

Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2005

By Craig Copeland, EBRI

- **Latest CPS Data:** This *Issue Brief* examines the level of participation by workers in public- and private-sector employment-based pension or retirement plans, based on the U.S. Census Bureau's March 2006 Current Population Survey (CPS), the most recent data currently available.
- **Sponsorship Rate:** About 58 percent of all working-age (21–64) wage and salary employees work for an employer or union that sponsors a retirement plan. Of these working-age employees, slightly less than half (47 percent) participate in a retirement plan.
- **Participation Level:** Among *full-time, full-year wage and salary workers* ages 21–64 (those with the strongest connection to the work force), about 55 percent participated in a retirement plan.
 - ▶ **Trends:** This is down from almost 57 percent in 2004. Participation trends increased significantly when the labor market was tight in the late 1990s, and decreased when unemployment went up in 2001 and 2002. With a more stable job market in 2003 and 2004, the participation trend flattened out. But even with the stable job market in 2005, the retirement plan participation level declined; therefore, it appears a much tighter job market may be needed to push participation trends upwards.
 - ▶ **Age:** Participation increases with age (56.5 percent for wage and salary workers age 55–64, compared with 18.4 percent for those 21–24).
 - ▶ **Gender:** Among *all* workers, men had a higher participation level than women, but among *full-time, full-year workers*, women had a higher percentage participating than men (56.4 percent for women, compared with 53.7 percent for men). Female workers' lower probability of participation in the aggregate results from their overall lower earnings and lower rates of full-time work in comparison with males.
 - ▶ **Race:** Hispanic wage and salary workers were significantly less likely than both white and black workers to participate in a retirement plan. The gap between the percentages of black and white plan participants that exists overall narrows when compared across earnings levels; among workers earning \$30,000–\$39,999, black and white workers had a virtually identical level of participation. In contrast, the participation gap between Hispanics and whites persisted in all earnings groups, although it showed some narrowing in the highest two earnings groups. A key factor in Hispanic participation levels is whether the worker is native-born or non-native-born; native-born Hispanics have participation levels closer to other minority groups, but non-native-born Hispanics have far lower participation levels.
- **Geographic Differences:** Wage and salary workers in the South, West and Southwest had the lowest participation levels (Florida had the lowest percentage, at 38 percent) while the upper Midwest and Northeast had the highest levels (Minnesota had the highest participation level, at 56 percent).

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Introduction

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

Consequently, if the near elderly (those ages 55–64) hope to maintain their preretirement standards of living, they will need other sources of income in retirement to supplement their Social Security benefits, as Social Security was not designed to match that standard for all retirees. Today, a retiree beneficiary turning 65 who earned the average wage during his or her entire career can expect Social Security to replace about 40 percent of preretirement income (Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, 2006).

For both current and future retirees, an important source of additional income in retirement is money from an employment-based retirement plan. Therefore, understanding how many workers have a retirement plan, and their participation in it, provides critical insight into the likely future financial status of retirees.

In 2005, the percentage of workers participating in an employment-based retirement plan decreased. Specifically, the percentage of *all workers* participating in an employment-based retirement plan remained essentially unchanged, from 41.9 percent in 2004 to 40.9 percent in 2005, while the percentage of *full-time, full-year wage and salary workers* ages 21–64 (those most likely to be offered a retirement plan at work) decreased from 56.6 percent in 2004 to 54.8 percent in 2005. The decline in participation seemed to occur mostly among full-time workers, while part-time workers' participation levels were unchanged or experienced small declines from 2004.

This *Issue Brief* more closely examines this level of participation by workers in public- and private-sector employment-based pension or retirement plans, based on the U.S. Census Bureau's March 2006 Current Population Survey (CPS), the most recent data currently available. It begins with an overview of retirement plan types and participation in these types of plans. Next, it describes the data used in this study, along with their relative strengths and weaknesses. From these data, results on participation in employment-based retirement plans are analyzed for 2005 across various worker characteristics and those of their employers. The report then explores retirement plan participation across U.S. geographic regions, including a state-by-state comparison and a comparison of certain consolidated statistical areas (CSAs). In addition to the results for 2005, trends from 1987–2005 in employment-based retirement plan participation are presented across the same worker and employer characteristics as used for 2005. The report concludes with a discussion of this study's findings.

Retirement Plan Types

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

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

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

Benefit determination: First, under a DC plan, employer contributions (if any) are based on a predetermined formula,¹ and, most frequently, all contributions (made by both employers and/or employees) are placed in individual accounts on behalf of each participant. In contrast, DB plans in the private sector typically are funded by the employer and do not require participants to contribute, and plan contributions are held in one trust on behalf of all participants, with these contributions subject to federal funding rules and regulations required to maintain the plan's tax-favored status. However, in the public sector, DB plans generally require employee contributions, but the contributions are usually pooled into a single fund along with funding from the government entity that sponsors the plan.

Investment risk: Next, who assumes the investment risk associated with plan assets is a key distinction between DC and DB plans. The overwhelming majority of individuals receiving DC plan benefits assume all of the investment risk in their own accounts; that is, employers do not guarantee a specific benefit level, but instead the benefit is determined by the contributions (employer and employee) to the individual's account and the investment returns within that account.² In comparison, DB plan participants receive a certain benefit amount calculated from a specific formula, typically based on average salary and years of service, regardless of the investment performance of the plan assets. Thus, in general, in DC plans it is the *individual participants* who bear the investment risk, while in DB plans it is the *plan sponsor* (or for the public sector, the taxpayers in the jurisdiction of the sponsoring entity).

Benefit payout: A third difference between DC and DB plans traditionally has been the manner in which they generally pay benefits. DC plans usually pay out benefits in a lump sum—the entire accumulated benefits are paid out at one time. Consequently, the recipients are responsible for managing the money so that it lasts the rest of their lifetime, which would mean reducing or eliminating the (longevity) risk of outliving one's assets during their retirement. Alternatively, DB plans must offer life annuities (a set amount paid out regularly over time, typically monthly, for as long as the beneficiary lives), which, when chosen, eliminate the necessity of managing these assets during retirement. However, plan sponsors are allowed to “cash out” those participants who terminate employment and have a small accrued benefit, and a growing number of DB plan participants are also being offered a lump-sum distribution option.³

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

The increase in the number of DC plan participants relative to DB plan participants has been well documented. For example, the Department of Labor's Employee Benefits Security Administration's *Private Pension Plan Bulletin* (2004 and 2006), which compiles data from the Internal Revenue Service Form 5500, shows that the number of active private-sector workers covered by a DB plan decreased from 30.1 million in 1980 to 21.6 million in 2002 (a decline of over 25 percent), while similar workers covered by a DC plan increased from 14.4 million in 1980 to 52.9 million in 2002 (an increase of more than 250 percent over the same period). Copeland (2005b), using the U.S. Census Bureau's May 1988 Current Population Survey Employee Benefit Supplement, and the Retirement and Pension Plan Coverage Topical Module to the 2001 Survey of Income and Program Participation (SIPP), found that the percentage of all civilian (public and private) nonagricultural wage and salary workers age 16 or older who considered their primary retirement to be a DC plan increased from 25.8 percent in 1988 to 57.7 percent in 2003. Another study by Copeland (2006), using the 1992 and the 2004 Survey of Consumer Finances (SCF), found that the percentage of families with at least one participant in a retirement plan and with only a DC plan increased from 37.6 percent in 1992 to 52.1 percent in 2004.

The reasons for this growth of DC plan participants, such as the perception of increased work force mobility and changes in the business and regulatory environments of plan sponsors, have also been well-documented.⁴ The consequences of these trends for retirees are significant, the most important being the necessity for individuals to accumulate sufficient assets in these accounts and then the necessity for individual retirees to manage the assets in retirement so as not to outlive them.^{5,6} However, these issues are outside the scope of this report, given that the data limitations used in this study allow for focusing only on the initial accumulation of retirement benefits through participation in an employment-based arrangement.

Data

While the analysis of employment-based retirement plan participation among plan types is important, the datasets that contain this information are slow to be released, or are compiled from surveys taken only at three- or five-year intervals. The data cited above on the breakdown of plan types from SCF and SIPP illustrate this problem, as the latest available numbers are from 2003 and 2004, with the survey intervals being three years and five years, respectively.⁷ Furthermore, the official compilation of private-sector plan assets and participants by the U.S. Department of Labor from the Form 5500 data that all private-sector sponsors of pension or retirement plans must file with the Internal Revenue Service (IRS) is currently available only through 2002. Public-sector employers are not required to file these forms, making detailed data from those plans difficult to obtain even after a few years. Consequently, timely data on the breakdown between retirement plan types are not available on an annual basis.

In contrast, the Current Population Survey (CPS), a monthly survey, has asked questions in a consistent manner each March since at least 1988 about whether a worker worked for an employer or union that sponsored a pension or retirement plan for any of its employees, and then if the worker was included in that plan.⁸ The U.S. Census Bureau conducts the CPS for the Bureau of Labor Statistics by interviewing about 57,000 households and asking numerous questions about individuals' work status, employers, income, and basic demographic characteristics. Therefore, the CPS provides detailed information about workers from a broad sample of Americans who are in an employment-based plan, making it possible to establish a consistent annual and timely trend across numerous worker characteristics and the characteristics of their employers.

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

2005 Participation Levels

Among the 154.7 million Americans who worked in 2005, 79.7 million worked for an employer or union that sponsored a pension or retirement plan, and 63.6 million participated in the plan (Figure 1). This translates into a sponsorship rate (the percentage of workers working for an employer or union that sponsored a plan) of 51.5 percent and a participation level of 40.9 percent.

However, this measure of the work force contains the unincorporated self-employed and those typically with a looser connection to the work force—individuals under age 21 and older than age 64. Therefore, a different measure of the work force is examined: *wage and salary workers* ages 21–64, representing individuals who have a stronger connection to the work force and work for someone else.⁹ For this group, the sponsorship rate increases to 57.5 percent and the portion participating increases to 47.0 percent. When separating these wage and salary workers into the public and private sectors, the percentages participating differ significantly. Slightly less than 75 percent of the public-sector workers participated in an employment-based retirement plan, compared with 41.7 percent of the private-sector workers.

Figure 1
Percentage of Various Work Forces Who Work for an Employer That Sponsored a Retirement Plan, and the Percentage Who Participated in the Plan, 2005

	All Workers	Wage and Salary Workers Ages 21–64	Private Wage and Salary Workers Ages 21–64	Public Wage and Salary Workers Ages 21–64	Full-Time, Full-Year Wage and Salary Workers Ages 21–64
			(millions)		
Worker Category Total	154.7	128.4	108.0	20.4	94.0
Works for an employer sponsoring a plan	79.7	73.8	56.8	17.0	59.1
Participating in a plan	63.6	60.3	45.1	15.2	51.5
			(percentage)		
Worker Category Total	100.0%	100.0%	100.0%	100.0%	100.0%
Works for an employer sponsoring a plan	51.5	57.5	52.6	83.6	62.9
Participating in a plan	40.9	47.0	41.7	74.8	54.8

Source: Employee Benefit Research Institute estimates from the 2006 March Current Population Survey.

A more restrictive definition of the work force, which more closely resembles the types of workers who generally must be covered in accordance with the Employee Retirement Income Security Act (ERISA) for a retirement plan offered by a private-sector employer or union, is the work force of *full-time, full-year wage and salary workers* ages 21–64.¹⁰ Approximately 55 percent of these workers participated in a retirement plan. The percentage participating in each work force definition is correlated with the workers’ characteristics as well as those of the workers’ employers.

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

Worker Characteristics

The percentage of wage and salary workers ages 21–64 participating in a retirement plan in 2005 increased with age (Figure 2). For those ages 21–24, 18.4 percent participated in a plan, compared with 56.5 percent of those ages 55–64. Male workers were more likely to participate in a plan than females. However, female workers were more likely to have participated in a plan than males among full-time, full-year workers.

Being white or having attained a higher educational level was also associated with a higher probability of participating in a retirement plan. Among white workers, 51.7 percent participated in a plan, compared with 27.9 percent of Hispanic workers. Just under 20 percent of workers without a high school diploma participated in a plan, with the percentage participating increasing with educational attainment to 68.3 percent of those holding a graduate or professional degree.

Workers who were married were more likely to participate in a plan, while never-married workers had the lowest probability. The higher an individual’s earnings were, the more likely he or she participated in a plan. Less than one-third (27.1 percent) of those who had annual earnings of \$15,000–\$19,999 participated in a plan. This number increased to 71.3 percent of those earning \$50,000 or more. Furthermore, full-time, full-year workers were by far the most likely type to participate in a retirement plan. Those individuals working in management, business, and financial, and professional and related occupations had the highest probabilities of participating in a retirement plan at 61.5 percent and 62.2 percent, respectively. In comparison, those workers in farming, fishing, and forestry and in service occupations had the lowest likelihood of participating in a plan at 15.6 percent and 27.8 percent.

Figure 2

Percentage of Various Work Forces Who Worked for an Employer that Sponsored a Retirement Plan and the Percentage Who Participated in the Plan, by Various Characteristics, 2005

	All Workers			Wage and Salary Workers Ages 21-64			Private Wage and Salary Workers Ages 21-64			Public Wage and Salary Workers Ages 21-64			Full-Time, Full-Year Wage and Salary Workers Ages 21-64		
	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)
Age															
20 or younger	10,620	23.4%	3.9%	12,485	38.6%	18.4%	11,371	36.2%	16.8%	1,114	63.5%	34.5%	6,159	43.9%	26.4%
21-24	12,770	37.9	18.1	31,195	52.5	39.2	27,432	48.7	35.3	3,763	80.3	67.9	22,534	57.4	46.2
25-34	32,743	50.4	37.6	33,595	59.1	50.4	28,351	54.5	45.5	5,244	83.9	76.7	26,095	63.5	56.6
35-44	36,026	55.8	47.5	32,414	63.8	56.4	26,313	58.4	50.5	6,101	87.0	81.8	25,574	68.2	62.5
45-54	35,329	59.5	52.5	18,703	64.6	56.5	14,557	58.3	50.1	4,147	86.8	79.1	13,595	69.7	64.2
55-64	20,900	59.2	51.8												
65 or older	6,338	37.8	27.2												
Gender															
Male	82,265	50.6	41.3	67,303	56.8	47.8	58,577	52.6	43.3	8,725	85.3	77.7	53,979	61.0	53.7
Female	72,461	52.6	40.4	61,089	58.3	46.1	49,446	52.6	39.8	11,643	82.4	72.5	39,979	65.5	56.4
Race/Ethnicity															
White	108,303	55.1	44.4	88,405	62.3	51.7	73,980	57.6	46.7	14,425	86.3	77.4	64,647	67.9	60.1
Black	16,522	51.1	39.0	14,483	55.0	43.1	11,484	49.0	36.2	2,999	78.2	69.8	10,517	62.2	52.1
Hispanic	20,292	33.7	24.9	17,403	36.7	27.9	15,625	32.1	23.3	1,778	76.6	68.6	12,941	40.2	32.5
Other	9,610	49.3	38.2	8,101	54.1	43.1	6,935	50.5	39.5	1,166	75.7	64.7	5,852	59.5	51.4
Education															
No high school diploma	19,436	24.2	13.9	12,551	27.7	19.4	11,926	25.9	17.6	625	62.6	54.2	8,456	31.6	24.0
High school diploma	45,549	46.8	36.2	38,026	51.5	41.0	33,750	48.1	37.3	4,276	78.6	70.0	28,118	56.5	47.8
Some college	45,173	53.2	40.5	38,003	59.2	46.4	32,290	55.2	42.1	5,713	81.9	71.0	26,646	66.0	56.1
Bachelor's degree	29,514	64.0	54.8	26,675	68.3	58.8	21,274	63.5	53.6	5,401	87.3	79.1	20,384	72.4	65.8
Graduate/profnl degree	15,053	71.7	63.9	13,137	76.5	68.3	8,784	70.1	61.5	4,353	89.4	81.9	10,354	79.3	74.3
Marital Status															
Married	86,442	57.2	48.7	75,697	62.1	53.3	62,667	57.2	47.9	13,029	86.0	79.1	57,926	66.4	59.7
Widowed	3,057	47.6	37.1	1,839	57.4	48.0	1,463	50.6	40.1	376	84.1	78.7	1,252	64.1	57.7
Divorced	16,817	53.9	44.4	14,722	58.6	48.4	12,310	53.5	42.9	2,412	84.6	76.4	11,121	63.4	55.3
Separated	3,458	43.6	32.8	3,140	46.2	35.0	2,713	41.3	29.9	427	77.5	67.3	2,276	50.2	40.7
Never married	44,953	40.6	25.4	32,995	47.4	32.9	28,870	43.3	29.0	4,125	76.0	60.6	21,381	54.5	42.7
Work Status															
Full-time, full-year	104,155	59.0	51.2	93,957	62.9	54.8	78,652	58.1	49.3	15,306	87.6	83.1			
Full-time, part-year	19,802	42.7	27.6	16,372	47.0	31.2	13,848	41.4	25.3	2,524	78.2	64.0			
Part-time, full-year	15,412	35.2	19.8	10,012	42.4	25.7	8,875	39.1	23.5	1,137	68.0	42.7			
Part-time, part-year	15,356	28.2	9.0	8,050	34.6	13.7	6,649	28.8	10.3	1,401	62.1	29.6			

(Cont'd.)

(Fig. 2, Cont'd.)

	All Workers				Wage and Salary Workers Ages 21-64				Private Wage and Salary Workers Ages 21-64				Public Wage and Salary Workers Ages 21-64				Full-Time, Full-Year Wage and Salary Workers Ages 21-64			
	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)	Number of workers (000s)	Sponsor-ship rate (%)	Percent-participating (%)		
Annual Earnings																				
Less than \$5,000	17,425	23.4	5.6	7,960	29.6	8.4	6,898	25.6	7.0	1,062	55.4	17.3	522	32.0	18.4					
\$5,000-\$9,999	12,145	27.7	10.9	8,461	30.8	13.0	7,468	26.8	10.2	994	61.0	34.0	1,556	28.2	14.4					
\$10,000-\$14,999	13,461	33.3	17.9	10,646	35.8	20.1	9,424	31.2	16.1	1,222	71.5	51.0	4,833	32.2	20.3					
\$15,000-\$19,999	13,158	38.7	25.1	11,293	41.4	27.1	10,108	37.3	23.1	1,185	76.4	61.2	7,758	40.0	26.4					
\$20,000-\$29,999	25,774	50.2	38.4	23,154	53.2	40.9	20,184	49.1	36.4	2,970	81.0	71.1	18,723	53.4	42.0					
\$30,000-\$39,999	21,411	62.0	53.6	19,753	64.9	56.2	16,016	59.7	50.1	3,737	87.2	82.4	17,324	65.5	57.3					
\$40,000-\$49,999	15,249	69.3	62.5	14,201	72.7	65.6	10,980	67.4	58.9	3,220	90.9	88.2	12,730	72.9	66.0					
\$50,000 or more	36,104	71.8	67.5	32,924	75.7	71.3	26,946	72.2	67.3	5,978	91.5	89.0	30,512	76.1	72.0					
Occupation																				
Management, business, and financial	21,530	61.1	54.8	18,347	68.1	61.5	16,012	64.8	57.9	2,335	90.9	86.1	15,848	70.6	65.1					
Professional and related	30,156	69.0	58.3	27,090	73.1	62.2	18,294	66.9	55.4	8,796	85.9	76.2	19,586	77.0	69.7					
Service	26,881	33.4	22.1	20,114	39.0	27.8	16,231	30.3	18.5	3,882	75.4	66.6	12,294	46.8	37.8					
Sales and related	18,150	43.7	29.9	13,609	50.9	37.3	13,420	50.5	37.0	189	77.4	61.0	9,672	56.7	46.0					
Office and admin support	21,175	58.8	45.0	18,427	62.6	49.6	15,230	58.2	44.5	3,197	83.4	74.0	13,129	69.4	59.4					
Farming, fishing, and forestry	1,248	19.5	12.2	896	22.5	15.6	872	21.2	14.3	24	67.9	65.0	519	26.8	21.2					
Construction and extraction	10,274	31.0	25.9	7,975	36.6	31.1	7,470	33.1	27.6	505	88.1	81.9	5,828	39.3	34.3					
Installation, maintenance, repair	5,459	53.7	44.3	4,699	59.3	49.6	4,295	56.9	46.9	404	85.2	78.7	4,023	61.7	53.1					
Production	10,228	54.6	43.9	9,244	57.4	46.8	8,989	56.7	46.0	255	82.2	77.6	7,283	61.4	52.2					
Transportation/material moving	9,625	46.0	33.7	7,992	50.0	38.7	7,211	47.1	35.9	781	76.6	64.6	5,775	53.8	45.1					
Employer Size																				
Fewer than 10 employees	32,542	15.7	12.3	19,280	19.7	15.8	19,280	19.7	15.8	19,280	19.7	15.8	12,509	21.9	19.2					
10-24 employees	14,899	29.0	22.4	12,544	31.7	25.1	12,544	31.7	25.1	12,544	31.7	25.1	8,796	36.1	30.6					
25-99 employees	19,006	44.9	33.9	16,749	47.4	36.9	16,749	47.4	36.9	16,749	47.4	36.9	12,282	51.3	42.8					
100-499 employees	17,295	57.6	45.3	15,666	60.3	48.4	15,666	60.3	48.4	15,666	60.3	48.4	11,990	64.9	55.2					
500-999 employees	6,907	64.4	50.7	6,295	67.0	53.9	6,295	67.0	53.9	6,295	67.0	53.9	4,792	71.5	61.0					
1,000 or more employees	42,237	69.7	53.1	37,491	73.1	58.0	37,491	73.1	58.0	37,491	73.1	58.0	28,283	78.7	66.9					
Public	21,839	81.9	72.0	20,368	83.6	74.8	20,368	83.6	74.8	20,368	83.6	74.8	15,306	87.6	83.1					
Sector/Industry																				
Private sector	132,887	46.5	35.8	128,392	52.6	41.7	108,024	52.6	41.7	108,024	52.6	41.7	93,957	58.1	49.3					
agriculture, mining, and construction	15,028	28.7	23.2	10,921	35.1	29.1	10,921	35.1	29.1	10,921	35.1	29.1	7,948	38.0	32.3					
manufacturing	17,489	64.5	55.1	16,255	66.9	57.7	16,255	66.9	57.7	16,255	66.9	57.7	13,656	70.1	62.1					
wholesale and retail trade	23,527	47.8	32.2	18,709	53.0	38.3	18,709	53.0	38.3	18,709	53.0	38.3	13,376	58.3	46.4					
transportation, utilities, information, and financial	19,904	57.9	48.7	17,281	63.4	54.0	17,281	63.4	54.0	17,281	63.4	54.0	13,768	67.2	59.9					
professional services	35,760	50.3	38.7	29,954	55.7	43.4	29,954	55.7	43.4	29,954	55.7	43.4	20,756	61.3	51.8					
other services	21,178	25.8	15.7	14,904	30.4	20.4	14,904	30.4	20.4	14,904	30.4	20.4	9,147	36.3	27.9					
Public sector	21,839	81.9	72.0	20,368	83.6	74.8	20,368	83.6	74.8	20,368	83.6	74.8	15,306	87.6	83.1					

Source: Employee Benefit Research Institute estimates from the 2006 March Current Population Survey.

Employer Characteristics

The probability of a worker participating in an employment-based retirement plan increased significantly with the size of his or her employer (Figure 2). For workers at employers with fewer than 10 employees, 15.8 percent participated in a plan, compared with 58.0 percent of those working for an employer with 1,000 or more employees. The sector and industry of the employer also had an impact on the likelihood of participating in a plan. Public-sector workers were significantly more likely to participate than private-sector workers. Workers in the manufacturing industry and the transportation, utilities, information, and financial industry had the highest probability of participating, while those in the other services industry had the lowest probability.¹¹

A Closer Examination

Gender—Female wage and salary workers ages 21–64 were found to participate in a retirement plan at a lower level than males did. However, among full-time, full-year workers of these same ages, females had a higher rate of participation in a plan (56.4 percent for women, compared with 53.7 percent for men). In fact, across all of the worker status categories, females were more likely to participate in a retirement plan than males (Figure 3). Furthermore, when examining the participation by earnings level, the proportion of females participating in a plan was also higher than it was for males (Figure 4). Consequently, it appears that female workers' lower probability of participation in the aggregate was a result of their overall lower earnings and lower rates of full-time work in comparison with males, not their gender.

Race/Ethnicity—Analysis of race/ethnicities by earnings level shows that Hispanic wage and salary workers were significantly less likely than both white and black workers to participate in a retirement plan.¹² The gap between the percentages of black and white plan participants that exists overall narrows when compared across earnings levels. In fact, among workers earning \$30,000–\$39,999, black and white workers had a virtually identical level of participation (Figure 5). In contrast, the gap between Hispanics and whites persisted in all earnings groups, although it showed some narrowing in the highest two earnings groups.

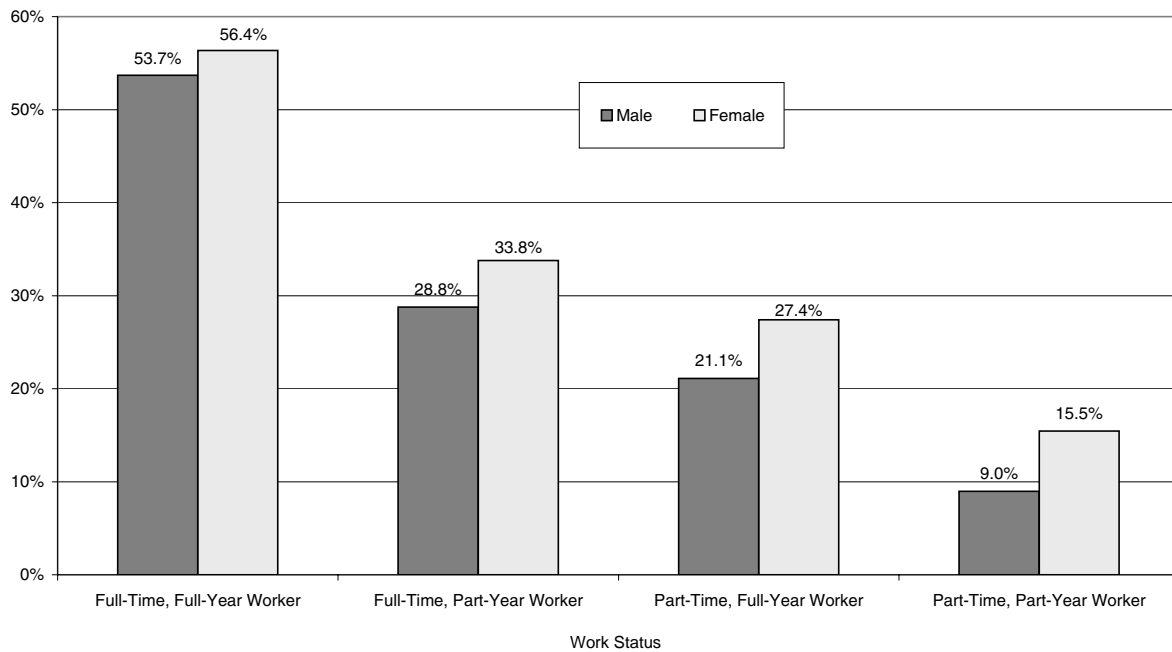
Another potential contributor to the overall lower level of participation by Hispanic workers could be the characteristics of their employers, such as firm size (number of employees). However, across all the firm sizes, with the exception of public-sector employers, this appears not to be the case, as Hispanic workers had significantly lower participation in employment-based retirement plans than workers of all the other races/ethnicities (Figure 6). For workers at the smallest employers (fewer than 10 employees), 19 percent of white wage and salary workers participated in a plan, compared with 6 percent of the Hispanic workers. These levels increased as the employer size increased, but white workers still had a significantly higher participation level among those working for employers with 1,000 or more employees (62 percent for whites versus 42 percent for Hispanics).

Furthermore, the age of the workers and their race/ethnicity could not explain the differences in the level of participation, as the Hispanic workers' participation levels were significantly lower than the white workers' levels at each age (Figure 7). However, a dramatic shift in Hispanic worker participation levels becomes apparent when analyzed by birthplace—United States or outside the United States. Native-born Hispanic workers age 21 or older had participation levels very similar to those of black and other workers, but still lower than white workers.¹³ In contrast, nonnative-born Hispanic workers had substantially lower levels of participation across all age groups. While age is an important factor in the participation in a retirement plan, the earnings levels of nonnative-born Hispanics could be lower across age due to potential language and custom barriers. Yet, even across earnings, nonnative-born Hispanics have a lower probability of participating in a retirement plan, while native-born Hispanics have participation levels closer to those of white and black Americans (Figure 8).

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

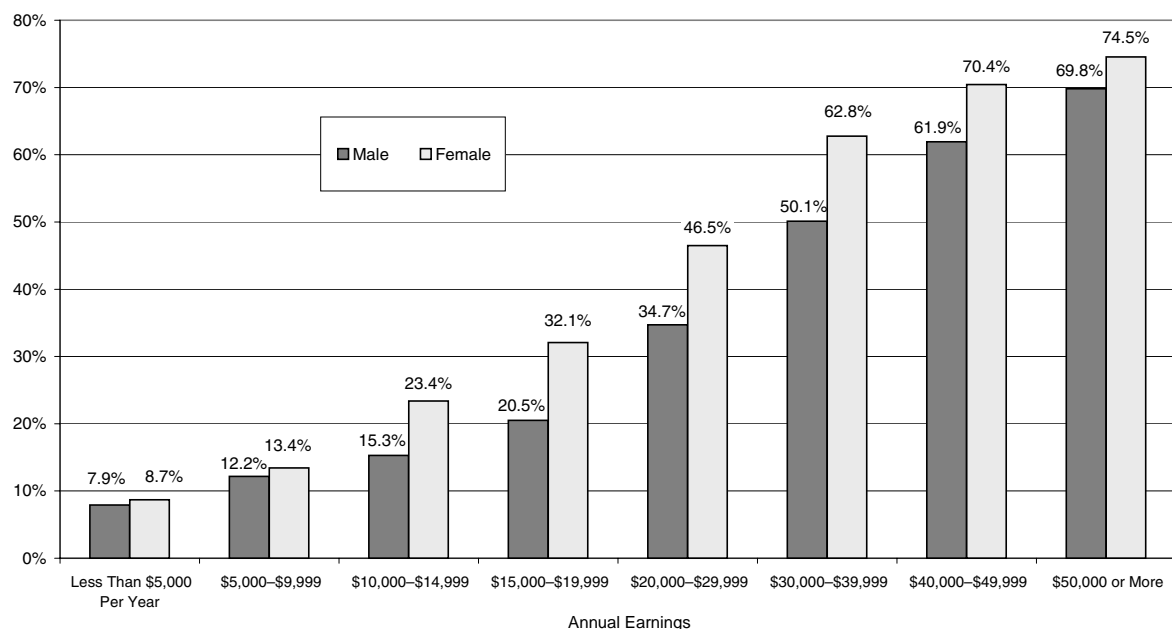
Firm Size—Employees of firms with fewer employees were significantly less likely to participate in a retirement plan. A potential explanation for this lower participation could be that these firms employed

Figure 3
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Work Status and Gender, 2005



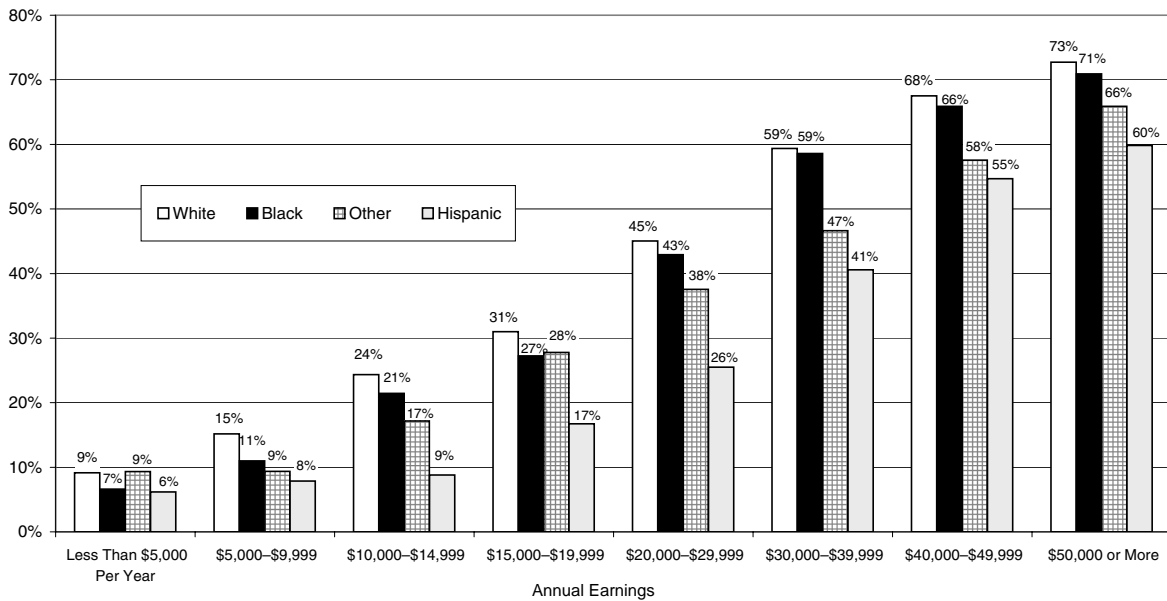
Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 4
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Gender, 2005



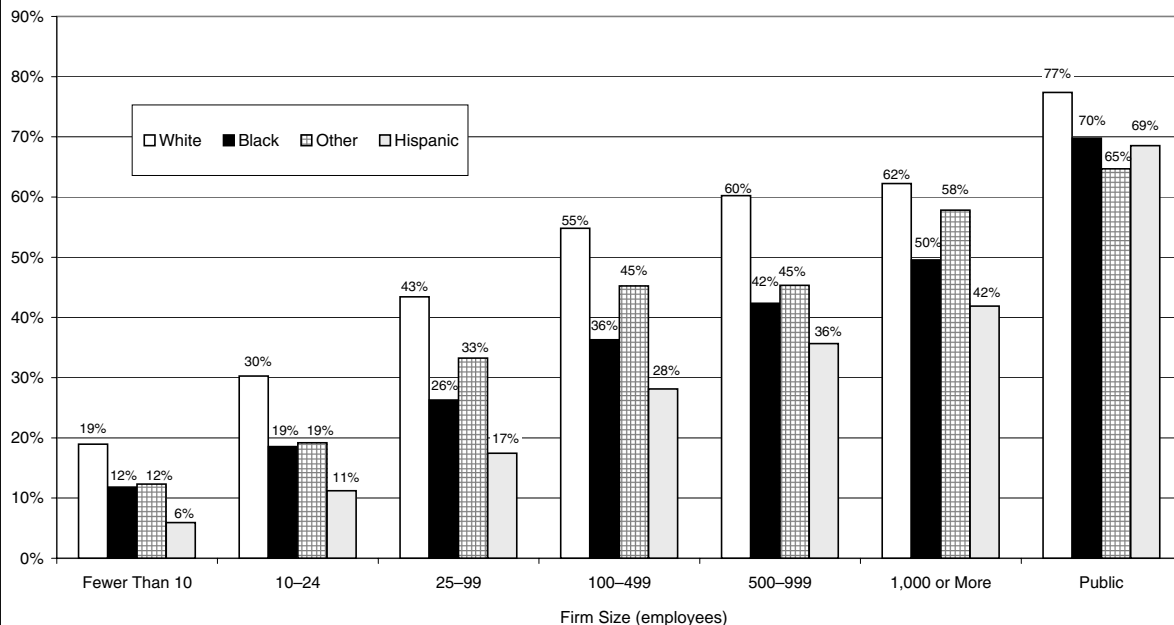
Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 5
Percentage of Wage and Salary Workers Ages 21–64 Who
Participated in an Employment-Based Retirement Plan,
by Annual Earnings and Race/Ethnicity, 2005



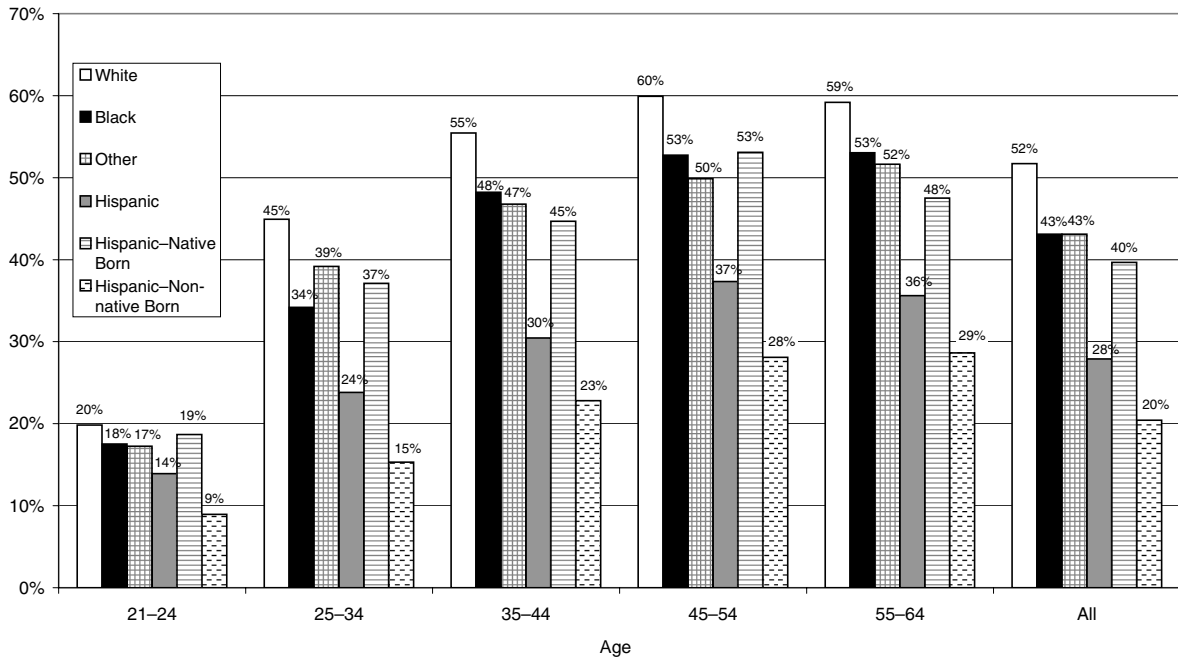
Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 6
Percentage of Wage and Salary Workers Ages 21–64 Who
Participated in an Employment-Based Retirement Plan,
by Firm Size (Number of Employees) and Race/Ethnicity, 2005



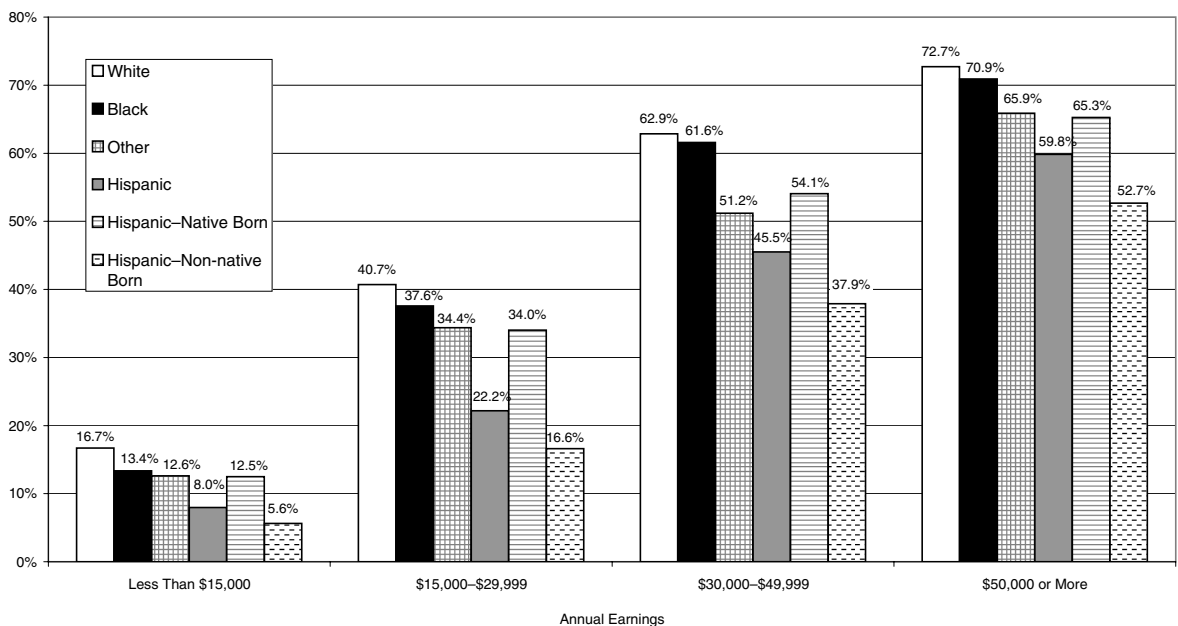
Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 7
Percentage of Wage and Salary Workers Ages 21–64 Who Participated
in an Employment-Based Retirement Plan, by Age and Race/Ethnicity, 2005



Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 8
Percentage of Wage and Salary Workers Ages 21–64 Who
Participated in an Employment-Based Retirement Plan,
by Race/Ethnicity With Hispanic Detail and Annual Earnings, 2005



Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

workers with characteristics associated with lower participation, such as being younger or lower paid. However, when controlling for age, workers at smaller employers still had a persistently lower level of participation across the age groups (Figure 9). Furthermore, across various earnings levels, workers at small employers were less likely to participate in an employment-based retirement plan (Figure 10). Even among workers making \$50,000 or more, a considerable disparity exists—31 percent of those working for the smallest employers participated in a plan, compared with 82 percent of those working for employers with 1,000 or more employees.

Education—Workers with lower educational attainment have lower levels of retirement plan participation. However, educational attainment has a strong correlation with earnings. When controlling for earnings, the most highly educated still had the highest levels of participation, but the differences with the less educated workers were much smaller, particularly as earnings decreased (Figure 11). Yet, those with the least education (no high school diploma) still had significantly lower levels of participation than those with at least a high school diploma. Specifically, 48.9 percent of those without a high school diploma and making \$50,000 or more participated in a retirement plan, compared with 64.9 percent of those with the same earnings and only a high school diploma and 76.3 percent for those with a graduate or professional degree. Consequently, the education level of workers clearly plays a role in the likelihood of participation in a retirement plan beyond determining a worker's earnings level.

Health Insurance/Status—An important risk to a retiree's finances is his or her health status and health care needs.¹⁴ Health status and the availability of employment-based health insurance from the person's own employer are also correlated with participation in an employment-based retirement plan. Across all ages, workers with employment-based health insurance from their own employer are more than twice as likely to have a retirement plan as those without health insurance from their own employer (Figure 12).¹⁵ For instance, among workers ages 45–54, 70.6 percent of those with health insurance through their own employer participated in an employment-based retirement plan, compared with 29.3 percent of those without health insurance through their own employer.

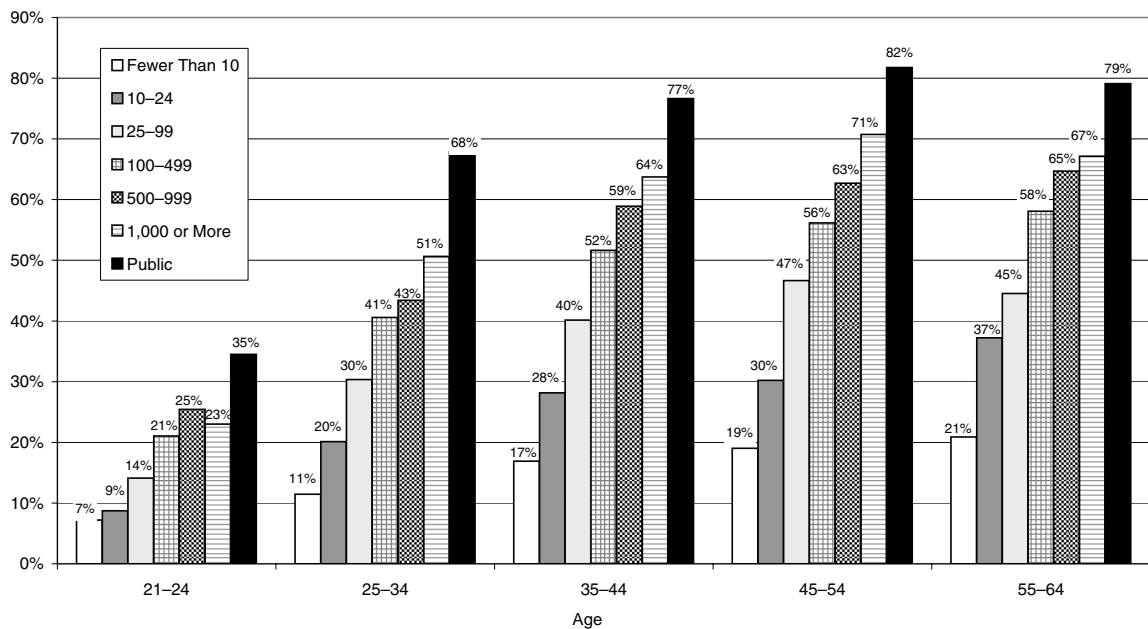
As the self-reported health status of a worker decreases, the likelihood of participating in a plan also decreases. For example, for workers ages 55–64 who reported having excellent health, 60.7 percent participated in a plan. However, among workers of the same age who reported poor health, only 35.7 percent participated in a plan (Figure 13).

Geographic Differences

Not only did the workers' characteristics affect the probability of their participation in an employment-based retirement plan, but their geographic location also had an impact. Wage and salary workers ages 21–64 living in Florida had the lowest probability (37.9 percent) of participating in a plan in 2005, while those living in Minnesota had the highest probability (56.1 percent) (Figure 14). For other work-force definitions that include private-sector workers, Minnesota workers also had the highest probability (51.6 percent) of participation among private wage and salary workers. Among full-time, full-year wage and salary workers, those from the North Dakota (64.9 percent) had the highest percentage participating, while workers from the District of Columbia had the highest level (48.9 percent) of participation for the all-worker definition. At the other end of the rankings, full-time, full-year wage and salary workers in Florida had the lowest probability (42.4 percent) of participation as well for all workers (33.5 percent), while workers from New Mexico had the lowest level of participation among private wage and salary workers (31.3 percent). Among public-sector wage and salary workers, Oregon workers had the highest percentage of participation (83.6 percent), followed by Minnesota workers (83.5 percent). The lowest level of participation among these public-sector workers was for those living in Arkansas (64.3 percent).¹⁶

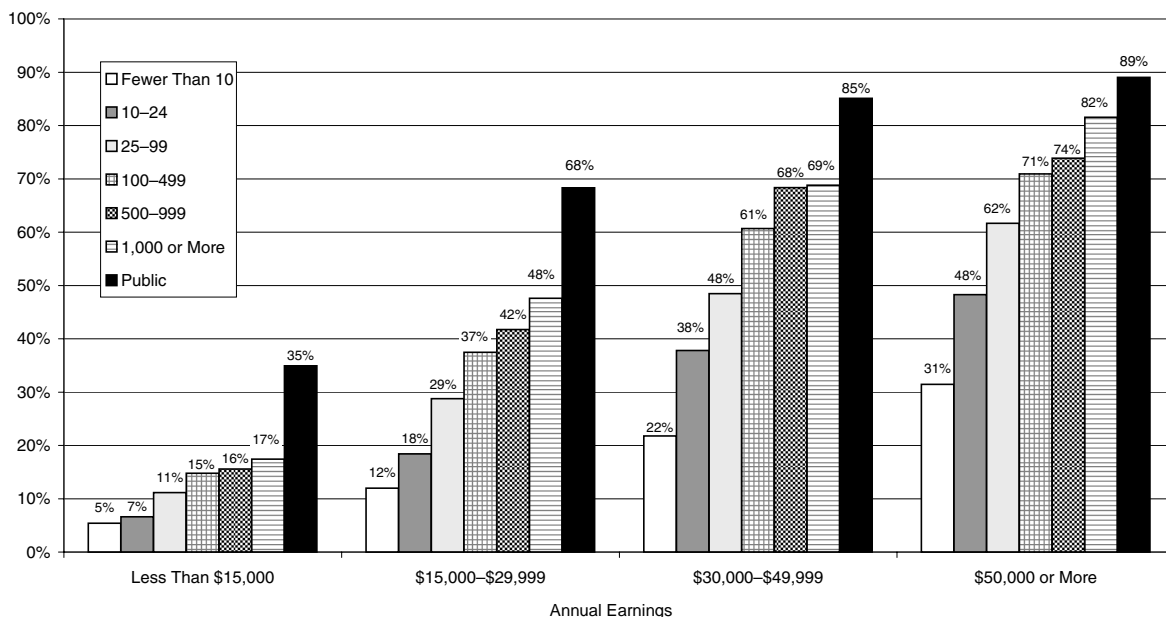
Using wage and salary workers ages 21–64 as the work-force proxy for the other work-force populations (with the exception of the public-sector workers) showed regional differences across the United States, along with those among the states. The states with the lowest levels of participation—e.g., Florida, New Mexico, California, Arizona, and Louisiana—were in the South, West, or Southwest (Figure 14). The states with the highest participation were in the upper Midwest—e.g., Minnesota and Wisconsin—along with some in the Northeast or Mid-Atlantic, such as New Hampshire and the District of Columbia. In general, the Midwestern

Figure 9
Percentage of Wage and Salary Workers Ages 21–64 Who
Participated in an Employment-Based Retirement Plan,
by Age and Employer Size (Number of Employees), 2005



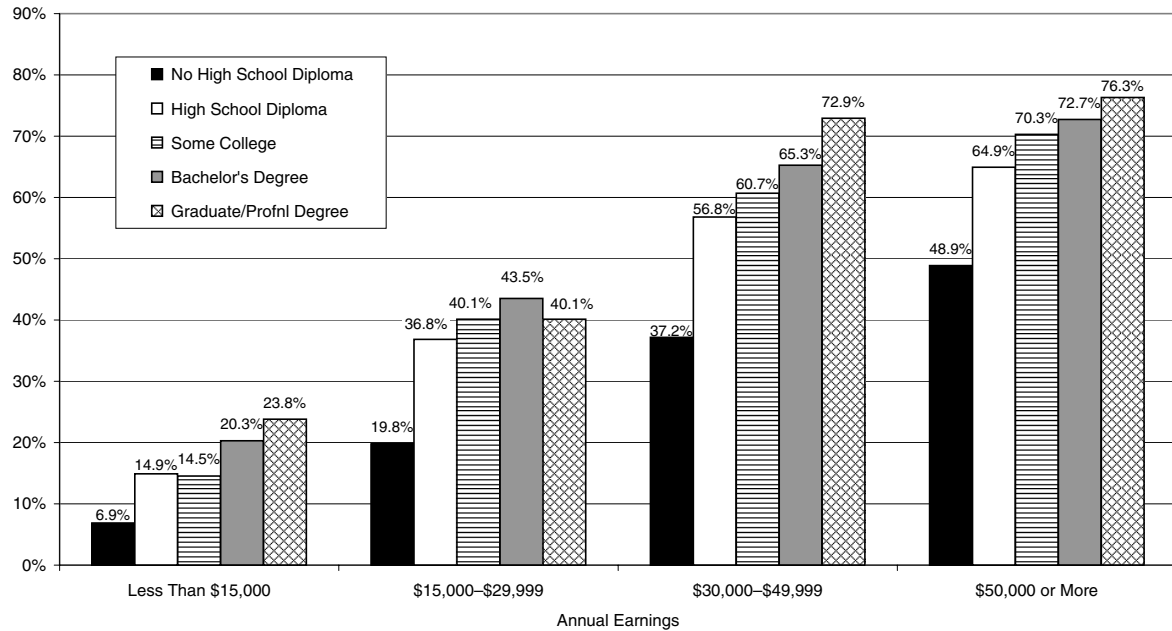
Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 10
Percentage of Wage and Salary Workers Ages 21–64 Who
Participated in an Employment-Based Retirement Plan,
by Annual Earnings and Employer Size (Number of Employees), 2005



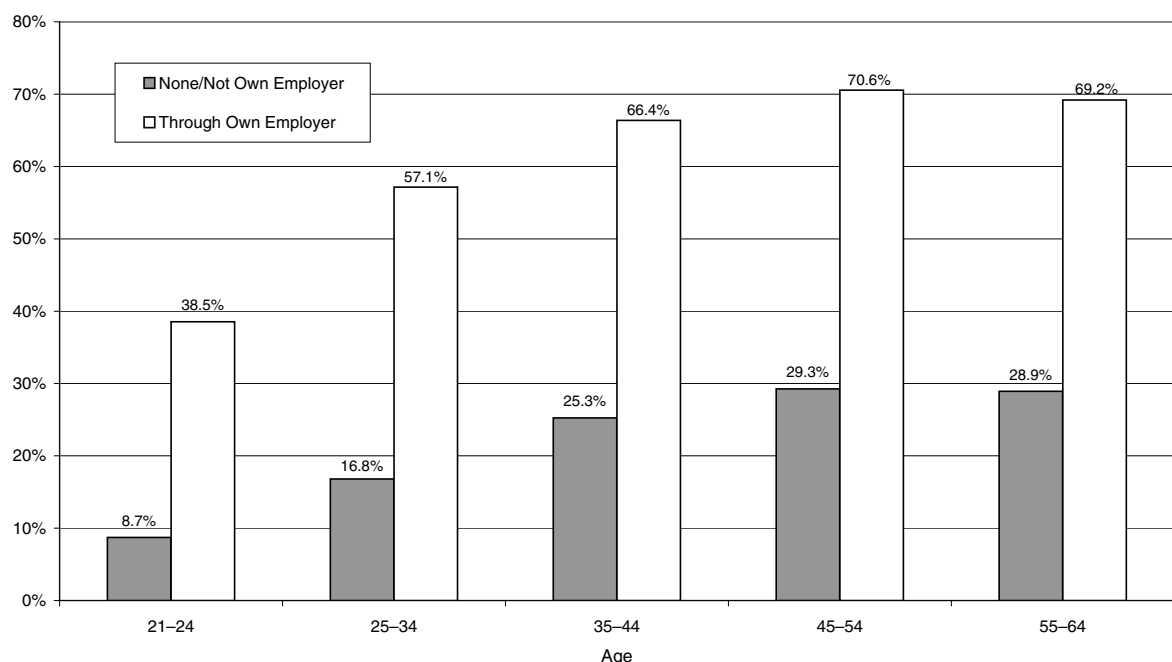
Source: Employee Benefit Research Institute estimates from 2006 March Current Population Survey.

Figure 11
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings and Educational Attainment, 2005



Source: Employee Benefit Research Institute estimates from the 2006 March Current Population Survey.

Figure 12
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Health Insurance Status, 2005



Source: Employee Benefit Research Institute estimates from the 2006 March Current Population Surveys.

and Northeastern states had the higher participation levels, while the Southern and Western states had the lower levels.

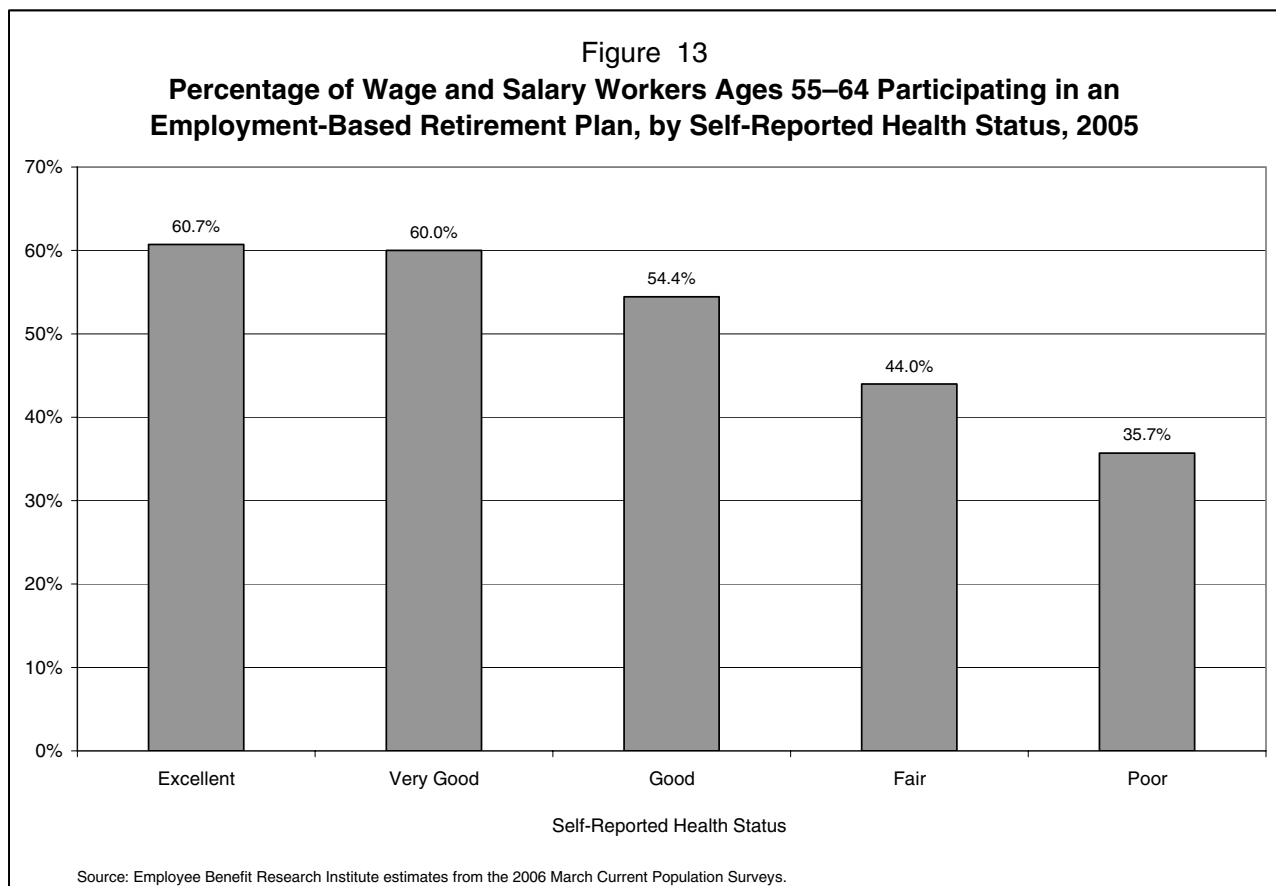
Certain consolidated statistical areas (CSAs) are identified in the CPS, and again those CSAs located in the South and West—e.g., Fresno-Madera, CA, Los Angeles-Long Beach-Riverside, CA, Raleigh-Durham-Cary, NC, and Macon-Warner-Robins-Fort Valley, GA—had the lowest retirement plan participation levels for the work-force definitions, including private-sector workers (Figure 15). Workers from the Grand Rapids-Muskegon-Holland, MI, Minneapolis-St. Paul-St. Cloud, MN, and Appleton-Oshkosh-Neenah, WI, CSAs had the highest participation levels for these same worker definitions. For public-sector wage and salary workers, workers from the Milwaukee-Racine-Waukesha, WI, CSA had the lowest level, while workers from the Appleton-Oshkosh-Neenah, WI, CSA had the highest participation levels.

Trends

After two consecutive years of slight increases, the number of workers participating in an employment-based retirement plan declined from 63.9 million in 2004 to 63.6 million in 2005 (Figure 16). This number is still slightly above the 2002 and 2003 levels, but below the record highs from 1999–2001, during which a peak of 67.1 million workers participated in 2000. The other work-force definitions also posted decreases in the number participating in 2005.

Trends in the Percentage Participating

The downward trend in the percentage of workers participating in an employment-based retirement plan that started in 2001 continued in 2005, despite a leveling off in this percentage during in the prior two years. Starting with the broadest work-force population (all workers), the percentage of workers participating in an employment-based retirement plan reached 44.4 percent in 2000 before declining to 41.8 percent by 2002, where it held essentially steady at near 42 percent in 2003 and 2004 (Figure 17). The percentage subsequently decreased to 40.9 percent in 2005. This is the lowest level since 1993.



The other three work-force categories that include private-sector workers virtually duplicated this pattern. However, full-time, full-year wage and salary workers ages 21–64 had a much larger drop off in 2004 and 2005 in the percentage participating than the other private work force categories. For public-sector wage and salary workers, the percentage participating in a retirement plan decreased from 75.8 percent in 2004 to 74.8 percent in 2005, matching its lowest level (2002) since 1993, but still near its long-term range over the 1987–2004 period of approximately 75 percent to 77 percent.

All the work-force definitions had workers' participation levels declining by at least 1-percentage point from 2004 to 2005. Full-year, full-time workers' participation level experienced the largest decline with 1.8 percentage point drop. This is the lowest amount for this group over the 1987–2005 period. The participation levels of other work forces were at their lowest points since 1993. Consequently, it may take a significant tightening in the labor market (like the one that occurred in the late 1990s) before the percentage of workers participating in an employment-based retirement plan significantly increases.¹⁷

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

Trends Across Worker Characteristics

The levels of participation for wage and salary workers ages 21–64 had relatively consistent differences across age groups during the 1987–2005 period (Figure 18). The trends within each age group were fairly consistent across this time, with each age group's participation level varying in a relatively narrow range (approximately up to 4 percentage points). However, one major exception to the overall trend in the last five years of significant declines from the high participation levels in 2000 was the trend among workers ages 55–64, which was close to flat. As a result, while workers ages 55–64 were nearly 5 percentage points less likely to participate in an employment-based retirement plan than workers ages 45–54 (57.9 percent compared with 62.6 percent) in 2000, the two age groups had virtually identical percentages of participation in 2005 (56.5 percent versus 56.4 percent).

Workers ages 35–54 had the steepest declines in participation, with the percentage of workers ages 35–44 who participated in a plan dropping from a high of 56.0 percent in 1998 to 50.4 percent in 2005, and the percentage of workers ages 45–54 falling from 62.6 percent to 56.4 percent, as described above. This is potentially troublesome for the future retirement income of workers ages 35–54, as workers in this age group have most likely attained their "career" job; consequently, they are not able or willing to take advantage of having a significant period of time for any defined contribution balances to accumulate from both contributions and compounding, while at the same time they do not have a high likelihood of ever having a defined benefit (pension) annuity payment in retirement.

The percentage of male wage and salary workers ages 21–64 participating in an employment-based retirement plan continued the decline that started in 2001, falling from 49.4 percent in 2004 to 47.8 percent in 2005 (Figure 19). Despite the fall in the percentage of female workers participating in a plan from 47.2 percent in 2004 to 46.1 percent in 2005, the gap between the percentage of males and females participating continued to narrow. In 1987, males participated at a level just over 10 percentage points higher than females. By 2005, this gap was at 1.7 percentage points.

The percentage of wage and salary workers ages 21–64 participating in a retirement plan decreased across each race/ethnicity category, with particularly sharp drops for black and "other" workers (Figure 20).¹⁸ In the prior three years, the percentage for white workers was flat, while it increased for black and other workers just before the sharp drop in 2005. The percentage of Hispanic workers participating in a plan has been on a fairly steady decline, reaching a new low in 2005 of 27.9 percent, compared with 43.1 percent for black workers and 51.7 percent for white workers.

Wage and salary workers ages 21–64 without a high school diploma experienced a sizable decline in retirement plan participation (Figure 21): from 31.5 percent in 1987 to 19.4 percent in 2005, which includes a 1.2 percentage point decline in 2005 from 2004. At education levels above high school graduate, the percentage participating in a retirement plan increased over this time period, and did so at a higher rate among those with a bachelor's degree, and at a more moderate rate among those with a graduate/professional degree and some college. Workers with a bachelor's degree had a participation level of 52.1 percent in 1987,

Figure 14

Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, by State, 2005

State	All Workers		Wage and Salary Workers Ages 21–64		Private Wage and Salary Workers Ages 21–64		Public Wage and Salary Workers Ages 21–64		Full-Time, Full-Year Wage and Salary Workers Ages 21–64	
	Number	Participating	Number	Participating	Number	Participating	Number	Participating	Number	Participating
	(millions)	(%)	(millions)	(%)	(millions)	(%)	(millions)	(%)	(millions)	(%)
All	154.7	40.9%	128.4	47.0%	108.0	41.7%	20.4	74.8%	94.0	54.8%
Alabama	2.2	44.8	1.9	50.7	1.6	44.8	0.3	82.6	1.4	60.3
Alaska	0.4	40.2	0.3	48.5	0.2	39.5	0.1	73.6	0.2	61.9
Arizona	3.0	35.5	2.5	40.9	2.1	34.5	0.4	75.0	1.9	47.9
Arkansas	1.4	37.8	1.2	44.4	1.0	40.5	0.2	64.3	0.9	53.0
California	17.9	35.5	14.8	40.7	12.5	35.0	2.3	72.0	10.7	47.2
Colorado	2.6	36.4	2.2	41.3	1.9	36.3	0.3	71.1	1.6	48.4
Connecticut	1.9	45.3	1.6	51.6	1.4	47.6	0.2	75.3	1.1	61.9
Delaware	0.5	43.4	0.4	49.0	0.3	45.4	0.1	70.3	0.3	54.9
District of Columbia	0.3	48.9	0.3	54.0	0.2	46.3	0.1	77.2	0.2	60.9
Florida	9.2	33.5	7.7	37.9	6.7	32.6	1.1	69.9	6.0	42.4
Georgia	4.7	39.9	4.1	44.8	3.4	38.8	0.7	74.3	3.2	51.5
Hawaii	0.7	45.3	0.6	51.7	0.4	46.4	0.1	73.2	0.4	59.0
Idaho	0.8	38.4	0.6	47.2	0.5	42.0	0.1	70.8	0.4	55.7
Illinois	6.7	44.4	5.6	50.6	4.9	46.9	0.8	73.7	4.1	60.3
Indiana	3.3	45.6	2.8	53.3	2.4	48.6	0.4	81.4	2.0	63.0
Iowa	1.8	44.6	1.4	53.1	1.2	47.2	0.3	80.4	1.0	64.4
Kansas	1.5	42.9	1.2	52.2	1.0	48.4	0.2	69.9	0.9	61.8
Kentucky	2.1	43.2	1.8	49.9	1.5	44.8	0.3	72.9	1.2	59.9
Louisiana	1.9	35.7	1.6	40.1	1.3	34.5	0.3	69.5	1.1	49.1
Maine	0.8	39.0	0.6	47.5	0.5	42.9	0.1	69.3	0.4	57.9
Maryland	3.1	42.8	2.6	48.5	2.0	42.4	0.6	70.3	2.0	54.9
Massachusetts	3.5	44.5	2.8	50.7	2.5	46.9	0.3	81.6	1.9	61.1
Michigan	5.2	43.7	4.3	50.5	3.7	46.7	0.6	74.6	2.9	61.4
Minnesota	3.1	47.5	2.5	56.1	2.2	51.6	0.3	83.5	1.8	64.7
Mississippi	1.3	38.8	1.1	45.3	0.9	36.8	0.2	79.8	0.8	52.5
Missouri	3.2	44.1	2.6	50.9	2.2	47.1	0.4	72.8	2.0	58.7
Montana	0.5	38.6	0.4	47.1	0.3	38.9	0.1	73.0	0.3	56.5
Nebraska	1.0	43.1	0.8	51.6	0.7	48.0	0.1	71.3	0.6	59.6
Nevada	1.3	37.4	1.1	42.3	0.9	38.1	0.1	75.8	0.8	48.1
New Hampshire	0.8	46.0	0.6	54.9	0.5	51.6	0.1	74.8	0.4	64.9
New Jersey	4.8	45.3	4.1	50.2	3.4	43.7	0.7	80.6	3.1	56.8
New Mexico	1.0	34.4	0.8	40.8	0.6	31.3	0.2	70.7	0.6	49.3
New York	9.6	42.2	8.1	47.6	6.7	41.8	1.4	74.2	6.0	54.5
North Carolina	4.4	38.5	3.7	44.3	3.0	38.2	0.6	78.6	2.8	52.0
North Dakota	0.4	43.5	0.3	52.9	0.2	48.4	0.1	70.5	0.2	64.9
Ohio	6.2	46.1	5.2	52.5	4.4	48.4	0.7	77.1	3.7	62.0
Oklahoma	1.8	37.5	1.5	43.3	1.2	37.4	0.3	71.4	1.1	50.9
Oregon	1.9	40.3	1.5	47.8	1.3	41.6	0.2	83.6	1.0	58.0
Pennsylvania	6.6	45.5	5.4	52.2	4.7	47.8	0.7	81.4	3.9	60.9
Rhode Island	0.6	41.8	0.5	48.2	0.4	43.5	0.1	77.5	0.3	58.5
South Carolina	2.2	41.5	1.8	46.9	1.5	39.0	0.4	74.2	1.4	55.3
South Dakota	0.5	40.8	0.3	50.9	0.3	48.1	0.1	64.6	0.3	61.0
Tennessee	3.0	39.1	2.5	46.4	2.1	41.9	0.4	71.1	1.8	54.9
Texas	11.4	38.6	9.4	44.2	7.8	37.9	1.6	75.6	7.1	51.0
Utah	1.4	36.9	1.1	43.5	0.9	36.8	0.2	75.0	0.8	52.4
Vermont	0.4	37.3	0.3	47.8	0.2	42.9	0.0	72.8	0.2	57.8
Virginia	4.1	44.0	3.5	49.3	2.8	43.0	0.6	77.2	2.6	58.1
Washington	3.5	44.5	2.9	52.5	2.4	48.0	0.5	76.0	2.0	61.9
West Virginia	0.9	42.7	0.7	48.0	0.6	41.4	0.1	76.7	0.5	57.9
Wisconsin	3.1	45.1	2.6	53.3	2.2	50.4	0.4	70.0	1.8	63.6
Wyoming	0.3	38.6	0.2	48.5	0.2	40.3	0.1	77.6	0.2	58.4

Source: Employee Benefit Research Institute estimates from the 2006 March Current Population Survey.

Figure 15

Percentage of Various Work Forces Who Participated in an Employment-Based Retirement Plan, by Consolidated Statistical Area (CSA), 2005

CSA	All Workers		Wage and Salary Workers Ages 21-64		Private Wage and Salary Workers Ages 21-64		Public Wage and Salary Workers Ages 21-64		Full-Time, Full-Year Wage and Salary Workers Ages 21-64	
	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)	Number (millions)	Participating (%)
All	154.67	40.9%	128.36	47.0%	108.00	41.7%	20.35	74.8%	93.96	54.8%
Unrecorded CSAs	98.20	40.4	80.91	46.8	67.46	41.3	13.45	74.6	59.28	54.8
Appleton-Oshkosh-Neenah, WI	0.23	47.3	0.20	54.0	0.17	50.1	0.02	100.0	0.13	69.8
Boston-Worcester-Manchester, MS-NH-CT-ME	2.95	46.5	2.49	52.0	2.22	48.6	0.27	80.2	1.71	61.8
Bridgeport-New Haven-Stamford, CT	1.02	47.5	0.83	54.4	0.73	50.3	0.11	81.9	0.59	66.7
Chicago-Naperville-Michigan City, IL-IN-WI	4.99	42.5	4.22	48.1	3.71	44.5	0.51	73.7	3.10	56.7
Cleveland-Akron-Elyria, OH	1.50	45.4	1.21	52.0	1.06	47.7	0.16	80.7	0.86	63.8
Dayton-Springfield-Greenville, OH	0.46	41.1	0.40	45.9	0.36	40.7	0.05	86.6	0.26	60.9
Denver-Aurora-Boulder, CO	1.55	39.5	1.32	44.3	1.14	39.6	0.18	73.3	0.96	51.2
Detroit-Warren-Flint, MI	2.72	45.0	2.32	50.0	2.03	45.9	0.28	79.6	1.59	61.1
Fresno-Madera, CA	0.51	33.7	0.42	35.6	0.34	28.7	0.08	64.8	0.27	46.7
Grand Rapids-Muskegon-Holland, MI	0.80	46.2	0.64	56.4	0.58	54.3	0.06	76.4	0.44	63.7
Greensboro--Winston-Salem--High Point, NC	0.68	38.6	0.56	44.2	0.50	41.3	0.07	65.3	0.43	53.9
Greenville-Anderson-Seneca, SC	0.34	47.5	0.29	52.5	0.25	48.8	0.04	74.5	0.22	64.2
Huntsville-Decatur, AL	0.31	43.9	0.26	51.2	0.23	44.2	0.04	93.4	0.20	60.2
Indianapolis-Anderson-Colombus, IN	0.94	44.1	0.80	50.8	0.69	45.0	0.11	88.0	0.58	60.2
Johnson City-Kingsport-Bristol, VA	0.18	46.3	0.16	53.7	0.12	44.5	0.03	90.5	0.13	59.1
Los Angeles-Long Beach-Riverside, CA	8.89	32.4	7.34	37.0	6.34	31.9	1.00	68.9	5.46	42.0
Macon-Warner-Robins-Fort Valley, GA	0.14	34.4	0.13	37.2	0.09	19.1	0.03	89.9	0.12	40.1
Milwaukee-Racine-Waukesha, WI	0.94	43.2	0.80	49.0	0.72	48.1	0.08	57.4	0.59	56.7
Minneapolis-St. Paul-St. Cloud, MN	1.95	49.5	1.65	56.4	1.45	52.3	0.20	85.8	1.17	64.6
New York-Newark-Bridgeport, NY-NJ-CT-PA	10.30	41.8	8.77	46.6	7.26	40.9	1.51	74.2	6.64	52.9
Philadelphia-Camden-Vineland, PA-NJ-DE-MD	3.01	47.6	2.49	53.9	2.14	49.3	0.36	81.9	1.90	61.4
Raleigh-Durham-Cary, NC	0.81	37.2	0.69	41.7	0.60	38.2	0.09	64.0	0.52	47.9
Salt Lake City-Ogden-Clearfield, UT	0.82	41.8	0.68	48.5	0.56	41.3	0.12	80.8	0.50	57.3
San Jose-San Francisco-Oakland, CA	4.07	39.5	3.36	45.0	2.90	40.2	0.46	75.7	2.31	52.9
Seattle-Tacoma-Olympia, WA	2.14	46.6	1.76	54.7	1.50	51.4	0.26	74.1	1.20	63.9
Washington-Baltimore-Northern Virginia, DC-MD-VA-WV	4.24	44.9	3.67	50.1	2.88	43.5	0.79	74.4	2.84	57.0

Source: Employee Benefit Research Institute estimates from the 2005 March Current Population Survey.

Figure 16
Percentage of Various Work Forces Who Worked for an Employer Who Sponsored a Retirement Plan
and the Percentage Who Participated in an Employment-Based Retirement Plan, 1987–2005

		All Workers																			
		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
Number of Workers Works for an employer	Working for an employer	130.4	132.6	133.8	134.5	134.4	134.8	136.2	138.2	139.6	142.1	143.8	145.5	149.7	151.1	150.9	151.3	151.1	152.7	154.7	
	Working for an employer sponsoring a plan	63.0	64.9	66.3	67.9	68.6	69.2	68.2	74.0	73.7	77.5	78.2	82.0	83.3	85.7	83.5	80.7	80.6	81.2	79.7	
	Participating in a plan	49.0	50.3	52.0	52.5	53.4	53.1	53.1	56.7	57.3	59.3	60.1	63.4	65.5	67.1	64.9	63.2	63.5	63.9	63.6	
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Works for an employer sponsoring a plan Participating in a plan	Working for an employer	48.3	48.9	49.6	50.5	51.0	51.3	50.1	53.5	52.8	54.5	54.4	56.4	55.6	56.7	55.3	53.4	53.4	53.2	51.5	
	Working for an employer sponsoring a plan	37.6	38.0	38.9	39.0	39.7	39.4	39.0	41.0	41.0	41.7	41.8	43.6	43.8	44.4	43.0	41.8	42.0	41.9	40.9	
	Participating in a plan																				
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Wage and Salary Workers Ages 21–64																					
Number of Workers Works for an employer	Working for an employer	100.2	102.2	103.4	104.4	109.2	109.7	110.5	112.7	115.3	117.6	117.3	118.9	122.4	124.0	124.7	125.4	125.4	126.2	128.4	
	Working for an employer sponsoring a plan	57.3	58.8	60.0	61.7	63.4	64.0	63.1	68.0	68.1	71.3	72.0	75.1	76.5	78.5	77.0	74.6	74.7	75.1	73.8	
	Participating in a plan	46.2	47.3	48.8	49.5	51.1	51.0	51.0	54.3	55.1	56.9	57.6	60.6	62.5	63.9	62.1	60.4	60.7	61.0	60.3	
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Works for an employer sponsoring a plan Participating in a plan	Working for an employer	57.2	57.5	58.0	59.1	58.1	58.4	57.1	60.4	59.1	60.6	61.4	63.2	62.5	63.3	61.7	59.5	59.6	59.5	57.5	
	Working for an employer sponsoring a plan	46.1	46.2	47.2	47.4	46.8	46.5	46.2	48.2	47.8	48.4	49.1	51.0	51.1	51.6	49.8	48.2	48.4	48.3	47.0	
	Participating in a plan																				
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Private-Sector Wage and Salary Workers Ages 21–64																					
Number of Workers Works for an employer	Working for an employer	82.6	84.2	85.2	86.1	90.6	90.7	91.1	93.4	96.7	99.3	98.9	100.1	102.7	104.3	105.1	105.3	105.4	105.7	108.0	
	Working for an employer sponsoring a plan	41.9	43.1	44.1	45.7	47.2	47.4	46.7	51.0	51.9	55.2	56.2	58.8	59.4	61.5	60.3	57.8	57.8	57.6	56.8	
	Participating in a plan	32.9	33.7	34.8	35.6	37.0	36.6	36.6	39.3	40.8	42.8	43.7	46.1	47.3	48.7	47.4	45.4	45.5	45.4	45.1	
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Works for an employer sponsoring a plan Participating in a plan	Working for an employer	50.7	51.2	51.7	53.1	52.1	52.3	51.2	54.6	53.7	55.6	56.8	58.7	57.8	59.0	57.4	54.9	54.8	54.5	52.6	
	Working for an employer sponsoring a plan	39.8	40.0	40.9	41.3	40.8	40.4	40.1	42.1	42.2	43.1	44.2	46.1	46.1	46.7	45.1	43.1	43.2	43.0	41.7	
	Participating in a plan																				
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

(Cont'd.)

(Fig. 16, Contd.)

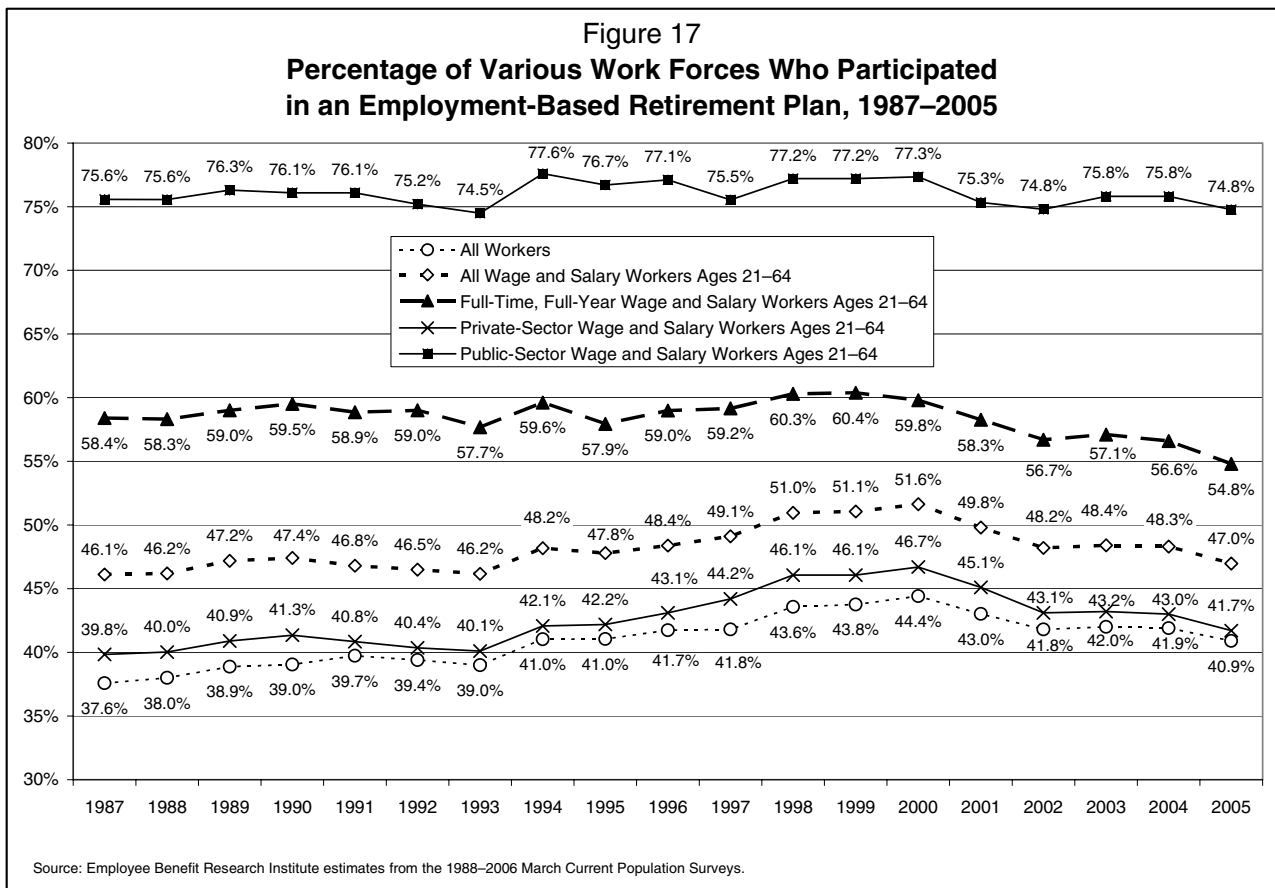
		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public-Sector Wage and Salary Workers Ages 21-64																				
		(millions)																		
Number of Workers		17.6	18.0	18.2	18.3	18.7	19.1	19.3	19.3	18.6	18.3	18.4	18.8	19.7	19.6	19.6	20.0	20.0	20.5	20.4
Works for an employer		15.4	15.6	15.9	16.0	16.3	16.6	16.4	17.0	16.1	16.0	15.9	16.3	17.1	17.0	16.6	16.8	17.0	17.5	17.0
sponsoring a plan		13.3	13.6	13.9	13.9	14.2	14.3	14.4	15.0	14.3	14.1	13.9	14.5	15.2	15.2	14.8	15.0	15.2	15.6	15.2
Participating in a plan		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total		87.4	86.6	87.2	87.5	87.3	87.3	85.1	88.1	86.9	87.6	86.0	87.1	86.9	86.4	84.9	83.7	84.8	85.1	83.6
Works for an employer		75.6	75.6	76.3	76.1	76.1	75.2	74.5	77.6	76.7	77.1	75.5	77.2	77.2	77.3	75.3	74.8	75.8	75.8	74.8
sponsoring a plan																				
Participating in a plan																				
Full-Time, Full-Year Wage and Salary Workers Ages 21-64																				
		(millions)																		
Number of Workers		66.2	68.6	68.9	68.9	71.7	72.8	74.2	76.5	79.9	81.7	83.0	85.9	88.6	91.3	90.1	90.0	90.3	91.7	94.0
Works for an employer		44.1	45.8	46.2	46.9	48.0	49.1	48.7	52.3	52.9	55.4	56.5	59.6	61.2	62.6	60.8	58.6	59.2	59.6	59.1
sponsoring a plan		38.7	40.0	40.7	41	42.2	42.9	42.8	45.6	46.3	48.2	49.1	51.8	53.5	54.6	52.5	51.1	51.5	51.9	51.5
Participating in a plan		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total		66.6	66.8	67.0	68.1	67.0	67.4	65.7	68.4	66.2	67.8	68.1	69.4	69.1	68.6	67.5	65.1	65.6	65.0	62.9
Works for an employer		58.4	58.3	59.0	59.5	58.9	59.0	57.7	59.6	57.9	59.0	59.2	60.3	60.4	59.8	58.3	56.7	57.1	56.6	54.8
sponsoring a plan																				
Participating in a plan																				

Source: Employee Benefit Research Institute estimates from the 1988-2006 March Current Population Surveys.

63.8 percent in 2000, and 59.3 percent in 2003; their rate rose slightly (to 60.0 percent) in 2004 and fell to 58.8 percent in 2005. The percentage participating among those with a graduate or professional degree increased from 65.6 percent to 68.3 percent over the period, while for those with some college, the 2005 percentage was nearly back to its 1987 level. Those workers with only a high school diploma had a small decrease in participation: from 43.9 percent in 1987 to 41.0 percent in 2005.

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

Regarding income, the percentage of workers in each earnings group who participated in a retirement plan decreased from 2004 to 2005 (Figure 22).¹⁹ This has been the trend for the higher-earnings groups since their peak levels in the late 1990s, with the 2005 levels being below the participation levels in 1987. However, the trends in participation for the lower-earnings groups were flat to increasing since 1987. This trend for low earners is consistent with the increased participation levels found for part-time workers over this period, which will be discussed later. Workers making \$30,000–\$39,999 and \$40,000–\$49,999 experienced the largest declines in participation in 2005 (2.4 percentage points and 2.3 percentage points, respectively), while for those earning \$10,000–\$14,999 the participation level remained essentially unchanged.



The percentage of full-time, full-year wage and salary workers participating in a retirement plan decreased to 54.8 percent in 2005 from 56.6 percent in 2004. This is approximately 3.5 percentage points below its 1987 level and just over 5.5 percentage points below its peak year of 1999 (Figure 23). In contrast, the percentage of workers who were part-time, full-year workers and participated in a plan held steady for the third year in a row, at 25.7 percent. Despite declines in the percentages of part-year workers participating in a plan in 2005, these percentages were still higher than their 1987 levels.

Trends Across Employer Characteristics

The growth in retirement plan participation levels across firm sizes over the 1987–2005 period occurred among smaller private-sector firms (Figure 24). In particular, workers in firms with 25–99 employees had an increased probability of participating in a retirement plan, rising from 28.2 percent in 1987 to 36.9 percent in 2005. Furthermore, workers in the smallest firms (fewer than 10 employees and 10–24 employees) had significant increases of 3.9 percentage points and 5.3 percentage points, respectively, from 1991 to 2005. Furthermore, workers in firms with 100–499 employees also had a large increase in retirement plan participation, increasing from 42.5 percent in 1987 to 48.4 percent in 2005. In contrast, the percentage of retirement plan participants working for the largest private firms (1,000 or more employees) declined from 1987 to 2005, dropping from 63.2 percent to 58.0 percent over the period, including a 1.2 percentage point decline in 2005. This appears to be a result of larger firms shifting to DC plans, where some workers are choosing not to participate, while smaller firms have increasingly offered defined contribution retirement plans leading to more of their workers participating.

While the trend from 1987 is positive for small-firm workers, the trend in 2005 was not, with declines in participation levels for workers in firms with 10–24 employees and 25–99 employees of more than 2 percentage points from 2004. These decreases were steeper than those for workers of the larger employers. Even public-sector workers experienced a decline in their likelihood of participating in a plan in 2005. Therefore, 2005 was *not* a banner year for retirement plan participation in any firm size category.

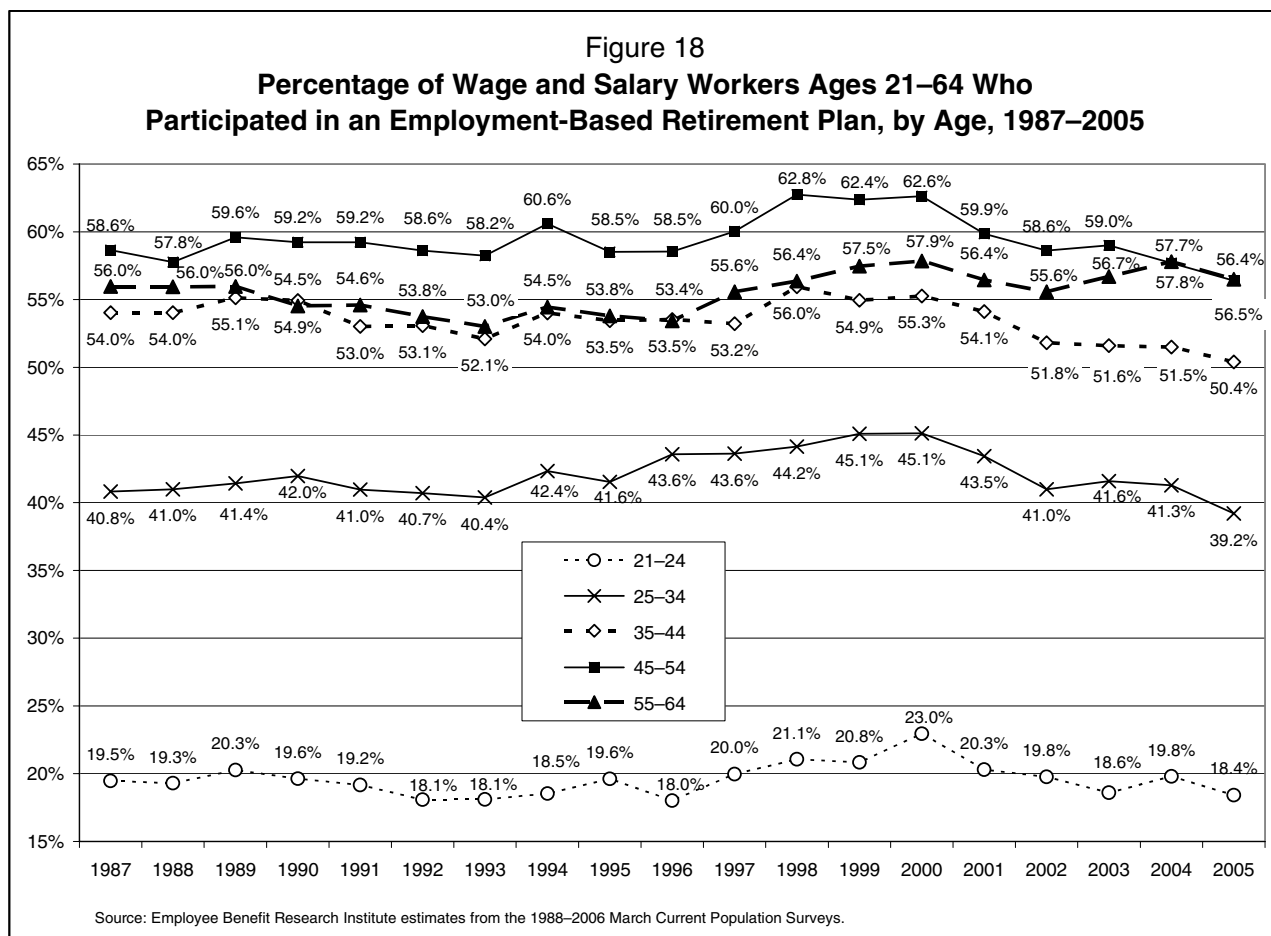
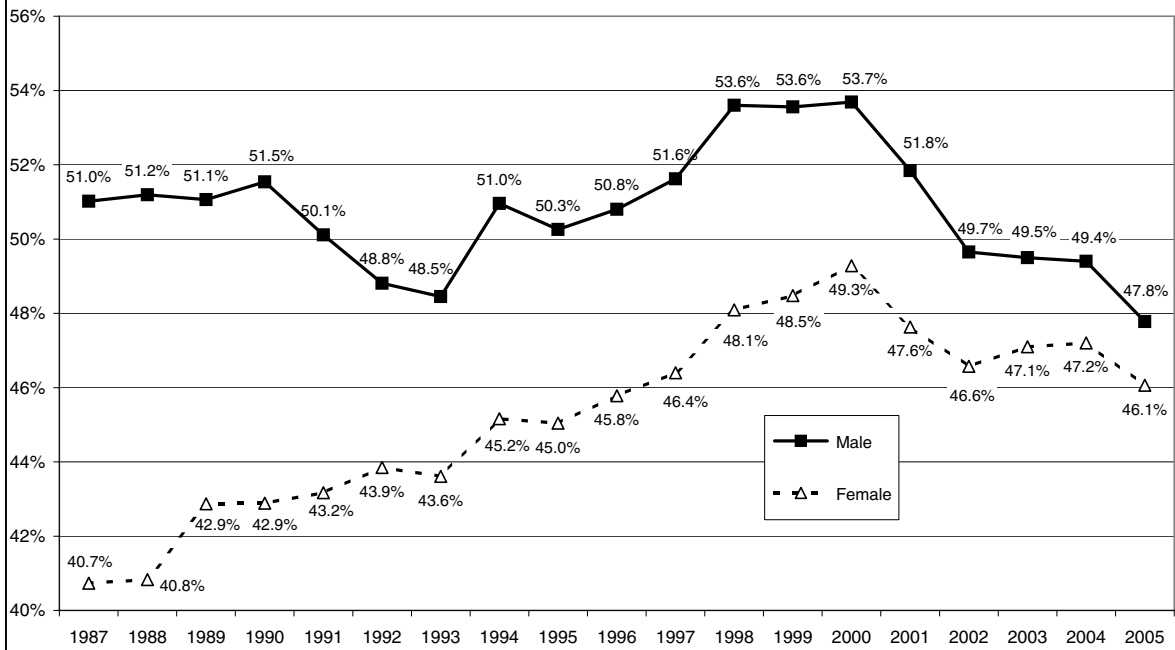
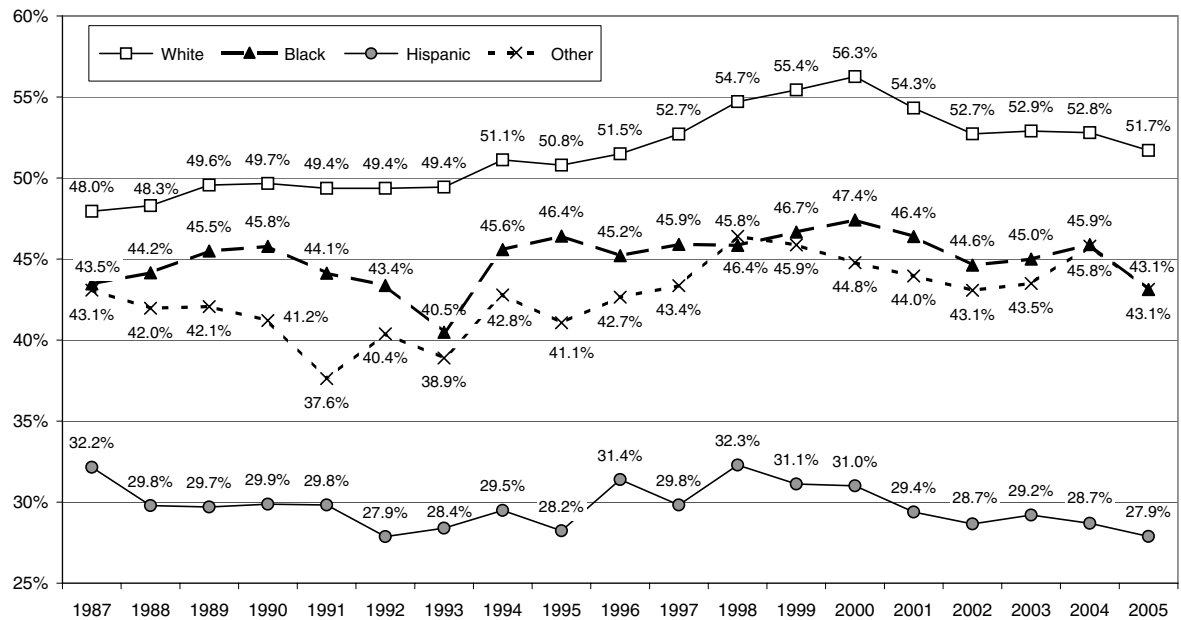


Figure 19
Percentage of Wage and Salary Workers Ages 21–64 Who Participated
in an Employment-Based Retirement Plan, by Gender, 1987–2005



Source: Employee Benefit Research Institute estimates from the 1988–2006 March Current Population Surveys.

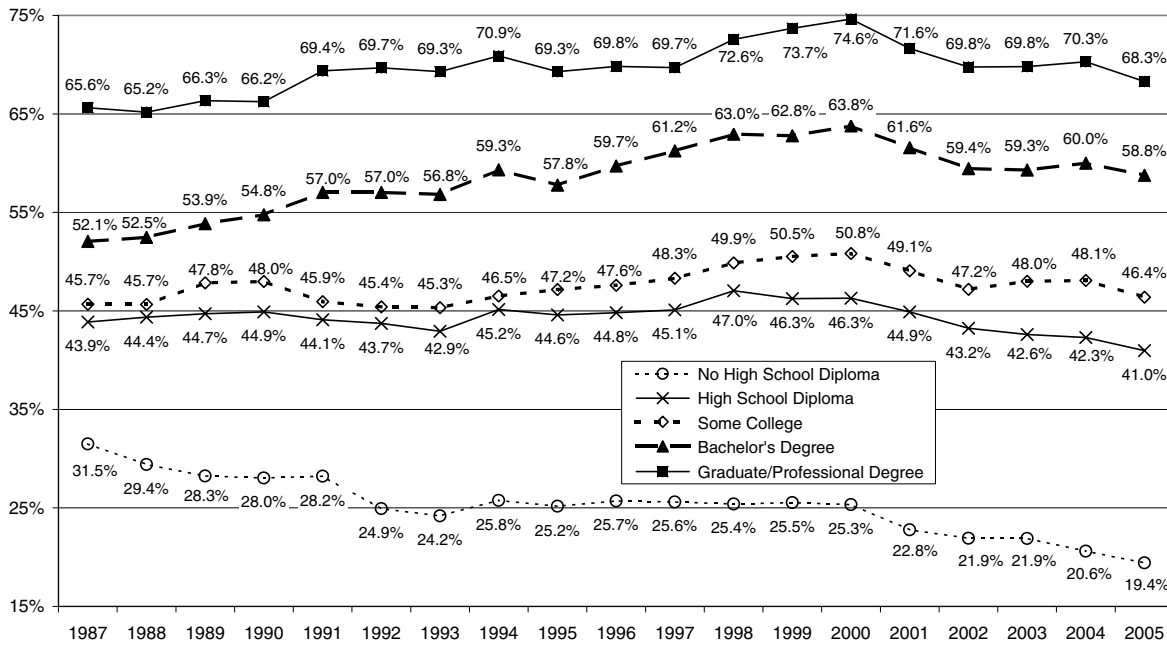
Figure 20
Percentage of Wage and Salary Workers Ages 21–64 Who Participated
in an Employment-Based Retirement Plan, by Race/Ethnicity,^a 1987–2005



Source: Employee Benefit Research Institute estimates from the 1988–2006 March Current Population Surveys.

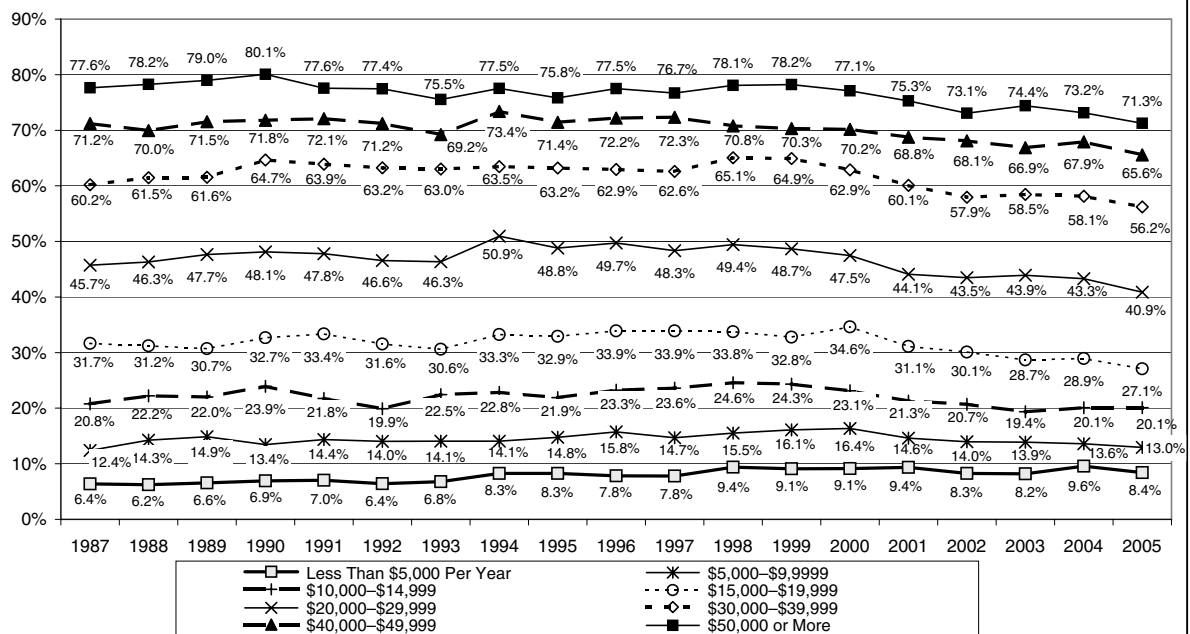
^a Beginning with the 2003 March Current Population Survey, changes were made in the race variable, allowing respondents to answer to more than one race. Thus, the 2002–2005 results are not entirely comparable with prior years, but are presented for illustrative purposes. The other category includes those who answered to being of more than one race for 2002–2005.

Figure 21
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Educational Level, 1987–2005



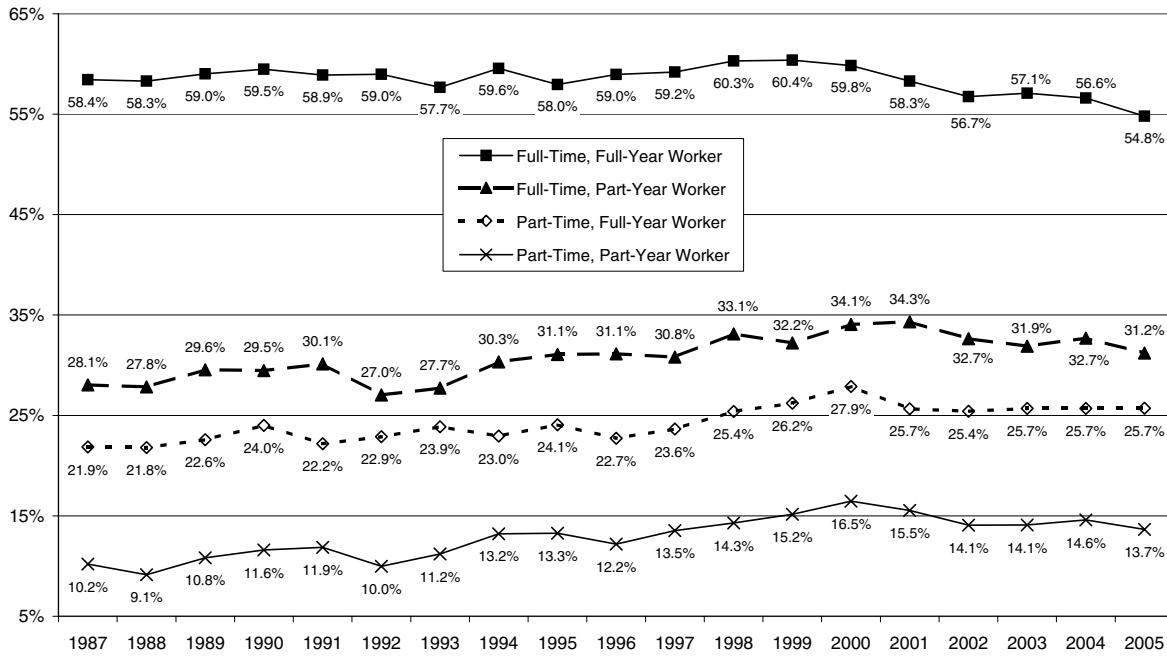
Source: Employee Benefit Research Institute estimates from the 1988–2006 March Current Population Surveys.

Figure 22
Percentage of Wage and Salary Workers Ages 21–64 Who Participated in an Employment-Based Retirement Plan, by Annual Earnings (2005 \$s), 1987–2005



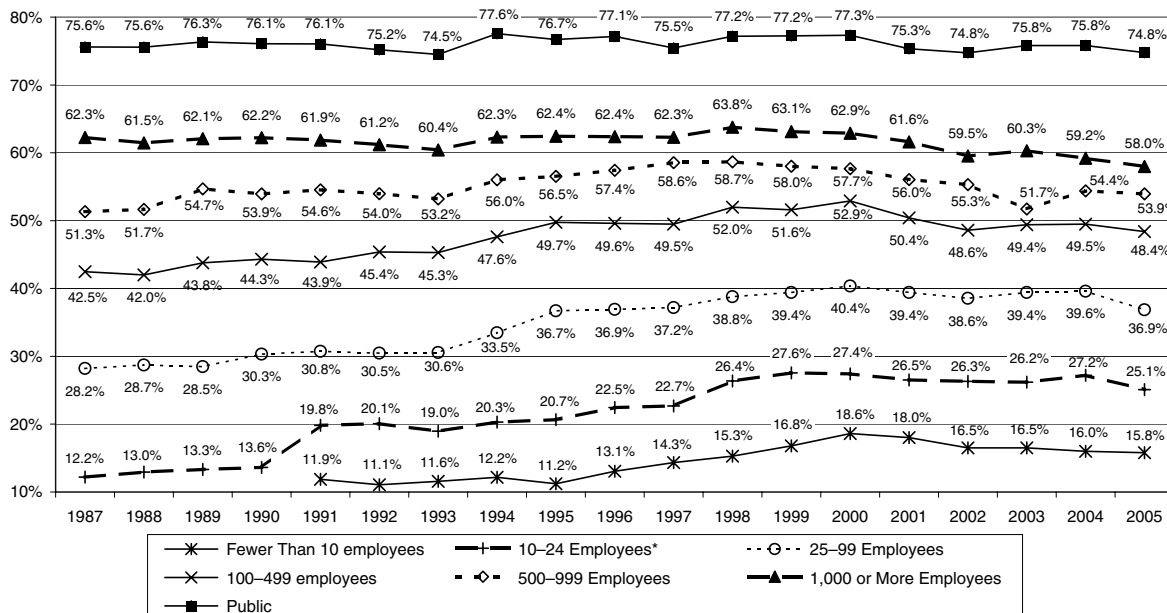
Source: Employee Benefit Research Institute estimates from the 1988–2006 March Current Population Surveys.

Figure 23
Percentage of Wage and Salary Workers Ages 21–64 Who Participated
in an Employment-Based Retirement Plan, by Work Status, 1987–2005



Source: Employee Benefit Research Institute estimates from the 1988–2006 March Current Population Surveys.

Figure 24
Percentage of Wage and Salary Workers Ages 21–64 Who
Participated in an Employment-Based Retirement Plan,
by Workers' Employer Size, 1987–2005



Source: Employee Benefit Research Institute estimates from the 1988–2006 March Current Population Surveys.

* Under 25 from 1987–1990.

Conclusion

In 2005, 40.9 percent of all workers, or 63.6 million Americans, participated in an employment-based retirement plan. Among full-time, full-year wage and salary workers ages 21 to 64—those with the strongest connection to the work force—the percentage participating was 54.8 percent. This percentage of participating workers varied significantly across many worker characteristics and the characteristics of their employers. Being nonwhite, younger, female, never married; having lower educational attainment, lower earnings, poorer health status, no health insurance through own employer; not working full time, full year, and working in service occupations or farming, fisheries, and forestry occupations were all associated with a lower level of participation in a retirement plan. In addition, workers working for smaller firms, private-sector firms, or firms in the other (not professional) services industry were also less likely to participate in a plan. Another factor in the likelihood of workers' participation in a retirement plan was their geographic location, with workers in the South and West (Southwest in particular) less likely to participate in a plan than those in other regions of the country.

A closer examination of certain characteristics provides some revealing findings. In particular, while the overall percentage of females participating in a plan was lower than that of males, the retirement plan participation gender gap is closing; when controlling for work status or earnings, the female participation level actually surpasses that of males.²⁰ Furthermore, black and native-born Hispanic workers had participation levels much closer to those of white workers within each age group. Nonnative-born Hispanics had substantially lower participation levels than native-born Hispanics, even when controlling for age and earnings. This results in all Hispanics looking worse off in terms of retirement plan participation, when it is really only the nonnative Hispanics who have participation levels substantially below those of all other workers.

After two straight years of small increases in the number of workers participating in a plan, a similarly sized decline occurred in 2005. The 2005 total of participating workers remains above the 2003 total, but is 3.5 million lower than the peak year of 2000. Consequently, the number of workers participating in a retirement plan has been relatively constant since 2002.

The percentage of workers participating in a retirement plan declined across virtually all of the categories examined, except for two—those earning \$10,000–\$14,999 and part-time, full-year workers—where the percentages remained at the same level. After holding relatively steady the last few years, the percentage of participating employees working for smaller employers (25–99 employees) declined by more than 2 percentage points in 2005. In contrast, the percentage of those working for larger employers (100 or more employees) who participated in a plan had only small declines. Prior to 2005, the percentage participating among small-employer employees had been holding steady, while the percentage among the large employee workers was trending downward and the percentage in 2002 for the largest employers declined more than 2 percentage points.

While individual factors are important, retirement plan participation by workers is also strongly tied to macro factors such as (most importantly) the labor market. The participation trends increased significantly when the labor market was tight in the late 1990s, and decreased when unemployment went up in 2001 and 2002. With a more stable job market in 2003 and 2004, the participation trend flattened out. However, even with the stable job market in 2005, the retirement plan participation level declined. Therefore, it appears a much tighter job market may be needed to push the trend upwards. Regardless of the current direction, this trend has important implications for workers, since having more opportunities to participate in an employment-based retirement plan greatly increases the amount of money a retiree is likely to have in retirement.²¹

However, many underlying factors will continue to affect the future direction of this trend. In particular, the decline and freezing of defined benefit pension plans in the private sector will, at a minimum, have an effect on the type of retirement plans that private-sector workers participate in, as well as on the number of people participating in a plan. However, now that the legal status of cash balance pension plans has been clarified (prospectively) in the 2006 Pension Protection Act (PPA), an option other than final/career average pension plans exists for defined benefit plan sponsors. Furthermore, the provisions supporting automatic enrollment and investment advice for defined contribution plans could work in favor of increasing the trend

in participation.²² Consequently, how employers and employees respond to the provisions of the PPA will be important factors in the future direction of the trend in participation.

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

As VanDerhei and Copeland (2003) show, many cohorts of future retirees are projected to be unlikely to be able to pay for the same standard of retirement expenses throughout their retirement years, particularly if the retirees live beyond their average life expectancy or if they or their spouses have a significant period of long-term care needs.²³ Furthermore, the savings goal of an individual is not a simple rule of thumb but a more complicated calculation that must account for all the risks in retirement—investment, longevity, and health care needs. Depending upon one’s comfort and/or ability of assuming these risks, there is wide variation in the amount of assets an individual will need to accumulate for retirement.²⁴

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Endnotes

- ¹ Technically, most private qualified defined contribution plans are either money purchase or profit-sharing plans (Sec. 401(k) plans are of the latter type). Under the former, the plan sponsor typically commits to a fixed percentage of compensation each year. For a profit-sharing plan, plan contributions may be made on a discretionary basis by the plan sponsor, but how these contributions are allocated among individual employee accounts must be based on a specified, predetermined formula meeting certain requirements if the plan is to qualify for tax-favored status.
- ² Employer contributions may be subject to vesting rules, such that participants do not have full legal rights to employer contributions made on their behalf until they have reached a certain minimum number of years of service. Consequently, if the participant terminates employment before reaching this minimum level of service, the benefit available would be reduced by the nonvested portion of the account balance.
- ³ Lump-sum distributions are increasingly available in DB plans. For example, in 2003, 48 percent of full-time employees in the private sector were eligible for a lump-sum distribution (U.S. Department of Labor, 2006). Whereas in 1997 and 1995, 76 percent and 85 percent, respectively, of full-time workers participating in a DB plan in a medium or large establishment were *not* offered a lump-sum distribution (U.S. Department of Labor, 1999, 1998).
- ⁴ See VanDerhei and Copeland (April 2001).
- ⁵ See Holden and VanDerhei (2006) for results on how current workers, in their present job, are doing in terms of accumulating assets in 401(k) plans. One important caveat of this study in regard to overall accumulations of workers in 401(k) plans is that the study does not include any assets accumulated at past jobs that have not been rolled into their current employment-based plan.
- ⁶ See VanDerhei and Copeland, *op. cit.*, for discussion of the reasons for the growth in DC plans and the consequences for retirees of this growth.
- ⁷ The 2004 Survey of Consumer Finances (SCF) was released in early 2006 with 2004 data. Therefore, the data are already one year behind the CPS used in this study. However, SCF still remains the most up-to-date survey of plan type

breakouts as well as overall assets held by American households (among other things) and is an essential piece in the evaluation of the status of Americans' preparation for retirement.

⁸ Each March CPS asks about retirement plan participation in the prior year. For example, the March 2006 CPS asks about retirement plan participation in 2005.

⁹ Wage and salary workers include all workers who work for someone else as well as those who are self-employed and are incorporated. Thus, the unincorporated self-employed are not included.

¹⁰ A worker who is at least 21 years of age, has one year of tenure, and works more than 2,000 hours in a year, in general, must be covered by an employer who offers a private-sector retirement plan to its workers (IRC Sec. 401(a) 26). Typically, public-sector employers follow similar rules, despite not being governed by all of the same statutes as those for private-sector employers.

¹¹ The industry definitions were altered in this report to account for definitional changes that occurred within the Current Population Survey. Consequently, industry participation levels for 2005 cannot be compared with prior years' results.

¹² Starting with the 2003 March Current Population Survey, changes were made to the race questions allowing respondents to answer to more than one race, e.g., white and black. These individuals are included in the "other race" category. Thus, the white category only includes those who responded they were white only, blacks as black only, etc.

¹³ Native-born means the worker was born in the continental United States, Hawaii, or Alaska, but not U.S. territories such as Puerto Rico.

¹⁴ See VanDerhei (2006) for an examination of the risks of health care costs in retirement associated with the necessary amount of preretirement income needed to be replaced at retirement in order to maintain the same standard of living throughout retirement.

¹⁵ The relative percentages of retirement plan participation between those with and without own employer-provided health insurance has persisted for a number of years across all age groups. In 2004, 64.1 percent of all workers with health insurance through their own employer participated in an employment-based retirement plan, compared with 17.4 percent without this type of insurance (Copeland 2005a).

¹⁶ State estimates of the less populated states are less reliable than those of more populated states due to the sample size in the survey in those states. Consequently, these state estimates should be used with caution. Furthermore, due to the fairly significant standard error in the less populated states, in order to eliminate confusion between sampling errors and actual shifts in the participation levels across these states, trends are not presented.

¹⁷ As discussed earlier, the CPS is the most up-to-date and consistent survey of retirement plan participation among all employees with detailed demographic data. However, SIPP also has data on these issues. In Copeland (2005b), the percentage of workers participating in a retirement plan was found to have increased from 1998 to 2003, according to SIPP data. Furthermore, the level of participation was higher in SIPP than that in CPS. While the *level of difference* can be easily explained, as the SIPP study on retirement plan participation is focused only on those working at the time of the survey (compared with CPS, which asks individuals about retirement plan participation for anybody who worked in the past year, not just those currently working), the *trend differences* are not. One potential factor is that SIPP asks questions at the beginning of the year while CPS asks them at the end of the year, and the CPS showed a major increase in participation in 1998 that might not have been completely picked up by SIPP at the beginning of the year. Results from SIPP and CPS data have also provided differences in the percentage of individuals without health insurance that have not been completely explained other than by methodology issues. See Fronstin (2000) for a further discussion on the differences in these two surveys for counting the uninsured. In addition, the most recent SCF also shows a significant decline in the percentage of families with a worker who participates in an employment-based retirement plan (Copeland, 2006). In contrast, results from the Bureau of Labor Statistics (2003, 2005a, 2005b, and 2006b) show an increase in the percentage of private-sector workers participating in a retirement plan from 48 percent in 2000, 49 percent in 2003, 50 percent in 2005, and to 51 percent in 2006. However, the BLS survey asks private establishments about their employees' participation, while CPS is a survey directly asked of households. Consequently, BLS survey does not provide the level of individual demographic data that the CPS does. Therefore, the CPS has the most up-to-date breakdowns of retirement plan participation by individual demographic data from the longest consistent set of annually asked questions on this topic. See Purcell (2006) for a further discussion on the differences from the BLS numbers in the National Compensation Survey and the CPS.

¹⁸ The race categories were revised in the 2003 survey to allow for combinations of races. However, the distribution of workers among the race categories was virtually unchanged even with those of more than one race being moved to the

“other race” category. Consequently, the trend for the race/ethnicity categories is presented despite the inconsistent definitions of these categories.

¹⁹ All earnings amounts are in 2005 dollars, that is, all earnings from years prior to 2005 are inflated by the consumer price index (CPI) level to reach 2005 dollars. Earnings are defined as the amount a worker is paid in compensation—wages and salary. This does not include investment income or other income sources.

²⁰ While females have higher participation levels in each work status and earnings category, they have a lower likelihood of participating in a defined contribution plan when eligible. From the 2004 SCF, female family heads had a participation rate of 72.5 percent in DC plans compared to 76.6 percent for male family heads. Consequently, it appears that females are more likely to work for employers that offer a plan than are males.

²¹ See Holden and VanDerhei (2002) for projections of replacement rates from 401(k) plans for 401(k) plan participants under various career 401(k) plan participation scenarios to see the impact of how continuous participating in a plan substantially increases the replacement rate to be expected from these plans.

²² See Holden and VanDerhei (2005) for an estimation of the possible impact on 401(k) plan account accumulations from automatic enrollment.

²³ These expenses include housing, food, apparel and services, transportation, reading and education, and entertainment plus basic health care costs such as Medicare premiums and Medigap premiums and stochastic health care expenditures for those who have a nursing home or health care episode of care. The level of these expenses is determined by the retiree’s retirement income.

²⁴ See VanDerhei (2006) for a further discussion of the amount of income needed to be replaced, when accounting for various types of risk in retirement and the probability of successfully doing so.

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