such plans allow short-tenured workers to accrue meaningful retirement benefits that are fully portable on job change. The same cannot be said generally of traditional final salary defined benefit retirement plans.³ In addition, recently implemented hybrid plans, such as cash balance plans and age-weighted profit-sharing plans, which combine features of both defined benefit plans and defined contribution plans, offer employers tools to craft retirement benefits to better meet their business needs as well as of their workers' needs.⁴

Median tenure figures convey no information about the reasons for a job change. While decreases in tenure are often assumed to be a negative signal, job change could very well represent a positive economic event for a given worker. Examination of tenure figures alone does not allow for such distinctions. This *Issue Brief* analyzes job displacement over the period 1993–1995. Job displacement occurs when an individual loses or leaves a job because of decidedly negative economic events. This *Issue Brief* examines which workers were displaced from a job during this period and the subsequent consequences in terms of receiving unemployment insurance, finding subsequent employment, unemployment spells, and changes in earnings and health insurance status. It then discusses the economic security issues raised in these circumstances. The data presented here are based on Employee Benefit Research Institute (EBRI) tabulations of the Displaced Worker, Job Tenure, and Occupational Mobility Supplement to the February

¹ See "Employee Tenure in the Mid-1990s," News Release, U.S. Department of Labor, Bureau of Labor Statistics, January 30, 1997.

² See "1996 Data on the Mobility of American Workers, Males More Mobile, Females Stable," Preliminary EBRI Study (Employee Benefit Research Institute, January 1997).

³ A growing fraction of defined benefit plans do offer lump-sum distribution options. According to a recent study, 34 percent of the surveyed companies

with defined benefit plans for salaried employees had a lump-sum option in the plan, and of these 67 percent made the option available to terminated employees who were vested in their plan, and 36 percent made the option available to vested employees who were laid off (Hewitt, 1992).

⁴ See Sharyn Campbell, "Hybrid Retirement Plans: The Retirement Income System Continues to Evolve," EBRI Issue Brief no. 171 (Employee Benefit Research Institute, March 1996).

Table 1
**WORKERS DISPLACED DURING 1993–1995,
 CIVILIANS AGES 20 AND OLDER, 1996**

	Total Number of Individuals (Thousands)	Number of Displaced Workers (Thousands)	Percentage Who Were Displaced
Total	184,476	9,448	5.1%
Age (in 1996)			
20–24	17,275	1,155	6.7
25–34	40,511	2,912	7.2
35–44	42,628	2,661	6.2
45–54	31,587	1,774	5.6
55–64	20,771	711	3.4
65 and older	31,703	234	0.7

Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

1996 Current Population Survey (CPS). A subsequent *Issue Brief* will examine in detail changes in worker tenure patterns over time and their implications.

Job Displacement

million (or 5.1 percent) of 184.5 million individuals ages 20 and older in 1996 lost or left a job in the civilian nonagricultural wage and salary sector of the economy for negative economic reasons (i.e., they were displaced) during the period 1993–1995 (table 1).⁵ In general, the younger the individual, the more likely he or she was to report a job displacement. Among those ages 20–24 and 25–34 in 1996, 6.7 percent and 7.2 percent, respectively, reported losing a job for negative economic reasons (i.e., being displaced) during the three previous years. This proportion dropped to 3.4 percent for those ages 55–64 in 1996, and 0.7 percent for those ages 65 and older (table 1).⁶

Among the 9.4 million individuals who reported losing a job during the 1993–1995 period, 34.6 percent attributed it to a plant or company move or closure, 39.6 percent to insufficient work, and 25.8 percent to a job shift or abolished position (chart 1).

Who Was Displaced?

1993, younger workers experienced more job displacement during the period 1993–1995 (table 2). Workers

According to EBRI tabulations of the February 1996 Current Population Survey (CPS), 9.4

Relative to their fraction of the civilian nonagricultural wage and salary work force in

ages 20–24 and 25–34 in 1996 accounted for 7.6 percent and 26.1 percent, respectively, of the work force in 1993.

However, these workers accounted for 12.2 percent and 30.8 percent, respectively, of all displaced workers. Individuals ages 35–44 in 1996 accounted for 28.9 percent of workers in 1993 and 28.2 percent of displaced workers over the period 1993–1995. In relative terms, older workers were the least likely to be displaced. Workers ages 45–54, 55–64, and 65 and older in 1996 accounted for 18.8 percent, 7.5 percent, and 2.5 percent of displaced workers, respectively, while they accounted for 21.4 percent, 11.9 percent, and 4.1 percent of the work force in 1993 (table 2).

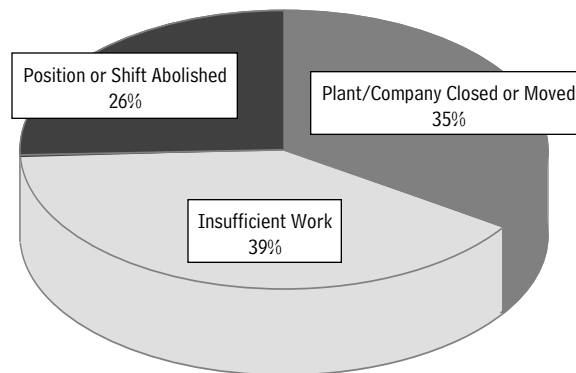
Males accounted for a disproportionate share of displaced workers over the period 1993–1995. They represented 52.4 percent of the civilian nonagricultural wage and salary work force in 1993 and 57.2 percent of the displaced workers in 1993–1995. The comparable figures for female workers were 47.6 percent and 42.8 percent, respectively (table 2).

Individuals with a college degree were less likely than those without a college degree to experience a job displacement. One-quarter of workers had a college degree in 1993, compared with 20.7 percent of displaced workers. On the other hand, those without a college degree accounted for a disproportionate share of displaced workers during the period 1993–1995 (table 2). These data do not show patterns correlating relative worker displacement with annual earnings (table 2),

⁵ The actual question wording was: “During the last 3 calendar years, that is, January 1993 through December 1995, did you lose a job, or leave one because: your plant or company closed or moved, your position or shift was abolished, insufficient work or another similar reason?”

⁶ If the objective is to determine likelihood of experiencing job displacement, i.e., a displacement rate, then total population in a given group is not the best variable for the denominator. Total individuals working at some point during the period in question would be preferable, but that is not available from the survey. The next section addresses this issue by examining relative displacement rates.

Chart 1
**REASONS FOR WORKER DISPLACEMENT
DURING 1993–1995**



Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

possibly because earnings are unknown for a significant fraction (15.5 percent (not shown in table)) of the workers displaced over the period 1993–1995.

In relative terms, union-covered workers were less likely than their nonunion counterparts to be displaced. Union-covered workers accounted for 17.6 percent of the work force in 1993 and 12.9 percent of the displaced workers in the period 1993–1995. Non-union workers accounted for 82.4 percent of the work force in 1993 and 86.4 percent of the workers displaced during the following three years (table 2).

Most displaced workers were of short tenure. Of all displaced workers during the period 1993–1995, 29.5 percent had worked with their employer for less than one year, and 41.1 percent had worked with their employer for 1–4 years (table 2). Tenure data for the work force at large are not available for 1993.

Private-sector workers experienced relatively more job displacement than public-sector workers. Private-sector workers accounted for 82.2 percent of the civilian nonagricultural wage and salary work force in 1993, but they accounted for 94.4 percent of the workers displaced during the three following years (table 2).

At the industry level, workers in the mining/construction, manufacturing, and wholesale/retail trade sectors experienced a disproportionate share of job displacement between 1993 and 1995 (chart 2). Workers in these three industry groups accounted for 5.6 percent, 25.8 percent, and 32.8 percent of the 1993 work force, respectively, while they accounted for 13.1 percent, 30.9 percent, and 36.7 percent of the workers displaced during the 1993–1995 period, respectively. By comparison, workers in services industries accounted for 30.5 percent of the 1993 work force but only 17.3 percent of the workers displaced, and workers in public adminis-

Table 2
**CHARACTERISTICS OF WORKERS DISPLACED DURING
THE PERIOD 1993–1995 RELATIVE TO THE
DISTRIBUTION OF THE WORK FORCE IN 1993**

	Percentage Distribution of Displaced Workers	Percentage Distribution of 1993 Workers
Total	100.0%	100.0%
Age (in 1996)		
20–24	12.2	7.6
25–34	30.8	26.1
35–44	28.2	28.9
45–54	18.8	21.4
55–64	7.5	11.9
65 and older	2.5	4.1
Gender		
Male	57.2	52.4
Female	42.8	47.6
Education		
Less than high school degree	12.3	11.9
High school degree	35.0	34.4
Some college	31.9	28.3
College degree	20.7	25.4
Annual Earnings ^b (1996 \$)		
Less than \$20,000	48.4	45.9
\$20,000–\$29,999	20.5	21.7
\$30,000–\$39,999	12.6	14.5
\$40,000–\$49,999	7.9	7.6
\$50,000–\$74,999	7.8	7.3
\$75,000–\$99,999	1.5	1.9
\$100,000 or more	1.5	1.0
Union Status		
Union covered	12.9	17.6
Not union covered	86.4	82.4
Unknown	0.7	0.0
Tenure		
Less than 1 Year	29.5	a
1–4 years	41.1	a
5–9 years	14.6	a
10–14 years	5.9	a
15–19 years	3.7	a
20 or more years	5.2	a
Sector		
Federal government	1.8	3.2
State and local government	3.8	14.6
Private	94.4	82.2

Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey and the March 1993 Current Population Survey.

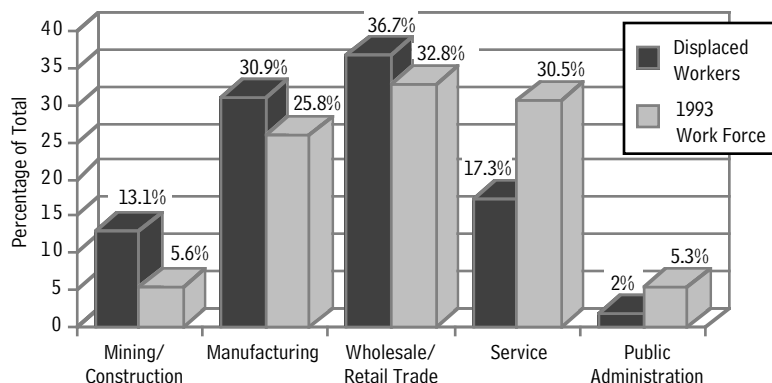
^aNot reported.

^bExcludes workers for whom earnings were not reported.

tration accounted for 5.3 percent of the work force but only 2.0 percent of the workers displaced (chart 2).

Given the earlier findings of relative displacement ratios by educational levels, it is not surprising that higher skill occupations experienced relatively less displacement, while lower skill occupations experienced relatively more displacement (chart 3). Workers in managerial and professional specialty occupations accounted for 28.0 percent of 1993 workers and

Chart 2
DISPLACED WORKERS (1993-1995) RELATIVE TO THE 1993 WORK FORCE, BY INDUSTRY



Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

those with a college degree. However, UI recipients with less education were more likely to exhaust their UI benefits. Thirty-six percent of UI recipients with a college degree exhausted their benefits, compared with 47.8 percent of those with less than a high school degree.

Patterns relating UI reciprocity rates and UI

benefit exhaustion to annual earnings are less clear (table 3), possibly because 15.0 percent of workers displaced between 1993 and 1995 could not report their annual earnings on the lost job. Regarding tenure on the lost job, displaced workers with longer tenure were generally more likely to receive UI benefits. No clear pattern relating tenure to variation in benefit exhaustion across displaced UI recipients existed (table 3).

Displaced workers who were union covered at the lost job were much more likely than nonunion-displaced workers to receive UI benefits (58.5 percent versus 41.9 percent), and they were slightly more likely to exhaust these benefits when they received them (44.7 percent versus 41.3 percent) (table 3).

Displaced federal workers were the least likely

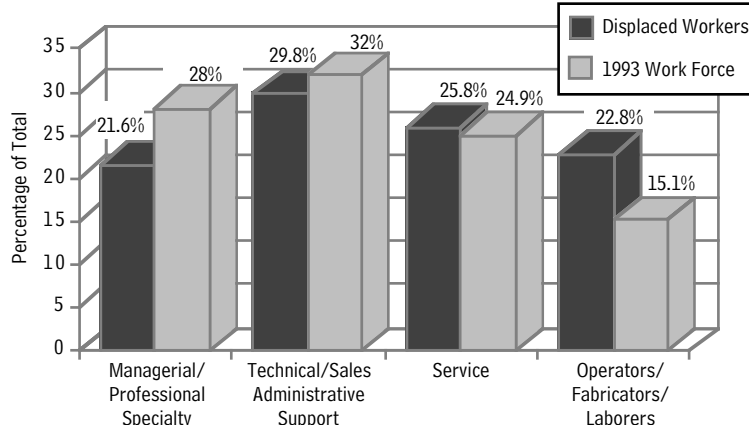
UI Reciprocity

Forty-four percent of workers displaced during 1993-1995 received unemployment

insurance (UI) benefits, and of these, 41.7 exhausted their UI benefits (table 3). The older the displaced worker, the more likely he or she was to receive UI benefits. Among the displaced ages 20-24 in 1996, 23.7 percent received UI benefits, compared with 52.6 percent of those ages 45-54 and 51.1 percent of those ages 55-64. Males were slightly more likely than females to receive UI benefits (44.7 percent versus 42.9 percent), but females recipients were more likely to exhaust their UI benefits (45.7 percent versus 38.9 percent) (table 3).

Displaced workers' educational level was correlated with their likelihood of receiving UI to a limited extent (table 3). Among those workers with less than a high school degree, 38.4 percent received UI, compared with 45.9 percent among

Chart 3
DISPLACED WORKERS (1993-1995) RELATIVE TO THE 1993 WORK FORCE, BY OCCUPATION



Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

to receive UI benefits (33.4 percent), while workers displaced in the private sector were the most likely to receive them (44.3 percent). However, displaced federal workers receiving UI benefits were much more likely to exhaust their benefits: 60.7 percent, compared with 41.2 percent of displaced private-sector workers (table 3). Displaced workers from the manufacturing industries were the most likely to receive UI benefits (51.6 percent), while displaced workers from public administration were the most likely to exhaust benefits, if they received them (50.8 percent). Displaced workers from the managerial and professional specialty occupations were the most likely to receive UI benefits (48.1 percent), while workers displaced from the technical, sales, and administrative support occupations were the most likely to exhaust UI benefits, if they received them.

Reemployment

Over three-quarters (77.9 percent) of workers displaced during the period 1993–

1995 worked again (table 4). Among these, over one-third (35.3 percent) were unemployed two weeks or less, and nearly one-half (47.9 percent) were unemployed five weeks or less. Among those reemployed, 18.5 percent were unemployed over 20 weeks, and 7.2 percent were unemployed over 40 weeks (table 4).

Reemployment percentages dropped notably for displaced workers ages 55 and older. The percentage of displaced workers who have worked again hovered around 80 percent for those ages 20–54 and then dropped to 59.3 percent for those ages 55–64 and to 39.4 percent for those ages 65 and older. Reemployment rates were also notably higher for those with more education, rising from 63.9 percent for those with less than a high school degree to 84.0 percent for those with a college degree (table 4).

Table 3
**UNEMPLOYMENT INSURANCE RECIPIENCY AMONG
WORKERS DISPLACED DURING THE PERIOD 1993–1995**

	Number of Displaced Workers (Thousands)	Percentage Who Received UI Benefits	Percentage of UI Recipients Who Exhausted Benefits
Total	9,448	44.0%	41.7%
Age (in 1996)			
20–24	1,155	23.7	26.2
25–34	2,912	42.1	38.2
35–44	2,661	48.0	42.4
45–54	1,774	52.6	47.9
55–64	711	51.1	44.3
65 and older	234	33.5	55.9
Gender			
Male	5,403	44.7	38.9
Female	4,045	42.9	45.7
Education			
Less than high school degree	1,164	38.4	47.8
High school degree	3,310	43.7	43.9
Some college	3,018	45.1	41.2
College degree	1,956	45.9	36.0
Annual Earnings (1996 \$)			
Less than \$20,000	3,886	34.1	44.7
\$20,000–\$29,999	1,645	56.4	44.1
\$30,000–\$39,999	1,008	54.9	35.5
\$40,000–\$49,999	637	56.6	39.6
\$50,000–\$74,999	624	50.9	31.6
\$75,000–\$99,999	117	49.4	32.3
\$100,000 or more	117	39.2	43.6
Unknown	1,414	39.9	45.0
Tenure			
Less than 1 Year	2,788	31.1	35.1
1–4 years	3,882	46.7	45.3
5–9 years	1,377	53.0	37.8
10–14 years	556	56.8	45.5
15–19 years	349	56.1	46.6
20 or more years	496	47.0	42.2
Union Status			
Union covered	1,220	58.5	44.7
Not union covered	8,161	41.9	41.3
Unknown	68	33.7	21.5
Sector			
Federal government	170	33.4	60.7
State and local government	359	40.3	48.9
Private	8,919	44.3	41.2
Industry			
Mining/construction	1,227	41.5	36.7
Manufacturing	2,897	51.6	42.8
Wholesale/retail trade	3,436	39.7	42.5
Personal services	1,624	41.1	39.9
Public administration	186	43.0	50.8
Unknown	79	49.0	52.3
Occupation			
Managerial/professional specialty	2,024	48.1	40.4
Technical/sales/ administrative support	2,794	45.3	44.2
Service	2,413	37.0	39.8
Operators/fabricators/ laborers	2,132	45.8	42.1
Unknown	84	54.3	33.2

Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

Table 4
REEMPLOYMENT EXPERIENCE OF WORKERS DISPLACED DURING 1993–1995

	Number of Displaced Workers (Thousands)	Percentage Who Have Worked Again	Spell of Unemployment						
			2 weeks or less	3–5 weeks	6–10 weeks	11–20 weeks	21–40 weeks	over 40 weeks	Unknown
Total	9,448	77.9%	35.3%	12.6%	13.7%	14.8%	11.3%	7.2%	5.2%
Age (in 1996)									
20–24	1,155	79.3	38.7	16.0	13.3	13.6	9.0	2.9	6.6
25–34	2,912	81.2	35.5	15.3	12.8	15.6	10.0	5.8	5.1
35–44	2,661	81.0	35.1	11.3	14.1	14.4	11.7	8.8	4.6
45–54	1,774	79.3	34.2	10.1	13.5	14.9	13.5	8.3	5.5
55–64	711	59.3	34.4	6.3	16.0	13.9	13.1	11.0	5.3
65 and older	234	39.4	17.4	6.3	21.1	19.7	13.2	15.7	6.5
Gender									
Male	5,403	80.6	36.5	12.8	14.0	13.4	10.3	7.7	5.3
Female	4,045	74.2	33.4	12.2	13.1	16.8	12.7	6.6	5.2
Education									
Less than high school degree	1,164	63.9	35.7	10.5	12.4	13.1	13.0	6.2	9.2
High school degree	3,310	75.6	34.7	15.4	12.4	13.7	10.8	7.8	5.2
Some college	3,018	81.7	35.7	12.4	11.6	15.8	11.3	7.8	5.4
College degree	1,956	84.0	35.3	9.4	19.2	15.7	11.1	5.9	3.3
Sector									
Federal government	170	79.5	41.2	8.9	12.5	5.5	18.0	8.1	5.8
State and local government	359	77.4	38.4	5.3	14.3	18.1	9.0	6.9	8.0
Private	8,919	77.8	35.0	12.9	13.6	14.9	11.2	7.2	5.1
Industry									
Mining/construction	1,227	75.8	40.0	12.4	15.6	15.6	7.1	3.4	5.9
Manufacturing	2,897	77.1	32.9	12.4	11.2	15.6	13.1	9.8	5.0
Wholesale/retail trade	3,436	78.1	35.8	12.8	14.2	13.9	11.0	6.9	5.4
Personal services	1,624	82.1	34.6	13.2	15.4	15.2	10.5	6.6	4.5
Public administration	186	72.4	48.8	6.0	11.4	11.2	13.9	4.4	4.4
Unknown	79	51.4	0.0	13.4	15.2	5.1	40.1	5.9	20.3
Occupation									
Managerial/professional specialty	2,024	84.2	33.3	10.1	16.6	16.4	12.0	7.9	3.8
Technical/sales/administrative support	2,794	78.8	35.6	10.1	13.2	15.8	12.6	8.0	4.7
Service	2,413	77.0	37.9	15.1	13.4	12.4	9.9	5.8	5.5
Operators/fabricators/laborers	2,132	72.1	34.7	15.6	11.4	14.8	9.7	7.3	6.5
Unknown	84	62.7	8.8	17.8	11.7	9.3	23.9	0.0	28.5
Union Status									
Union covered	1,220	74.1	36.4	10.4	11.7	16.3	12.0	7.0	6.1
Not union covered	8,161	78.6	35.2	12.9	14.0	14.6	11.1	7.3	4.9
Unknown	68	56.5	14.8	7.9	5.7	15.8	15.1	0.0	40.6
Tenure									
Less than 1 Year	2,788	73.5	33.8	17.2	14.1	13.8	9.5	4.1	7.4
1–4 years	3,882	81.7	34.3	11.9	13.8	15.5	12.0	7.5	5.0
5–9 years	1,377	81.3	38.4	9.3	13.0	14.9	9.6	11.3	3.5
10–14 years	556	78.2	37.2	8.7	13.6	14.6	14.1	9.4	2.5
15–19 years	349	78.6	31.6	9.4	13.3	16.7	12.6	9.9	6.5
20 or more years	496	62.2	43.6	8.9	11.7	12.5	16.0	4.7	2.7
Annual Earnings (1996 \$)									
Less than \$20,000	3,886	76.1	37.2	14.2	12.9	15.6	9.8	6.5	3.8
\$20,000–\$29,999	1,645	81.5	35.3	11.7	12.7	15.5	12.9	9.9	1.9
\$30,000–\$39,999	1,008	83.5	32.1	11.1	17.8	16.1	13.0	8.3	1.7
\$40,000–\$49,999	637	81.7	34.5	13.5	14.0	14.6	13.1	9.1	1.2
\$50,000–\$74,999	624	84.6	40.2	7.4	15.6	14.0	15.1	6.8	1.0
\$75,000–\$99,999	117	83.8	37.1	19.1	14.5	16.2	10.5	2.6	0.0
\$100,000 or more	117	77.3	22.9	9.4	18.3	19.4	16.2	13.8	0.0
Unknown	1,414	69.2	30.6	12.0	12.1	10.3	8.5	4.0	22.5

Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

Over three-quarters (77.9 percent) of workers displaced during the period 1993–1995 worked again. Among these, over one-third were unemployed two weeks or less, and nearly one-half were unemployed five weeks or less.

Reemployment rates ranged from 72.4 percent for workers displaced from the public administration industries to 82.1 percent for those displaced from the services industries. Reemployment rates ranged from 72.1 percent for workers displaced from the operator, fabricator, and laborer occupations to 84.2 percent for those displaced from the managerial and professional specialty occupations (table 4).

Among displaced workers who worked again, the length of unemployment spells increased with worker age. Among reemployed displaced workers ages 20–24 in 1996, 54.7 percent experienced an unemployment spell of five or less weeks, and 11.9 percent experienced an unemployment spell of over 20 weeks. The comparable percentages for reemployed individuals ages 55–64 in 1996 were 40.7 percent and 24.1 percent, respectively.

Among those reemployed, displaced workers from the manufacturing industries were more likely to have experienced a relatively long unemployment interval. Among reemployed displaced workers in the manufacturing sector, 22.9 percent were unemployed for over 20 weeks. This compares with 10.5 percent for those displaced in mining and construction industries, 17.9 percent for those displaced in wholesale and retail trade industries, 17.1 percent for those displaced in services industries, and 18.3 percent for those displaced in public administration (table 4).

Among those reemployed, workers displaced from the technical, sales, and administrative support occupations were most likely to have experienced a relatively long interval of unemployment: 20.6 percent of these workers were unemployed for over 20 weeks. Reemployed workers from the managerial and professional specialty occupations were very close at 19.9 percent. This compares with 15.7 percent for those displaced in service occupations and 17.0 percent for those displaced in operator, fabricator, and laborer occupations (table 4).

The likelihood of a relatively longer unemploy-

ment spell among displaced workers who subsequently worked increased and then decreased with tenure levels at the job from which they were displaced. Among those displaced from an employer with whom they

had a tenure level of less than one year, 13.6 percent were unemployed for 20 or more weeks. This increased to 23.5 percent for those with tenure levels of 10–14 years with their former employer, and then fell to 20.7 percent for those with tenure levels of 20 or more years (table 4).

Wage Changes

Table 5 shows wage changes for 5.5 million individuals who were displaced from a job during the period 1993–1995, were reemployed in 1996, and reported earnings from their 1996 job as well as from the job from which they were displaced. One-half of these workers reported 1996 earnings that were plus or minus 25 percent of the earnings from their displaced job; 28.7 percent reported an earnings ratio (1996 earnings as a percentage of annual displaced earnings) of 76 percent to 100 percent, and 20.5 percent reported an earnings ratio of 101 percent to 125 percent. Among these 5.5 million individuals, 57.9 percent reported earning the same or less (controlling for inflation) in 1996 as they did in the job from which they were displaced, and 42.2 percent reported earning more (table 5).

In general, the older the individual involved, the more likely he or she was to have experienced an earnings decrease in real terms (table 5). Among those ages 20–24 in 1996, 48.5 percent experienced a decrease in real annual earnings, compared with 73.7 percent of those ages 55–64 and 83.3 percent of those ages 65 and older. The same patterns were observed with increasing tenure levels and annual earnings at the displaced job; those who had longer tenure and greater earnings were more likely to have experienced an annual earnings decrease between job displacement and their 1996 job (table 5).

Table 5
WAGE CHANGES OF REEMPLOYED DISPLACED WORKERS (1993-1995) AS OF 1996

	Displaced Workers Employed in 1996 (Thousands)	Current Earnings as a Percentage of Lost Earnings						
		0%— 25%	26%— 50%	51%— 75%	76%— 100%	101%— 125%	126%— 150%	Over 150%
Total	5,516	3.9%	9.6%	15.7%	28.7%	20.5%	8.3%	13.4%
Age (in 1996)								
20–24	663	2.5	6.8	9.7	29.5	19.4	10.9	21.2
25–34	1,860	2.4	9.2	13.0	24.3	23.6	11.1	16.3
35–44	1,611	4.5	8.8	17.0	32.8	21.1	6.8	9.0
45–54	1,026	4.6	11.6	21.3	28.3	16.8	5.5	11.9
55–64	312	8.2	11.4	20.7	33.4	14.6	3.6	8.1
65 and older	44	14.1	38.5	9.5	21.2	11.0	0.0	5.6
Gender								
Male	3,183	3.6	8.6	14.7	29.8	21.6	8.3	13.4
Female	2,333	4.2	10.9	17.2	27.1	18.9	8.3	13.4
Education								
Less than high school degree	555	3.5	8.2	18.1	32.6	22.3	4.7	10.6
High school degree	1,871	2.4	8.4	16.5	27.4	20.4	10.6	14.3
Some college	1,772	3.9	11.2	15.8	28.0	19.9	7.5	13.7
College degree	1,319	6.0	9.6	13.6	29.8	20.6	7.5	12.8
Sector								
Federal government	107	9.8	6.9	18.5	22.4	20.3	13.2	9.0
State and local government	220	7.0	7.8	13.3	26.1	25.4	7.9	12.5
Private	5,189	3.6	9.7	15.8	28.9	20.3	8.2	13.5
Industry								
Mining/construction	647	2.1	10.9	13.7	34.3	23.3	6.3	9.4
Manufacturing	1,713	4.4	10.7	16.5	28.3	19.4	8.0	12.6
Wholesale/retail trade	1,970	3.0	8.0	15.5	27.0	20.5	10.1	15.9
Personal services	1,068	5.1	10.4	16.2	29.3	20.4	6.2	12.5
Public administration	109	8.7	7.0	13.6	24.6	22.4	13.5	10.2
Unknown	8	0.0	0.0	30.9	33.1	0.0	0.0	35.9
Occupation								
Managerial/professional specialty	1,350	6.2	11.8	13.6	31.1	21.9	7.0	8.3
Technical/sales/administrative support	1,653	2.9	9.5	16.4	27.3	20.9	8.9	14.1
Service	1,384	3.1	9.0	14.3	31.0	18.1	8.6	15.9
Operators/fabricators/laborers	1,113	3.2	7.9	19.1	24.6	21.1	8.7	15.3
Unknown	15	18.1	0.0	15.2	32.7	15.4	0.0	18.6
Union Status								
Union covered	693	4.8	12.2	19.1	31.8	17.4	6.4	8.4
Not union covered	4,816	3.7	9.2	15.3	28.2	20.8	8.6	14.1
Unknown	6	0.0	0.0	0.0	0.0	89.2	10.8	0.0
Tenure								
Less than 1 Year	1,453	3.7	9.6	10.7	28.1	18.6	11.4	18.0
1–4 years	2,389	2.4	7.8	14.9	28.2	23.6	8.0	15.2
5–9 years	903	4.4	9.4	18.8	31.4	18.7	8.9	8.5
10–14 years	334	5.1	13.7	21.4	30.4	21.1	2.4	5.9
15–19 years	200	9.0	18.9	29.2	24.2	12.8	2.4	3.5
20 or more years	236	11.5	14.7	24.4	28.1	13.3	3.8	4.2
Annual Earnings (1996 \$)								
Less than \$20,000	2,533	1.9	6.2	11.3	24.5	20.3	12.2	23.7
\$20,000–\$29,999	1,162	3.0	9.6	18.4	33.3	22.9	6.5	6.3
\$30,000–\$39,999	749	7.4	10.1	17.4	32.3	23.1	5.1	4.7
\$40,000–\$49,999	461	4.3	17.7	22.9	29.1	15.6	4.7	5.7
\$50,000–\$74,999	445	5.7	16.9	23.2	29.4	20.7	3.1	1.0
\$75,000–\$99,999	91	13.2	14.0	13.9	43.0	15.8	0.0	0.0
\$100,000 or more	74	21.8	19.9	21.8	36.5	0.0	0.0	0.0

Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

Health Insurance Status

Among the 9.4 million workers displaced over the period 1993–1995, 62.1 percent had

health insurance as of 1996 from a source other than Medicare or Medicaid (table 6). Among those employed in 1996, 69.1 percent (or 6.6 million) had private health insurance. Among those unemployed in February 1996, 37.3 percent (1.6 million) had private health insurance, and among those not in the labor force, 56.3 percent (1.2 million) had private health insurance (table 6).

Just over one-half of those displaced during the 1993–1995 period had health insurance at the job they lost. Among these, 75.1 percent had private health insurance as of February 1996. Among those who did not have health insurance at the job from which they were displaced, one-half (49.8 percent) had private health insurance in 1996 (table 6).

Previous Research

At the request of the U.S. House Committee on Ways and Means, Subcommittee on Human

Resources, the Congressional Budget Office (CBO) examined the number and characteristics of displaced workers in the 1980s as well as their experiences after displacement. CBO found that the characteristics of displaced workers were stable during the 1980s, despite a wide swing in the business cycle, changes in industrial composition, and changes in government policies. Throughout the 1980s, slightly more than 20 percent of displaced workers were ages 45 and older, about one-half had been with their previous employer for more than three years, and 60 percent were male. One to three years after displacement, one-half of the workers who

Table 6
**HEALTH INSURANCE STATUS AS OF 1996 OF
WORKERS DISPLACED DURING 1993–1995**

	Number of Displaced Workers (Thousands)	Percentage Who Currently Have Health Insurance ^a
Total	9,448	62.1%
Current Labor Force Status		
Employed	6,629	69.1
Unemployed	1,603	37.3
Not in labor force	1,216	56.3
Health Insurance at Lost Job?		
Yes	4,753	75.1
No	4,558	49.8
Unknown	137	21.8

Source: Employee Benefit Research Institute tabulations of the February 1996 Current Population Survey.

^aOther than Medicare or Medicaid.

lost jobs in the 1980s either were not working or were working and receiving less than 80 percent of their former earnings. The average duration of unemployment for those reemployed was slightly less than 20 weeks.

Using the 1996 CPS data, Valletta (1997) concluded that displacement rates over the 1993–1995 period were high by historical standards, and that displacement over recent years has been due largely to corporate downsizing, with much of the consequent burden falling on skilled white-collar workers with substantial job seniority.

In a study of displaced workers in Massachusetts, Kodrzycki (1996) found that being laid off from a declining industry tended to result in a longer duration of joblessness. Kodrzycki argued that workers in declining industries also tended to experience sharper earnings cuts than others because they had extensive experience at their previous employer that was not highly valued by the new employer. The study also found that experiences differed across categories of workers. Older, more experienced workers tended to have longer unemployment periods and lower wage replacement rates when they went back to work. Less educated workers tended to be unemployed for shorter periods of time but experienced greater wage cuts.

Cox and Alm (1996) put the experience of worker displacement into the larger picture of economic growth, arguing that job churning, despite the costs often imposed on the individuals involved, results in greater wealth and higher living standards for the economy at large. Examining the experience of 10 large companies that laid off 850,000 workers between 1990 and 1995, they found that output per worker increased 25 percent over the five-year period, greatly exceeding the

economy's average gain. They argue that a much greater cost would have been imposed had the companies been forced to maintain the status quo. They point out that, to society, the valuable resource is the worker, not the existing job.

A vast amount of research has been devoted to unemployment insurance and its effects on return-to-work incentives and/or duration of displacement, with clear consensus that the higher the ratio of unemployment income to that of lost earnings, the longer the unemployment spell. McCall (1995) found that increased benefit levels (as measured by the fraction of lost weekly earnings replaced) significantly increased the probability of UI reciprocity among the eligible. To cite one example, Benham (1993) found that availability of UI benefits allowed individuals to extend their unemployment duration and obtain higher post-unemployment wages. In addition, Hughes, Peoples, and Perlman (1996) found that duration of unemployment is related positively to pre-unemployment earnings itself, and thus concluded that the availability of UI funds improves job search results, particularly among high-income recipients.

McMurrer and Chasanov (1995) found that the share of the unemployed who receive UI consistently declined since the 1940s, with dramatic drops occurring during 1980–1984. They argue that this decline jeopardized wage replacement for involuntary unemployed individuals and the countercyclical stabilization of the economy. The reasons they cited for the decline include federal and state policy changes, broad demographic changes, and the decline in the manufacturing sector and in unionization.

Implications

Given the media attention devoted to issues of layoffs and corporate downsizing, it is somewhat

surprising that the number of individuals experiencing a

job displacement during recent years was not larger. Among all civilians ages 20 and older, 5.1 percent (or 9.4 million) experienced a job displacement during the period 1993–1995. Nearly one-half (46.8 percent or 4.4 million) of workers displaced during this period reported that the displacement occurred in 1995. To put these figures in clearer perspective, there were 118.5 million workers ages 20 and older in 1995, according to unpublished BLS data. Therefore, 3.7 percent of the civilian work force was displaced during that year.

In addition, a large and disproportionate share of those displaced were young workers. Forty-three percent of those displaced were under age 35 (in 1996); workers this age accounted for 33.7 percent of all workers in 1993. In addition, 70.6 percent of the displaced workers had been with their employer for less than five years when displaced (29.5 percent had been with the employer less than one year). These figures are relevant when considering the implications of displacement for retirement income security and health care security.

Retirement Income Security

Under current law, workers must become vested in an employer's retirement plan no later than five years after they become plan participants. Given that 71 percent of the displaced workers had tenure levels of less than five years, many of those displaced could potentially have lost retirement benefits if they were plan participants. However, retirement plan participation tends to be low among younger workers, and the largest fraction of those displaced are relatively young; therefore, most are not in a position to lose benefits because of the displacement.⁷ In addition, average tenure tends to be low among younger workers. According to BLS figures, median tenure among workers ages 25–34 is about three years. Therefore, it is unclear just how many workers would

⁷ According to Employee Benefit Research Institute tabulations of the April 1993 Current Population Survey employee benefits supplement, 35.8 percent of civilian nonagricultural wage and salary workers under age 35 participated in some type of employment-based retirement plan.

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have remained with their employer long enough to vest if they were participating in a retirement plan and had not been displaced. While the advantages of compounding interest make it highly desirable to begin saving and accruing retirement benefits at the earliest age possible, these individuals do have 30 or more years remaining to accumulate assets and benefits before retirement.

On job termination, workers often have access to the funds in their employment-based retirement plans. Defined contribution plans, the most common of which are 401(k) plans, feature individual worker accounts. The worker is entitled to his or her vested account balance on job change. As mentioned earlier, an increasing number of defined benefit plans also offer lump-sum distribution options. Departing workers can either preserve these funds for retirement by keeping them in a tax-qualified retirement savings vehicle or remove them from the retirement system to use for nontax-qualified purposes. They can preserve the funds by leaving them in the former employer's plan, if allowed, or by "rolling" the account balance over into an individual retirement account (IRA) or a new employer's plan. If they do not preserve the account balance, they receive it as current income, to save on a nontax-qualified basis and/or spend.

The tax code seeks to encourage benefit preservation. Any amounts not preserved in a tax-qualified vehicle are subject to a 10 percent penalty tax in addition to regular income tax. Furthermore, since 1993 all employers have been required to offer departing plan participants the option of directly transferring their vested account balances to an IRA or a new employer's plan (if the new employer's plan accepts rollovers). If workers do not utilize the direct transfer option and instead choose to receive the distribution, 20 percent is withheld toward taxes that may be owed on the distribution. The worker still has 60 days from receipt to roll over the entire amount of the account and avoid any taxes.

Displaced workers may be especially tempted to not roll over their retirement money, to keep it available to use during a period of extended unemployment. However, they should make such decisions with

a full understanding of the tradeoffs involved in terms of lost retirement income down the road. Recent research indicates that, while the incidence of cashouts from retirement plans has not increased along with their increased availability as an option for workers departing an employer,⁸ the level of retirement benefit preservation is low among most segments of the working population. According to EBRI tabulations of the April 1993 CPS employee benefits supplement, less than one-half (41.5 percent) of all workers who have ever received a lump-sum distribution from a retirement plan report that they have rolled over any portion of it for retirement into a tax-qualified vehicle. The younger the recipients, the lower their earnings, and the lower the distribution amount available, the less likely they are to roll over the money.

One advantage of defined contribution plans is that the benefits are fully portable when the account holders leave an employer. It can also be argued that it is an advantage that displaced workers have access to the money that has been accumulated in their plan should they so desire. However, a decision to tap these funds should not be made lightly, especially in light of the tax consequences discussed above and the sacrifice of retirement income later in life. For these reasons, some would argue that such availability is a disadvantage.

Health Care Benefits

Lost health insurance coverage may be an immediate concern for a displaced worker. The original purpose of the continuation of coverage provision of the Consolidated Omnibus Budget Reconciliation Act of 1985

⁸ See Scott and Shoven, 1996.

(COBRA) was to assure individuals access to health insurance during periods of unemployment and job change. The coverage offered must be identical to that available prior to the change in the worker's employment status, and must be available for 18 months. While access to coverage is not an issue for workers who return to work, because most are reemployed within 18 months (table 4), those with limited resources may find COBRA coverage premiums unaffordable. Employees cannot be charged more than 102 percent of the employer's average health insurance premium; this may be less than the employer's actual cost but nevertheless more than the employee was used to paying for health insurance. Furthermore, affordability may be even more of an issue for low-income workers because they are less likely than higher earners to return to work (table 4). The result is that many go uninsured and either do not receive necessary care or depend on the public to pay the bill.

As a result of these considerations, portability and affordability were the central issues surrounding the health insurance debate in 1996. The Health Insurance Portability and Accountability Act of 1996 attempts to address portability and affordability by including measures such as preexisting condition exclusions,⁹ guaranteed access¹⁰ to health insurance, guaranteed renewal¹¹ of health insurance, increases in the health insurance deduction for the self-employed, and medical savings accounts (MSAs). The bill's main purpose is to increase individuals' opportunities to maintain health

insurance as they change jobs. While the resulting legislation allows individuals to change insurers without being subjected to a new waiting period for preexisting conditions and reforms the market for individual and group health insurance, it does not radically change the 1985 COBRA law. Unemployed individuals still face the issue of affordability.

To the extent that unaffordability leads to a lack of insurance among the displaced, implications arise for public programs such as Medicaid. Table 6 shows that 25 percent (or 1.2 million) of those who were insured at the job they lost lacked private health insurance as of 1996. To what extent may worker displacement lead to increased financial pressures on Medicaid? In 1995, the total population served by Medicaid was 36.3 million individuals, and total Medicaid payments were \$120.1 billion (or \$3,311 per recipient). If all 1.2 million individuals who lost health insurance when displaced and still did not have private coverage as of 1996 had been in the Medicaid program, they would have accounted for only 3 percent of the beneficiary population in 1995. Furthermore, given that most displaced workers are relatively young (43 percent of all displaced workers were under age 35 in 1996), expenditures on their behalf would likely have been below the average for the Medicaid population as a whole. Therefore, it seems reasonable to conclude that the financial pressures on Medicaid created by worker displacement are minimal.

Conclusion

Over the period 1993–1995, 9.4 million individuals were displaced from a job (i.e., they lost or left

a job because their plant or company closed or moved, their position or shift was abolished, there was insufficient work, or for a similar reason). Given the attention devoted to mass layoffs and decreasing worker security, it is surprising that the actual numbers were not higher.

⁹ Preexisting condition exclusions are mechanisms that insurers use to restrict an enrollee's access to health care benefits relating to the individual's previous medical condition. These waiting periods are typically 6 months or 12 months; however, a group health plan has to take into account an individual's prior creditable coverage when applying any preexisting condition limit.

¹⁰ Guaranteed access requires insurers that offer coverage to make coverage available to any individual or group that applies, regardless of the health conditions of the individual or the individuals in that group.

¹¹ Guaranteed renewal requires an insurer to renew coverage for an individual or group at the option of the covered individual or group. Typically, policies may be canceled or not renewed for nonpayment of premiums, fraud or misrepresentation, termination of the plan, or the failure of the plan sponsor to meet contribution or participation requirements.

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In addition, those displaced tended to be relatively young. Forty-three percent of the those displaced between 1993 and 1995 were under age 35 in 1996. A disproportionate share of those displaced were accounted for by the young; males; those with less than a college education; nonunion workers; and workers in the mining/construction, manufacturing, and wholesale/retail trade sectors.

Over three-quarters of workers displaced during 1993-1995 have returned to work. Among these, over one-third were unemployed for two weeks or less, and nearly one-half were unemployed for five weeks or less. Among those reemployed, 18.5 percent were unemployed for over 20 weeks, and 7.2 percent were unemployed for over 40 weeks.

At the individual level, job displacement can entail real economic hardship. However, given the actual number of individuals impacted and the finding that a large share of those displaced were relatively young, in the aggregate the adverse consequences for health care and retirement income security would appear to be limited. The majority of younger workers (under age 35) do not participate in a retirement plan at work and therefore do not lose retirement benefits if displaced. Furthermore, given typical tenure patterns among younger workers, it is unclear how many younger plan participants ultimately would have vested had they not been displaced. In terms of health care, 75 percent of those who had health insurance at their former job had private health insurance as of 1996, and 50 percent of those who did not have health insurance at their former job had private health insurance as of 1996.

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